MANAGEMENT DISCUSSION SECTION

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Operator: Good day and welcome to the Martin Marietta Materials Incorporated First Quarter 2008 Financial Results Conference Call. Today's call is being recorded. At this time for opening remarks and introductions, I would like to turn the call over to the Chairman and Chief Executive Officer, Mr. Stephen Zelnak. Please go ahead, sir.

Stephen P. Zelnak, Jr., Chairman and Chief Executive Officer

Thanks for joining us this afternoon. I have with me Howard Nye, President and Chief Operating Officer; and Anne Lloyd, our Chief Financial Officer.

We were very pleased with our first quarter results in what is a challenging environment. The expected slow start to the construction season was exacerbated severe winter weather in our Northern states along with drought-ending rains in March in North Georgia and North Carolina. Revenue of $399 million was down 3% with volume in our Heritage aggregates business declining 8% versus a plan decrease of 5%. Heritage aggregates' pricing was up 4% exceeding our expectations, which anticipated a geographic and transportation mix that favored lower-priced areas.

Earnings per diluted share was $0.50 versus $0.73 in the prior year period. Even with volume weaker than expected in our Aggregates business, we were able to generate better than planned operating earnings through excellent cost management. Also, we were able to reduce SG&A by 2% compared to the prior-year period. Energy costs reflected the run-up in oil pricing with diesel fuel up $6.2 million or 35% compared to the prior-year period.

This reduced earnings by $0.09 per share. The big positive for us was the performance of our specialty products segment with both our Dolomitic Lime business and our Magnesia Chemicals business performing at a high level. The segment contributed record first quarter sales and earnings with revenue up 11% and operating earnings up 23%. We also achieved a 210 basis point improvement in operating margin.

During the quarter, we completed two small acquisitions. We acquired the assets of the Specialty Magnesia Division of Morton International in February, which will enable us to product and market ElastoMag, which inhibits premature hardening of rubber components in the molding process. We also purchased a small quarry south of Asheboro, North Carolina. This quarry has 40 million tons of reserves and will enable us to provide a full range of high-quality products to customers in the area.

In April, we completed the purchase of five active quarries and one greenside location from Vulcan Materials. Four of the quarries are in the Greater Atlanta area, which roughly doubles our presence in North Georgia. The other active quarry is well located to serve the Chattanooga, Tennessee area.

The integration of these operations into Martin Marietta has been seamless to date. This reflects the high quality of our people, along with the flexibility of our information systems in accommodating growth opportunities.

And looking ahead, we continue to have a positive outlook for our business in 2008 despite the challenging economic environment. Based on the sharp increase in energy costs, we anticipate more mid-year price increases than originally planned.

Accordingly, we are raising our target for aggregates pricing to increase in the 6 to 8% range. We continue to expect volume to be in a range of up 1% to down 3% for the year. We also continue to expect record operating earnings from Specialty Products in the 36 to $38 million range. With these expectations, we reaffirm our range for net earnings per diluted share of $6.25 to $7.

At this time, I'd be pleased to take any questions that you may have.

QUESTION AND ANSWER SECTION

Operator: [Operator Instructions] We'll go to Arnie Ursaner with CJS Securities.

<Q – Arnie Ursaner>: Hi, good afternoon. Steve, could you try to quantify the – whether there was any revenue contribution from the business – Specialty Products business you bought? And if so perhaps give us some feel for an annualized revenue number?

<A – Stephen Zelnak, Jr.>: Annualized revenue number will probably be plus $5 million, so it's not a big acquisition it's a niche opportunity that sits very well with what we already do. Revenue in the first quarter was inconsequential.

<Q – Arnie Ursaner>: Okay. And again on the acquisition you made at the granite quarry in North Carolina, you mentioned it had a $40 million tons of reserve. What sort of annual production are you expecting from that mine?

<A – Stephen Zelnak, Jr.>: It's going to be relatively small; it's in a more rural market area. Probably we'll get that one up into the 0.5 million ton range or so in the not too distant future.

<Q – Arnie Ursaner>: Okay. And my final question if I can is obviously the pricing of aggregates, and you moved up your target a little bit. Is that for a hope for price increases, and increases you've already announced? And specifically with the properties you're buying in Georgia, which have probably been a little under priced, have you built in an expectation for increases in the Georgia in that number?

