Ward Nye
CHAIRMAN, PRESIDENT AND CEO

CEO Earnings Commentary and Market Perspective
For the Third Quarter Ended September 30, 2017

A hallmark of Martin Marietta is our team's ability to consistently achieve outstanding results despite whatever challenges we face. First and foremost, I am grateful that our employees and their families are safe in the aftermath of the hurricanes of historic proportions in the Atlantic Ocean and Gulf of Mexico. These hurricanes caused various dislocations and work-stoppages during August and September, resulting in lower-than-expected revenues and profitability in what has historically always been our most profitable quarter. We fully expect to make up these impacts as we help those affected rebuild and start anew.

I am pleased to report that, against this challenging volume backdrop, our company delivered solid operating performance, with pricing momentum across all product lines and segments. In fact, aggregates product line gross margin improved 180 basis points over the prior-year quarter. Additionally, through the first nine months of the year, our employees achieved record safety performance with a consolidated total injury incident rate that is nearing world class. Notably, the majority of our operating divisions are already at that level. It is all the more noteworthy that we achieved these financial and safety results despite near-record precipitation compounded by multiple hurricanes and other external factors, including ongoing project delays, construction labor shortages in many of our most robust markets and governmental uncertainty.

Product demand is the one critical aspect of our business over which we have no control. Although the nation continues to benefit from the third longest construction recovery since the Great Depression, our industry's volumes remain frustratingly muted as disappointing infrastructure activity continues to offset gains in private-sector construction. While there seems to be near unanimity that there is need for significant infrastructure investment, elected representatives have yet to act timely or boldly to address that need. On the positive side, we have a long-term federal highway bill and states are taking steps to secure needed additional funding – but we have yet to see the uptick in related construction activity, particularly on the public side, that both the industry and the American people want and expect. Our company, and, indeed, our industry, has geared up to meet the need; we are all now waiting for the promised action to become a reality.

In the absence of meaningful shipment volume growth, the third quarter provided another opportunity to focus on the long-term aspects of our business that we can meaningfully impact – pricing leadership, cost discipline, prudent capital allocation and our strategic geographic footprint.

THIRD QUARTER EARNINGS COMMENTARY
(All comparisons, unless noted, are versus the prior-year quarter)

Our Building Materials business continues to benefit from attractive market fundamentals that once again translated into solid pricing growth across all product lines and segments, even against a backdrop of lower volumes. Aggregates pricing growth of 5.1 percent was led by a 9.6 percent improvement in the Southeast Group. Cement pricing increased 3.9 percent in the third quarter, driven by activity in the Dallas-Fort Worth region. We also saw strong growth in ready mixed concrete and asphalt, as average selling prices increased 4.9 percent and 11.8 percent, respectively.

Our third-quarter results reflect pricing momentum and aggregates gross margin improvement despite challenging operating conditions.

5.1%
AGGREGATES PRICING GROWTH OVER PRIOR-YEAR QUARTER

180 basis points
AGGREGATES PRODUCT LINE GROSS MARGIN IMPROVEMENT OVER PRIOR-YEAR QUARTER

While regional shipment volumes varied considerably, aggregates product line shipments overall decreased 3.2 percent. In short, private-sector construction gains continue to be offset by lackluster infrastructure demand as more specifically discussed in the paragraphs above and below. Looking ahead, however, we are seeing greater levels of single-family housing permitting and solid progress in multi-family activity in several of our top metropolitan areas. Nonresidential volumes in the third quarter were driven primarily by office, retail and warehouse projects along interstate corridors as we await the start of new energy-sector construction projects along the Gulf of Mexico.

Public construction activity has not yet experienced the anticipated benefits from infrastructure funding provided by the *Fixing America's Surface Transportation Act* (FAST Act) and other state and local initiatives. While state Departments of Transportation (DOT) are endeavoring to let and administer larger construction projects, the pace of work has been slow due to both the scope and nature of the underlying projects (i.e., projects requiring more design and engineering work compared with maintenance work previously being undertaken) and tightened labor markets in both the public and private sector. DOTs, particularly in our key states, have had difficulty managing the influx of new projects from the increased funding due to understaffed departments. While our customers remain positive in their near- and medium-term outlooks despite weather and DOT delays, they too are experiencing labor constraints, particularly in several of our key states, notably Texas, Colorado, the Carolinas, Georgia and Iowa. Until DOTs and contractors address their labor capacity issues, volume growth will likely continue to be slow and steady, further extending the construction recovery.

As we have seen historically, uncertainty in Washington D.C. fosters inaction on the parts of states and contractors to advance construction projects or undertake significant capital investments. We believe the lack of progress concerning key elements of federal policy, specifically, healthcare, tax reform and infrastructure funding, has resulted in downward pressure on both public and private construction activity.

Near-record precipitation, even before Hurricanes Harvey and Irma, impacted third-quarter aggregates volumes.

