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MANAGEMENT DISCUSSION SECTION

Operator: Good day, ladies and gentlemen, and welcome to Martin Marietta Materials, Inc. Fourth Quarter 2010 and Full Year Financial Results Conference Call. At this time, all participants are in a listen-only mode. Later, we will conduct a question-and-answer session and instructions will follow at that time. [Operator Instructions] As a reminder, this conference call is being recorded.

I would now like to turn the call over to your host, Ward Nye, President and CEO. Please go ahead.

C. Howard Nye, President and Chief Executive Officer

Good afternoon and thanks for joining our fourth quarter and full year 2010 earnings call. With me today is Anne Lloyd, our Executive Vice President and Chief Financial Officer. We're pleased to discuss our results with you and trust you'll find this call helpful.

In delivering earnings of $0.32 per diluted share for the fourth quarter, we once again demonstrated the earnings power of a cost-efficient business model coupled with the initial stages of economic recovery. Our employees remained fully focused on Martin Marietta's core fundamentals: strict cost control, prudent use of our resources and a continuous safety commitment. The $0.32 per diluted share was bolstered by our third consecutive quarter of increasing Aggregates volume with heritage shipments up 14%. This aggregate volume growth combined with another record quarter from our Specialty Products business resulted in a 12.5% increase in net sales and a 100 basis points increase in gross margin, despite rising energy costs.

Capitalizing on these fourth-quarter results for the full year, we delivered per diluted share of $2.10, a 10% improvement compared with $1.91 earnings per share in diluted for 2009. Heritage aggregates volume was up 5% for the year, and Specialty Products delivered record earnings from operations of $50.6 million compared with $35.7 million for the prior year.

Favorable weather extended the construction season through November in many of our markets. The result in volume increases in October and November allowed us to once again realize the power of volume recovery when combined with our lean operating cost structure. Specifically, the aggregates shipment increase in October and November led to an incremental operating margin of 62% for our Aggregates business in these months, despite an all almost 1,400 basis points headwind on the incremental margin from higher energy costs.

Perhaps more important, the volume recovery across the corporation led to incremental margin achievement by each of the groups within our Aggregates business. Our West Group led the volume improvement with 26% growth over the prior-year quarter, driven by shipments to the energy, railroad and agricultural sectors. Our Southeast Group, had a 6% increase in shipments while the Mideast Group, which includes the Carolina's, grew by 5%, all compared with the prior-year quarter.

Many of you have heard us say, whether permitting, we were positioned to benefit from pent-up demand in the Midwest agricultural line market. While we had double-digit volume increases in each of our end-use markets for the fourth quarter, our ChemRock/Rail shipments led the way with a 25% increase mostly due to sales of agricultural line.

Infrastructure shipments, which continue to represent more than half of our Aggregates business, increased 13% over the prior year quarter. Although state transportation spending has fueled infrastructure growth in our markets, we continue to observe delays in projects funded by the American Recovery and Reinvestment Act or Stimulus. In fact, four of our top 10 states trailed the national average in actual Stimulus outlays. So while this slower spending was not as helpful as we hoped in 2010, we well benefit from the Stimulus carryover into 2011.

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Growth in our other end-use markets reflects many of the factors previously reported. Our nonresidential end-use market experienced volume growth of 13% over the prior-year quarter. This market once again benefited from energy sector activity principally in the southwestern United States. Our residential end-use market had a 14% volume increase compared with the prior-year quarter.

Our heritage aggregates average selling price declined 3.1% compared with the prior-year quarter, which is comparable to the trend for the full year. Once again, price change varied by market, ranging from an increase of 25% to a decline of 8%. Pricing continues to reflect competitive pressures particularly in our Mideast Group, which has the highest annual average selling price for the company. We continue to anticipate that pricing pressure will ease as residential and commercial nonresidential construction markets continue to either recover or reach levels of sustained stability.

Our Aggregates operating teams have maintained their focus on controllable costs and operating efficiency. Our Aggregates production cost per ton declined 5% versus the prior-year quarter. This decline in cost per ton was despite a 23% increase in noncontrollable energy costs. This improvement demonstrates the gain on operating leverage achieved by higher production levels. Additionally, we increased our production efficiency. The evidence being a 16% improvement in tons produced per working man-hour.

As volumes continue to recover, we believe we can achieve even greater efficiency and further enhance our position as the low-cost producer in our industry. Our Specialty Products segment contributed significantly to our quarterly results by establishing a new fourth quarter records for sales and earnings. Net sales of $44 million for the quarter represent an 18% versus the comparable prior-year period. This increase reflects strong demand in both the steel industry and for our chemical products.