<A – Stephen Zelnak, Jr.>: In some cases, we've already announced some increases that were not originally planned. In other cases, we are planning to do that, areas where we think we have some opportunity, we will continue to look at Florida, South Carolina is an opportunity, Alabama is an opportunity. North Georgia, certainly we think is an opportunity. At the same time, we're looking across the board in our company because what we've seen is a tremendous price escalation on diesel. And we would certainly like to recover that if at all possible. So we're looking at it a little bit differently than we were prior to the diesel run-up. Even though markets are tough in some places, we've got some cost that we need to pass along.

<Q – Arnie Ursaner>: On diesel, are you hedging your position?

<A – Stephen Zelnak, Jr.>: No.

<Q – Arnie Ursaner>: Okay, I'll jump back in queue. Thank you.

Operator: Thank you. We will go next to Todd Vencil with Davenport & Company.

<Q – Todd Vencil>: Hi, Steve.

<A – Stephen Zelnak, Jr.>: Good morning. Good afternoon, rather.

<Q – Todd Vencil>: Yeah, it goes quick, doesn't it?

<A – Stephen Zelnak, Jr.>: It does.

<Q – Todd Vencil>: Have you – and pardon me if you disclosed this and I just can't remember what it was – can you talk about the volume expectations from the quarries that you guys got from Vulcan?

<A – Stephen Zelnak, Jr.>: Yes, the volume expectations there on an annualized basis are going to be in the – in roughly 4 million ton range.

<Q – Todd Vencil>: Okay. And just in general, I mean you gave some color obviously I think in the release but, can you tell me about what you're seeing out there, broadly speaking the state budgets. I mean is it – in the last three months, has there been, kind of, a major shift in your expectations there on the highway side?

<A – Stephen Zelnak, Jr.>: Certainly states are under more pressure. I don't think that's a mystery or unknown to all of us. What we're seeing is some states that are really beginning to struggle with that. We've seen other states that have stepped forward and done some things to improve the funding situation. Notable recently, Louisiana, which has increased funding given out of a special session. And we think that's going to be very positive for us in the second half of the year on out through the next five years.

Minnesota which is not an area that we're big in, but one where we have a nice presence. Minnesota legislature recently increased their funding sharply over $600 million annually. So we're going to see some kick there. Iowa highway projects are going better than expected. The big worry for us is that North Carolina continues to lag in its highway program. There is an effort underway to address that within the state. But I'm not sure that's going to happen until 2009. So that's probably the biggest concern that we have.

<Q – Todd Vencil>: And in Louisiana, I think you talked about Minnesota, the gas tax increased in Minnesota, is that correct?

<A – Stephen Zelnak, Jr.>: They had a package of different increases if I recall.

<Q – Todd Vencil>: How'd they swing it in Louisiana? Was it also a package?

<A – Stephen Zelnak, Jr.>: Yes. They had a surplus to start with, which is a very good place to start from.

<Q – Todd Vencil>: Absolutely.

<A – Stephen Zelnak, Jr.>: So they allocated some surplus and went from there.

<Q – Todd Vencil>: Okay. And then just in general, on the non-residential side, I mean, I guess, expectations there soften in the last two months as well?

<A – Stephen Zelnak, Jr.>: It's very similar to what we've talked about for the last six months or so. You have, what I call, the capacity driven projects, which continue to go well; there is lot of activity. And then you have the retail sector and to some degree the office construction sector, that cooled off and probably will continue to do so. When you look at capacity projects, we had mentioned the FedEx Hub in Greensboro, got LNG projects, oil and gas drilling that requires stone for roadways. The energy component of that is just on fire, with wind farms. Ethanol's full back a little bit, but it's still a strong component in mix in the Midwest that wasn't even there a couple of years back. So I continue to like the division between capacity driven projects and those that are truly more deferrable based on the economy.

<Q – Todd Vencil>: All right. Thanks a lot.

Operator: [Operator Instructions]. We'll go next to Garik Shmois with Longbow Research.

<Q – Garik Shmois>: Hi, Good afternoon. I'm just wondering if you could talk about pricing in the West Group; it was relatively flat over year-over-year. What are your expectations as we move through 2008, out there?

<A – Stephen Zelnak, Jr.>: It will improve. The pricing in the first quarter really reflects the mix of business we have. We have some extensive tonnage of relatively low price material. We mine a material out there called caliche which is used as base material. And that product may sell in the 2 to $3 range as opposed to normal aggregate prices. We've got some big work there with wind farm projects so that dominates in terms of western pricing. Also the transportation mix; more of the shipments there came from truck quarries as opposed to being transported and then resold at distribution yards. So the transportation mix tended to bring that down.

