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CHAIRMAN, PRESIDENT AND CEO

CEO Commentary and Market Perspective

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The current construction cycle has strengthened the broader United States economy over the past several years while also fueling Martin Marietta's continued success. Increased construction activity and demand in the public and private sectors has delivered widespread job growth and wage increases, particularly across much of our company's geographic footprint. Product demand is growing, pricing is advancing, and our seamless integration of Bluegrass Materials Company (Bluegrass) – the second-largest acquisition in our company's history – remains on track. We expect these favorable trends to continue, and as demonstrated by our record second-quarter 2018 results and positive outlook, Martin Marietta and its shareholders are benefitting from the slow yet steady recovery in U.S. construction and infrastructure spending. We are more confident than ever about Martin Marietta's near- and long-term growth trajectory.

With the first half of 2018 now behind us, Martin Marietta is particularly encouraged by the combination of: (i) favorable market trends, (ii) ongoing customer optimism and (iii) positive third-party forecasts. More specifically, underlying customer demand remains strong, most notably in Texas, North Carolina, Georgia and Iowa. These are four of our company's key states, underscoring the strength of Martin Marietta's markets. Based on consistent feedback from our sales team, customers and suppliers, we anticipate increasing construction activity and continued favorable pricing trends for 2018 and beyond. This is despite some external throughput constraints, such as labor and transportation shortages, which will be addressed by market forces over time.

With this as preliminary background, here are some additional thoughts and observations on the current construction recovery and what it means for Martin Marietta and our industry.

Nation is experiencing the second longest economic recovery

The United States is experiencing the second longest economic recovery since the Great Depression. It is difficult to see an end to this recovery in the near- to medium-term as years of pent-up demand, together with a lower tax and improving regulatory environment, provide sustainable support for continued growth. During the current economic expansion, however, transient external headwinds, including contractor capacity limitations and freight constraints, have slowed the pace of construction activity. These bottlenecks will ease and be addressed as higher wages and capital flow into the construction sector. As a result, we expect throughput will gradually increase and there will be a slow, expanding, extended construction cycle over the next several years. At the moment, these articulated headwinds will not prevent the cycle from continuing; rather, they will likely prolong it.

Candidly, at Martin Marietta, we prefer steady construction growth as opposed to a rapid rise and shorter cycle. Among other things, a less volatile construction period allows us to work with greater efficiency as we execute our strategic plan, manage shipment and production levels, optimize our cost profile and pursue pricing opportunities – all with an aim of generating margin improvements and profit gains for the benefit of our shareholders.

Current construction cycle has a long runway for continued steady growth

In our view, the current construction cycle is not nearing its peak in the regions in which we operate, including the markets in which our newly-acquired Bluegrass operations are located. This belief is buttressed by strong underlying macroeconomic conditions in our various geographies, as well as industry and third-party forecasts.

Importantly, Martin Marietta's overall aggregates shipments are still 10 percent below mid-cycle demand – not below peak demand but below mid-cycle levels. As such, we see significant upside from current levels. It is also important to note that the level of recovery varies within our geographic footprint. For example, North Carolina, Georgia and Maryland are approximately 20 percent to 25 percent below mid-cycle demand, while Texas is modestly above mid-cycle demand. Throughout our portfolio, underlying market fundamentals, including employment, population growth and state fiscal health, are robust. We see no signs of overbuilt markets.

The current construction cycle also has some stark differences compared with others. First, infrastructure activity has been sluggish over the past several years, even with funding provided by the *Fixing America's Surface Transportation Act* (FAST Act) and state and local initiatives. For our business, aggregates shipments to the public sector historically range from 45 percent to 48 percent of our total volume; year to date, these shipments are below 40 percent and have been hindered by ongoing project delays and labor constraints. We are encouraged by the recent acceleration of state lettings and contract awards and we know the work is coming; however, contractors are noting longer lag time between contract awards and project commencement.