The sales increase along with cost control measures produced record fourth quarter earnings from operations of $11 million. The financial outlook for this business supports a significant capital investment in a new dolomitic lime kiln at our Woodville, Ohio facility that will start this year and is expected to be completed in 2012.

Our focus on cost control is also apparent in our selling, general and administrative functions. For the fourth quarter, despite absorbing a $2.4 million charge for certain retirement plan payments, we reduced SG&A expensesas a percentage of net sales by 40 basis points. For the year SG&A expenses were 8.6% of our net sales, a reduction of 70 basis points compared with 2009. This result was in lined with our stated objective for 2010.

Our focus on managing our balance sheet, liquidity and cash flow generation has provided financial flexibility and positioned us for strong performance and an economic recovery. We ended the quarter with $70 million in cash and $423 million of borrowing capacity under existing short-term credit facilities. This liquidity provides the necessary capital to actively pursue attractive opportunities both internally and externally that will increase shareholder value.

During the fourth quarter, we completed the purchase and successfully integrate a sand and gravel business near Charlotte, North Carolina. For the year we invested a combined $179 million in capital by acquisitions and organic growth projects.

During 2010 we reduced outstanding debt by $218 million further positioning ourselves to utilize our balance sheet to capitalize on growth and expansion opportunities. We ended the year with our ratio of debt to 12-month trailing EBITDA at 2.7 times, well within our leverage covenant of 3.5 times. On April 1, 2011, we have $242 million of notes that mature. While we presently have adequate credit capacity to satisfy this maturity, we expect to refinance these notes and renegotiate

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our existing credit facilities and outstanding term loan in the bank market. Further, we expect this transaction should reduce interest expense in 2011 by approximately $8 million as we take advantage of the favorable interest rate environment.

There are several factors that make a challenging to have a clear view of 2011. We continue to operate under a congressional continuing resolution, which we believe is likely for the remainder of the year. However, we also believe that reauthorized infrastructure legislation could be accelerated if Congress, the President, states and local authorities focus on infrastructure not just as an area in need of significant investment but also as a means of job creation and economic growth. We expect 30% of Stimulus funds to be spent in our key markets in 2011.

Our outlook for aggregate shipments is consistent with McGraw-Hill Construction's published forecast. We believe infrastructure shipments will be flat to slightly down for the year, nonresidential shipments should grow in the mid-single digits with modest recovery in the commercial component of this end-use. Residential shipments are expected to have modest growth and our ChemRock/Rail shipments are expected to be relatively flat. That said, we expect our overall 2011 aggregate shipments to range from flat to an increase of 3%.

Aggregates pricing is, once again, expected to vary significantly by market. However, the effective geographic and product mix should be comparable to 2010. This coupled with price increases that have been implemented in certain areas and appear to be holding, lead to us an expectation of overall aggregates pricing to range from flat to an increase of 2% for the year.

For 2011, we expect aggregate production cost per ton to range from flat to a slight decrease compared with 2010 as a result of increased volume. However, raising energy costs could negatively affect total costs and are currently our most significant cost headwind as we move into 2011.

We also believe the Specialty Products segment will contribute $50 million to $52 million in pre-tax earnings. We anticipate selling, general and administrative expenses will be lower in 2011 primarily due to lower pension expense.

Interest expense should be approximately $60 million, reflecting the expected refinancing of the $242 million of notes due in April. Our effective tax rate should approximate 28%. Our capital expenditures are forecasted at $175 million, including $75 million of investment in selective high-growth projects.

Thank you for your interest in Martin Marietta Materials. If the operator will now provide the required instructions, we'd be pleased to address any questions you may have.

QUESTION AND ANSWER SECTION

Operator: Thank you. [Operator Instructions] Our first question comes from Arnie Ursaner with CJS Securities.

<Q – Arnold Ursaner>: Hi. Good afternoon, Ward. Good afternoon, Anne. My question relates to your incremental margin. You've been highlighting this as one of your corporate goals for quite a while. You've have done a great job. You mentioned the 62% looking at October and November, but you also mentioned a pretty significant headwind from higher energy prices. As we look out to the upcoming year, how should we think about your incremental margin opportunity? And also remind us of – you're roughly $40 million – 40 million tons below your prior peak. Is that incremental margin likely to continue for the majority of that as you pick it up?