<Q – Garik Shmois>: Okay. And in the Mideast another tough quarter with respect to volumes, I imagine much of that is due to weakness along the Great Lakes. But is there anything that you're seeing out there that could reverse the trend either one way or the other more positively or more negatively?

<A – Stephen Zelnak, Jr.>: Well, first of all let's take the Great Lakes out of it, because we don't service the Great Lakes area. We do operate in the Indianapolis, and we operate in Dayton/Cincinnati area in the northern climates. As we look at that area up there, and look at this Mideast component, which also includes Virginia/Maryland, comes down through North and South Carolina, we actually believe that the Indiana/Ohio component probably is going to bottom out about midyear. We got some pretty good work coming in the second half so I would expect in the second half in that area we begin to see some positive volume comparison. In Virginia/Maryland, actually that business is going well, we were up 3% on volume in the first quarter, we are expecting a good year up there, a positive year throughout. North Carolina and South Carolina a much weaker – part of that was weather in first quarter. We actually were down on volume in the Carolinas 27%, which is, man, I think I can tell you the economy has softened but nothing like that, so a significant wet-weather component. The interesting thing about that is that even though our volume was down 27% our unit margin was up 18% so you can intuit pricing and cost control out of that. We're doing an awfully good job of running that business. So I feel confident that we will put up good numbers in that area albeit with lesser volume than we would like to see.

<Q – Garik Shmois>: Okay. Thank you very much and good luck.

<A – Stephen Zelnak, Jr.>: Sure.

Operator: [Operator Instructions]. We'll go next to Stewart Val with Hunter Global.

<Q>: Yes. Steve, just a question, it seems like the last two years, the first quarter has been about 12% of your annual earnings, and if we kind of do that math this year we get kind of well below where you are guiding to. What is so different this year about the seasonality that was not the case in '06 and '07?

<A – Stephen Zelnak, Jr.>: '06 and '07 were really the anomalies. You had an economy that was completely on fire, particularly with the home-building component, which even stretched over into '07. If you go back in time and look at us as a public company, it was not unusual that we lost money in the first quarter.

<Q>: Right.

<A – Stephen Zelnak, Jr.>: So it was a negative contributor. So if you look at this year, the dynamic is that you have an economy that's softer, the expectation was that there would be very little home-building activity which is one of those things in most parts of the country that you can work on during the winter because you can't pour winter concrete. You can put down winter base.

We just knew that wasn't going to be there. So the work was going to be bunched up, much more infrastructure work asphalt-related, big project, and then we looked at the timing of those and it is pretty clear to us that the first quarter was going to be a very slow start. So for planning purposes we actually set up a plan to keep plants down longer on a non-operating status. We did that very successfully in the first quarter, our sales were down 8% but compared to prior year our production was down 13%. And normally what we do in the first quarter is we out-produce the sales because we are building inventory; this year we don't see the need to do that. So we actually produced and sold at very close to the same rate. So we just planned the quarter differently and in fact it worked out better than we planned, but nonetheless different than the last two years.

<Q>: Okay. And what is kind of your view on I guess volume and pricing in that relationship, I mean at what point does declining volume impact your ability to raise prices?

<A – Stephen Zelnak, Jr.>: Certainly, it's already impacted it, because if you look at the rates of price increase we were getting last year and the year before, they are considerably higher than our estimate of 6 to 8% this year. So directionally, you are seeing the opportunity for pricing come down just as you would expect. If the economy continues to drift downward, it would tend to reduce that opportunity. At the same time, if you go back in history, prior to this last run-up in the cycle, we only averaged 3%. And I would be very surprised if we go down to 3% with any kind of scenario that we think is foreseeable. So it's just back to the premise and aggregates. You've got a better pricing environment based on supply demand and, certainly for the foreseeable future, we expect that, even in the downturn.

<Q>: Okay. So, your pricing is up 4% in the first quarter. What are you seeing out there in the second and third quarter that would get us to 6 to 8% for the whole year? I mean these are announced price increases you've already taken or are you expecting the business to improve in the back half?

<A – Stephen Zelnak, Jr.>: No. These are basically things that are put in place. What you get is a shifting of the mix back to something that is more normal in terms of where it's coming from. The transportation mix will lean more heavily towards the long haul in the latter three quarters of the year. So, you will get out of the mix part of the issue. And as I had mentioned earlier, we do expect to have greater mid-year price increases than we had originally programmed. So that would give it a little impetus in the back half.