0.8%
JULY 2017 AGGREGATES VOLUME GROWTH

(3.3%)
AUGUST 2017 AGGREGATES VOLUME DECLINE

(7.0%)
SEPTEMBER 2017 AGGREGATES VOLUME DECLINE

(comparisons are versus prior-year month)

Heading into the third quarter, we stated that weather would have to be better than normal for the remainder of the year to generate meaningful volume growth in 2017. Third-quarter weather, however, was unquestionably worse than normal. Near-record precipitation across wide portions of Martin Marietta's footprint, even before disruptions caused by Hurricanes Harvey and Irma and a number of tropical storms, adversely impacted both shipment and production levels. Precipitation, as measured by total inches of rainfall, increased quarter over quarter at double-digit rates for our key metro areas in Texas (+35 percent), Florida (+39 percent), Georgia (+68 percent), southern North Carolina (+40 percent), coastal South Carolina (+16 percent) and Colorado (+100 percent).

We believe our operational performance, despite externally-driven volume challenges, demonstrates the continued strength and resilience of our business model and supports our confidence in our long-term performance capability.

MARKET PERSPECTIVE

We remain optimistic about the largely positive trends in the markets we serve and the continued presence of fundamental drivers for broad-based construction activity. Notably:

- Third-party forecasts indicate increased construction activity over the next several years, supporting our internal outlook for durable, slow and steady growth in demand.
    - Moody's Analytics Economy.com recently updated its U.S. Regional Business Cycle Map, which summarizes the economic status (Expanding, Recovering, At Risk or In Recession) of states and metropolitan areas. The economy in all states, with the exception of Kansas, West Virginia and Connecticut, is either Recovering or Expanding, further validating our belief that we remain in a sustained, multi-year construction recovery.
    - Dodge Data & Analytics, or Dodge, currently forecasts a 3 percent increase in total construction starts in 2017 followed by a 4 percent increase in 2018.

- The Portland Cement Association, or PCA, remains optimistic about national cement demand and forecasts a 2.6 percent increase in 2017 and a 2.8 percent increase in 2018, followed by accelerated growth in 2019 and beyond.
- The Dodge Momentum Index, or DMI, a monthly measure of initial nonresidential construction planning, measured 116.4 in September 2017. The DMI suggests nonresidential construction activity will remain healthy through the balance of 2017 and the next several years.
- The Architectural Billings Index, or ABI, a nine- to twelve-month planning time indicator for nonresidential construction activity, moderated to 49.1 in September following a strong August reading of 53.7. Growth was evident in the South with modest contractions in the far West. A score above 50 indicates an increase in architectural firm billings from the previous month.

We remain optimistic about the largely positive trends and fundamental drivers for broad-based construction activity.

Modest growth in construction starts

SUPPORTED BY DODGE AND PCA FORECASTS

Job growth in key states

TEXAS, FLORIDA, GEORGIA AND NORTH CAROLINA RANK IN TOP 10 STATES FOR JOB GROWTH

♦ Six of Martin Marietta's key states - Texas, Florida, North Carolina, Georgia, South Carolina and Colorado - rank in the top ten for growth in single-family housing unit permits.

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

- Key southeastern states lead the nation in job growth, with Florida ranked 3rd, Georgia 5th and North Carolina 9th. Job growth in all of these states, as well as South Carolina, has accelerated faster than the national average.
- Customer confidence in North Carolina, South Carolina, Georgia and Florida is at its highest level in nearly a decade.

♦ Our West Group states, predominantly Texas and Colorado, continue to demonstrate the sustained, durable nature of the current construction cycle. Texas ranks 1st in employment growth while Colorado currently ranks 18th; job growth in both states is well above the national average.

- Texas manufacturing and service sectors are expanding, driven by strong job growth and a robust housing market, particularly in Dallas, Fort Worth, Austin and San Antonio.
- While the pace of permitting and final investment decisions has been slower than anticipated, new energy-related projects along the Gulf Coast are expected to bid in 2018 with construction activity in 2019 and beyond.

- The Rocky Mountain outlook remains strong with continued growth in all primary end-use markets – infrastructure, residential and nonresidential construction. 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.

We expect growth in all three primary construction end-use markets over the next several years and anticipate an increasingly heavy construction-centric phase of the current economic recovery. Given the continued skilled labor shortage, project delays and government uncertainty, we anticipate 2018 aggregates volumes to grow in the mid-single digits as long as the forces that have limited growth remain in place. It is important to note, however, that this preliminary outlook for 2018 excludes any benefit from the enactment of any potential increase in federal infrastructure spending driven by tax reform or otherwise. Clearly, the intention is that increased spending will be substantial, and Martin Marietta is remarkably well-positioned to participate. Additionally, the 2018 preliminary outlook excludes any impact from the pending Bluegrass Materials Company acquisition which is expected to be accretive to earnings per share and cash flow in the first full year.

CONCLUSION

Our strategic leading positions in many of the nation's most attractive and otherwise vibrant markets reinforce our confidence in Martin Marietta's ability to capitalize on the durable, multi-year construction recovery. We are well-positioned to benefit from the expected increased demand from infrastructure and private-sector construction activity as DOTs and customers address labor constraints and the benefits of regulatory reform emerge. Our relentless focus on world-class safety standards, diligent cost discipline and operational excellence underscores our steadfast commitment to achieving industry-leading results and enhancing long-term shareholder value.