<A – C. Howard Nye>: Well, Arnie, going to the quarter as you said, in October and November the incremental margins we saw were 62%. And you're entirely right, the biggest single cost headwind that we were dealing with was energy and really what that means is diesel. I think the best way I can give you some sense to that, if we look at September – I'm sorry – if we look at October and November and we simply take the energy costs last year and bring them to what they were this year, in other words, if the numbers in '10 look like they did in '9, the incremental margin that that we would have seen under those circumstances would have been 76% as opposed to 62%. So I think that does give you a sense of how powerful the volume leverage is.

I think to the second part of your question, really what we saw this time, Arnie, was we saw that type of incremental margin growth across the entire enterprise. What we've seen during the year is we've seen bits and pieces of it as we've seeing volume come back. But I think what this tells us is the exercise that we've been involved in where we have laid out very carefully that this is the type of performance that we can expect with volumes come back is entirely what we've seen, and it's entirely what we'll see going forward.

<Q – Arnold Ursaner>: Thank you. I've a second question if I can. You indicated you're going to spend $75 million of capital expenditures this year for growth improvements, if you will. You mentioned you will finally move forward with a new dolomitic lime plan. I'm assuming that's a portion of the $75 million growth spent, but could you expand a little bit on some of the other opportunities? And you've also in the past talked about tremendously high returns on invested capital when you do these investments, do you still view the math as similar today?

<A – C. Howard Nye>: Sure. I will answer your questions in reverse order. Yeah, we still see the math the same way, Arnie. Realistically, as we look at the $175 million, probably about $100 million of that is in the typical aggregates business on buildings, equipment, land, et cetera. The other $75 million is broken down roughly as follows: around $25 million likely we'll see this year in the new kiln at Woodville. We're looking at $25 million in other very targeted Southeastern expansion type projects. And then what we also have, Arnie, is we have $25 million in competitive capital. And what that's going to do is go back to the point that you just made, we have capital projects in this company that can be incredibly attractive, and we're going to let the businesses compete for them.

At the same time, Arnie, if you go back to last year, what you'll recall is at the beginning of the year, we had put out a CapEx number of $160 million. We pulled back that back considerably.QUESTION AND ANSWER SECTION
Structuring it the way that we have lets us go into the year very carefully, to have some very attractive growth projects if they make the sense for us. At the same time, as we measure the year if we have to pull back on it, it gives the flexibility to do that as well.

<Q – Arnold Ursaner>: Thank you, very much.

<A – C. Howard Nye>: Thank you, Arnie.

Operator: Thank you. Our next question comes from Jack Kasprzak with BB&T Capital Markets.

<Q – Jack Kasprzak>: Thanks. Good afternoon, everyone. My first question is just with regard to the interest expense of $60 million for 2011. Can we assume that the first quarter will look a lot like the fourth and then the savings would be more in the latter three quarters in the year?

<A – Anne H. Lloyd>: Yes, Jack, this is Anne. We'll be refinancing that before the end of the first quarter. At least that's the current plans. So you'll see it in the last three quarters of the year.

<Q – Jack Kasprzak>: And, Ward, you'd mentioned price increases in the context of your pricing guidance, does that guidance assume any increases that are out in future months that you hope to get, or it is sort of already in the bag, if you will?

<A – C. Howard Nye>: Well, obviously, Jack, in the first quarter there's simply not a lot of volume. So surprises can be in the bag, but it doesn't really demonstrate itself to the volume profile. I think what you'll see is you really start to feel the most of that as we go into the second quarter. But what we've seen, Jack, is we could go through literally just about every division of this company and we're seeing price increases. And of course, they vary by market, Jack. But we're certainly seeing price increases that have been put in place in much broader perspectives then they have in – at least in last year.

I think the other thing that's worth mentioning and I think we're going to have watch see how fuel goes as well. Obviously, we've indicated that the biggest headwind that we have is related to diesel. And as you know, historically fuel has given this industry a mechanism to go in and at times revisit mid-year price increases. What we have given you from a guidance perspective does not contemplate that, but that's depending on what happens with energy. That's something we'll certainly reserve our right to come back and revisit.

<Q – Jack Kasprzak>: Sure and while I – wouldn't surprise by any of this that the industry might try for price increases in light of higher diesel costs given the slack in the construction economy, low utilization rates, still competitive environment, I mean, how likely would it be that you could achieve those kind of increases in the mid-year?

<A – C. Howard Nye>: Yeah, that's hard to say, Jack. But I can tell you this, keep in mind last year was the anomaly in this industry. We've always been able to get price increases historically. We have a diminishing resource, and I think in many respects trying to save ourselves to prosperity is going to be a very difficult undertaking for us to do.

Part of what gives me sense that it's really going in the right direction, Jack, is as I'm watching the markets, I'm seeing price increases coming through in ready mix. And I think realistically, as we have gone through the cycle, that's been the most single difficult component to get price increases. And as I see that coming through in ready mix, it certainly gives me more confidence, particularly in the aggregates piece of it.