<Q>: I mean it is all – the North Carolina for example, pricing will get better in the back half of the year than it is today, if we take the mix out of the equation, just look at apples-to-apples?

<A – Stephen Zelnak, Jr.>: Yeah. In North Carolina what we have done is, we've agreed that we are only going to raise prices one time. So that's been put into effect and what will happen as you go is you get the impact of the one-time increase. But, as jobs that you quoted in earlier times are completed, you're going to replace that with a higher price on new work quoted and shipped.

<Q>: Okay.

<A – Stephen Zelnak, Jr.>: So you get some continuing momentum based on the nature of this business.

<Q>: Okay. Thank you.

<A – Stephen Zelnak, Jr.>: Sure.

Operator: And we will move next to Jack Kasprzak with BB&T Capital Markets.

<Q – Jack Kasprzak>: Thanks. Good afternoon, Steve.

<A – Stephen Zelnak, Jr.>: Hey, Jack.

<Q – Jack Kasprzak>: I wanted to ask about the Texas housing market, in particular what you're seeing there it's a housing market that's relatively speaking held up well on – but with a slower economy and slower job growth, do you see any risk on that housing side in Texas?

<A – Stephen Zelnak, Jr.>: Yeah, it's pullback, certainly no mystery in that when you look at the figures by major metro. Houston held up about as long as anywhere and it is pullback noticeably. San Antonio, likewise the area that continues to be the strongest at least, where we – in the areas where we ship is Dallas/Fort Worth market. So we continue to see strength there although it is down. There are no up major-metro markets in Texas, but it's better than the rest of the country, by and large.

<Q – Jack Kasprzak>: And the state DOT there seem to be wrestling with whether or not to do toll-road projects. What are – there's soon to be a back and forth, what's your view on Texas public works?

<A – Stephen Zelnak, Jr.>: They've caught the North Carolina virus, they've had difficulty counting. If you recall, North Carolina a couple of years ago had a major accounting mistake. Texas finds that it's not counting too well either. So they're trying to reconcile cash flows. The nice part is that there is a lot of toll work, and we think we're going to be very, very, busy, particularly in Dallas/Fort Worth, and there is a big toll project in San Antonio also. So we feel good about infrastructure in Texas, but some of the work is going to get pushed out and the legislature is going to have to decide between toll/no toll, public/private partnerships, just having want to play the funding game for their infrastructure needs, which are a mess. And they've got over 300,000 miles of roadway in Texas.

<Q – Jack Kasprzak>: I was going to ask too about share-repurchase program, could you update us on how much you have left on the current authorization? In the press release, you guys mentioned you are at 2.3 times coverage, still very comfortable with some acquisitions behind you now, particularly the anticipated ones with Vulcan, would you be back in the market buying shares?

<A – Stephen Zelnak, Jr.>: Well, we've got about 5.2 million shares left on our authorization. So certainly no issue there. What we had said last year was we were going to wait and see whether or not we had any success with these assets that Vulcan was spinning off and in fact, the piece that we were interested in, we did have success on. We are at 2.3. We will just play that out through the year and try to see how everything is going. If it goes the way we think it is going to go, then we will be generating a lot of free cash. What we've said is we're not going to pile that up for any period of time on the balance sheet. So we're either going to use it in some other acquisition opportunity if there's a good one, or the logical thing to do would be look to at share buybacks again. So one or the other, or a combination of the two.

<Q – Jack Kasprzak>: Okay. Great. Thanks a lot.

<A – Stephen Zelnak, Jr.>: Sure.

Operator: And ladies and gentlemen that will conclude our question-and-answer session. I would like to turn the conference back over to management for additional or closing remarks.

Stephen P. Zelnak, Jr., Chairman and Chief Executive Officer

Okay. Thanks for joining us. Pretty brutal coal quarter in a lot of ways. But certainly I feel like our operating people just did a fantastic job, and want to publicly acknowledge that. We'll get into the rest of the year; we've got a lot to get done. But based on what we know at this point in time, we think it's there, and we're going to work hard to put it on the bottom line. Look forward to talking to you in the month of July.

Operator: Thank you. And ladies and gentlemen, that will conclude today's conference. We do thank you for your participation. And you may now disconnect.