At the peak, annual housing starts were more than 2 million, significantly above the 50-year average of 1.5 million. Notwithstanding a historically low interest rate environment, restrictive lending policies have reduced access to capital, creating a slower growth environment for housing. That said, we believe a shortage of single-family housing units exists, particularly for entry level homes. This is a need the homebuilding industry is now beginning to address. Further, we firmly believe that many of Martin Marietta's leading southeastern and southwestern states offer superior opportunities for gains in single-family housing driven by a multitude of factors, such as affordable land, lower taxes and fewer regulatory barriers. Today, residential housing starts are 1.2 million units for the trailing twelve months ended June 2018.

Slow and expanding construction recovery continues

These underlying facts offer some insights as to why we believe the steady, multi-year construction recovery continues through 2018 and beyond for our three primary end uses – infrastructure, nonresidential and residential. Indeed, a compelling need for infrastructure and related investment exists and is being recognized by elected officials and voters as evidenced by numerous state and local ballot initiatives. The demand for the construction materials we supply, combined with widespread customer optimism, remains strong. Producers have both the ability and capacity to supply the needed heavy-side building materials. Notably, the biggest catalysts to meeting construction demand will be improving contractor capacity and logistics.

Many of our geographic markets are at or near full employment levels. Finding interested and qualified workers is challenging as many of those who left the construction industry during the Great Recession have found employment elsewhere. As a result, contractors are facing labor shortages, dictating that they accept lower-than-desired levels of activity while often maintaining multi-year backlogs. While this dynamic limits near-term construction growth and contributes to project delays, it also serves to extend the construction cycle.

These labor shortages are also causing logistical challenges. For example, shipments to our rail-served distribution yards, primarily in Texas, Georgia and Florida, have been disrupted by well-chronicled Class I railroad performance issues, including delayed trains and longer load times. In certain instances, railroads are offering sign-on bonuses and returning employees from furlough to improve performance. We expect continued, yet manageable, service issues over the next three to six months. Similarly, truck transportation constraints, including a shortage of both drivers and vehicles, are slowing overall construction growth. These challenges are slowing growth rates while also extending the construction recovery period.

Independent third-party forecasts and favorable market trends support outlook and market perspective

Third-party forecasts anticipate increased construction activity over the next several years, underpinning our outlook for durable and steady growth in product demand in 2018 and beyond.

- Moody's Analytics' Economy.com recently updated its U.S. Regional Business Cycle Map, which summarizes the current economic status of states and metropolitan areas as Expanding, Recovering, At Risk or In Recession. The economy in all U.S. states is classified as either Recovering or Expanding, which further validates our belief that we remain in a sustained, multi-year construction recovery.

- Gross domestic product (GDP) growth is forecasted at 2.9 percent in 2018 and 2.6 percent in 2019. GDP growth is a leading indicator of future aggregates demand.

- Dodge Data & Analytics forecasts a 3 percent increase in total construction starts in 2018 with a positive outlook for highways and streets construction in 2018 and 2019.

- The Portland Cement Association (PCA) remains optimistic about national cement demand and forecasts a 2.9 percent increase in 2018 and continued growth in 2019 and beyond.

- The Dodge Momentum Index (DMI), a monthly measure of initial nonresidential construction planning, continues to post solid gains. The DMI is nearing its highest readings in almost a decade with June marking its fifth straight monthly increase. The DMI suggests both commercial and institutional construction activity will remain healthy throughout 2018.

- The Architectural Billings Index (ABI), a nine- to twelve-month leading indicator for nonresidential construction activity, was 51.3 in June 2018, marking the ninth consecutive month of billings growth (any score above 50 indicates billing growth from the previous month). The South region, as defined by ABI and which includes Texas, Georgia, Florida and the Carolinas, has reported billings growth every month since June 2012. Additionally, all three construction sectors – commercial/industrial, institutional and residential – continue to report positive billings with ABI scores greater than 50.