<Q – Jack Kasprzak>: Well, that's great. Thank you. And would you care to comment on just first quarter volume trends? I mean, obviously, it's a slow winter quarter, but your guidance implies low – I mean, a mid-single digit sales gain for the year based on the volume and price guidance. I mean, will that be pretty even throughout the year in terms of rate of change or will the first quarter be a little worse and see more of a pickup in the seasonally stronger periods? Just thinking about the rate of change.

<A – C. Howard Nye>: No, Jack, I understand. I'll obviously tell you more about the first quarter when we're together in April on this call. But you know and I know it's been a real winter. So I'll just leave it at that.

<Q – Jack Kasprzak>: Fair enough. Thank you, Ward.

<A – C. Howard Nye>: All right. Thank you, Jack.

Operator: Thank you. Our next question comes from Todd Vencil with Davenport and Company.

<Q – Todd Vencil>: Thanks a lot. Good afternoon, guys.

<A – C. Howard Nye>: Hi, Todd.

<Q – Todd Vencil>: So if we are thinking about the price decline in the quarter, you said in the release that geographic and project mix was about half of the price decline?

<A – C. Howard Nye>: That's correct.

<Q – Todd Vencil>: Is it fair to assume that the other half was mostly lower prices on an absolute basis?

<A – C. Howard Nye>: I think it is fair to say, the other piece of it was simply more competitive in some markets, and I think we've also indicated that Stimulus jobs were lower than the normal work for us. So I think if you take in the geographic and product mix, combine that with an overall more competitive environment that we're bidding for the last 18 months and then you specifically come back and measure some of that on Stimulus, I think that probably gets you there, Todd.

<Q – Todd Vencil>: Got it.

<A – Anne H. Lloyd>: And, Todd, the other thing we found is that, as we moved through the quarter, the rate of decline slowed which was good to see with the volume comeback on the business. While it was fourth quarter, therefore, it really didn't have as much of an impact on the full year; it was a good directional look.

<Q – Todd Vencil>: Got it. Thanks for that. And then, Ward, just to kind of build on your last comment that we've had a real winter, my recollection that the first quarter of 2010 was pretty tough, too, up until that mid-March. And would you say that the weather impact issue has been worse than last year -

<A – C. Howard Nye>: Todd, I really -

<Q – Todd Vencil>: so far in the first quarter?

<A – C. Howard Nye>: I really don't want to talk too much about 2011 yet. I want to really be focused on 2010. But I think, at the same time, you know and I know that realistically in this industry particularly for people who have anywhere of Northern exposure – and candidly, we have less than most – the first quarter is traditionally everyone's slowest quarter.

<Q – Todd Vencil>: Fair enough. Anne, on the SG&A comments you mentioned and Ward repeated that SG&A you expect to be lower this year due to lower pension expense. Ward said a pension number and I missed it. Can you tell me what that was?

<A – C. Howard Nye>: It was a $2.4 million payment. It was a SERF payment that was expensed in the fourth quarter, Todd.

<A – Anne H. Lloyd>: But, Todd, that was like -

<Q – Todd Vencil>: Okay.

<A – Anne H. Lloyd>: – 2010. I think you're asking about '11?

<Q – Todd Vencil>: Well, I was asking what was the total GAAP pension expense in 2010, was going to be my question?

<A – Anne H. Lloyd>: It was $26.5 million.

<Q – Todd Vencil>: Got it. What are you looking for in 2011?

<A – Anne H. Lloyd>: $20 million.

<Q – Todd Vencil>: Got it. All right. And then for 2010, I realize that this will be in the K, but can you guys tell us what the end-market breakout ended up being for the full year in terms of shipments?

<A – C. Howard Nye>: Yeah, the end-market breakout wasn't remarkably different than we really thought it was going to be; for the full year around 55% was in infrastructure, 26% -- I'm sorry -- non-res, 12% in ChemRock/Rail and around 7% in res. Hopefully that adds up to 100%. I'm pretty sure it does.

<Q – Todd Vencil>: Okay. And then if we think about the growth in each of those end-markets for the full year – I think the quarter was in the release. I don't think I saw the growth in the end-markets for the year. Do you have that?

<A – C. Howard Nye>: Yeah. Yeah, we do. For the full year in infrastructure, up 4.5%; non-res up 7.6%; ChemRock/Rail, 4.8%; and res at 4.5% -- [inaudible] to 5.4%.