We remain optimistic about the largely positive trends in the markets we serve and the continued presence of fundamental drivers that support gains in broad-based construction activity within our top nine states: Texas, Colorado, North Carolina, Georgia, Iowa, South Carolina, Florida, Maryland and Indiana.

- Employment and population growth support future construction activity.
  - Five Martin Marietta key states lead the nation in job growth - Texas 1st; Florida 3rd; North Carolina 5th; Georgia 7th; and Colorado 9th. Job growth of 2.1 percent for our top nine states is faster than the national average. *(Growth rates are for the trailing-twelve months ended May 2018)*
  - Population growth in Texas, Colorado, North Carolina, Georgia, South Carolina and Florida is expected to increase more than 20 percent by 2040 *(Growth rates calculated using data from the U.S. Census Bureau and Weldon Cooper Center for Public Service)*

- We are seeing greater levels of single-family housing activity in several of our key states, which has more than double the aggregates intensity of multi-family construction. Texas, Florida, North Carolina, Colorado, Georgia and South Carolina rank in the top 10 for growth in single-family housing unit starts, and, inclusive of Iowa, Maryland and Indiana, growth in single-family housing unit starts for our top nine states of 6 percent outpaces the national average. (*Growth rates and housing starts are for the trailing twelve months ended May 2018)*

- Our West Group states, predominantly Texas and Colorado, continue to demonstrate the sustained, durable nature of the current construction cycle.
  - The Texas Department of Transportation (DOT) will let approximately $8 billion in fiscal year 2018, up from $6.2 billion in the prior fiscal year. Additional funding from Prop 7 will be available in September 2018.

- Texas cement supply is tight with forecasted demand exceeding domestic production capacity by 8 percent in 2018 and 11 percent in 2019.
- While the pace of permitting and final investment decisions has been slow, new energy-related projects along the Gulf Coast are progressing. Numerous projects will bid in 2018 with construction activity beginning in 2019 and beyond.
- Rebuilding efforts following Hurricane Harvey will continue over several years and will be a driver for building materials demand in Texas, the Company's largest state by revenue.
- Denver remains among the fastest growing metropolitan economies in the United States, and Martin Marietta has a premier, multi-generational position along the Front Range of the Rocky Mountains, home to 80 percent of Colorado's population, supporting continued growth in all primary end-use markets – infrastructure, residential and nonresidential.
- Colorado recently earmarked $650 million of its fiscal year 2018 surplus for transportation funding over the next two years.

♦ Our business in the southeastern United States is benefitting from the accelerating economic recovery and attractive market drivers, including strong employment growth, relatively lower costs of living, affordable housing options and land availability for development.

- The North Carolina DOT plans to spend an additional $1 billion annually over the next three years to draw down its excess cash balance. Additionally, in June, North Carolina passed the *Build NC Bond Act of 2018*, a ten-year $3 billion alternative financing mechanism to leverage existing transportation funding through a state Grant Anticipation Revenue Vehicle (GARVEE) program.
- South Carolina maintains the fourth-largest state road system in the nation. In July 2017, the state enacted its first gas tax increase in more than 30 years. The $0.12–per-gallon increase will be phased in over six years and will add an additional $800 million annually to transportation funding once fully implemented.
- Customer confidence in North Carolina, South Carolina, Georgia and Florida is at its highest level in nearly a decade.

♦ Maryland will benefit from a robust infrastructure project pipeline that includes the largest P3 highway project in North America and the Purple Line expansion.

CONCLUSION

Martin Marietta is benefitting from the increasing strength of the current construction cycle and we believe we are only in the middle of a steady multi-year building recovery throughout the United States. We anticipate increased demand for infrastructure projects and private-sector construction activity during the second half of the year, with faster growth in our key geographies due to attractive market fundamentals. Based on these expectations, we remain optimistic that 2018 will be another record year for Martin Marietta, and we are confident about Martin Marietta's long-term growth trajectory as the construction recovery continues on a steady and extended basis.