<Q – Todd Vencil>: Perfect. And then final question from me, on the acquisition that you mentioned that you guys did in the fourth quarter, can you talk about the level of competition you saw in that deal? Was it shopped and how did the valuation end up looking?

<A – C. Howard Nye>: That was a transaction outside of Charlotte. It was a sand operation. I think there was a conversation probably with another potential buyer. But when I say that, I think that's probably what it was – just one other one. We were able to bring some operating synergies to that, that I think others were unable to. So it was not -- I wouldn't call it a shopped transaction in the way that I think most think of it, Todd. We were there, one other was there; but I'm not sure anybody else had a serious role in that dialogue except us.

<Q – Todd Vencil>: Perfect. Thanks so much.

<A – C. Howard Nye>: All right, Todd.QUESTION AND ANSWER SECTION
Operator: Thank you. Our next question comes from Trey Grooms with Stephens, Inc.

<Q – Trey Grooms>: Good morning or afternoon, Ward and Anne.

<A – C. Howard Nye>: Hi, Trey.

<A – Anne H. Lloyd>: Hi, Trey.

<Q – Trey Grooms>: Could you talk about on the price improvement that you looking for next year or in 2011? How much of that is mix related, either geographic or product mix? I know we saw some headwinds on those two fronts over the last couple of years.

<A – C. Howard Nye>: Well, that's exactly right. and we had forecasted that as we came into the last two years as well. And I guess my sense of it going into '11, Trey, is I don't see the mix shifting around very much. So when we we're giving you those different ranges, it should pretty much be broadly same month, same snapshot.

<Q – Trey Grooms>: Okay. And then could you give us a little bit of color on how your volumes trended in some of your key states in the quarter?

<A – C. Howard Nye>: Absolutely. We saw nice volumes up in Iowa. Again, that's not a surprise because we had a good aglime year there. Volumes were up nicely on Ohio. Volumes were up nicely in the southwestern U.S. They were up in north Texas, Oklahoma. And there were principally up, as you would imagine from the release, primarily in areas west of the Mississippi. And again, those are markets that were able to have a nice long run into the winter. And part of what happened in portions of that, Trey, is even as it got cold, it stayed dry. And what that permitted was us to have a much longer aglime season than we typically would have, which was nice for the western U.S. That's a good product. We had said there was pent-up demand there.

Aglime actually helped the western U.S. on their ASP. I think if you look for the quarter, you'll see they actually had pricing growth. The irony of that is aglime helped the West with ASP. The aglime was still priced lower than the overall corporate average. So it helped that portion of our business west to the Mississippi. It still created a bit of challenge overall from a pricing perspective optically for the corporation. Was that responsive?

<Q – Trey Grooms>: Yes, thank you.

<A – C. Howard Nye>: Thank you.

<Q – Trey Grooms>: And switching gears to diesel real quick. Can you tell us, Anne, how much diesel you guys you consumed in 2010?

<A – Anne H. Lloyd>: Yeah. In 2010, we consumed about 33 million gallons of diesel and paid an average of about $2.13 a gallon.

<A – C. Howard Nye>: And to give you – make it a little bit more granular for you, Trey, during the quarter is around 8 million in Q4. And it was $2.32 in quarter versus $1.94 in the prior-year quarter. And Anne was spot on for the full year, $2.13 for the full year versus $1.62 in the prior year. So it cost us $0.10 per diluted share in the quarter and $0.34 per diluted share for the year.

<Q – Trey Grooms>: Okay. Thank you for that. And then you talked about aggregate unit cost expected to be flat to slightly down. I'm not clear, does that include the diesel headwind or no – from where we stand today, I guess, where diesel prices stand today?

<A – C. Howard Nye>: Realistically, with where diesel stand today, it's probably more of a flat look. What I can tell you is if you take a look at what's going on in the Middle East right now, diesel is trending up probably around 30%. If we'd had this conversation about two weeks ago, diesel was trending up around 20%. So that's a pretty dynamic number right now.

<Q – Trey Grooms>: Right.

If w**<A – C. Howard Nye>:** If we put that number in a snapshot at this moment, it probably leads you much closer to flat, Trey.

<Q – Trey Grooms>: Okay. Well, thank you. That was all very helpful.

<A – C. Howard Nye>: Thank you.

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Operator: Our next question comes from Kathryn Thompson with Thompson Research Group.

<Q – Kathryn Thompson>: Hi. Thanks for taking my questions today.

<A – C. Howard Nye>: Sure, Kathryn.

<Q – Kathryn Thompson>: I'd tell you the first thing on your fiscal '11 guidance, doesn't it seem flat [inaudible] in 2011?

<A – C. Howard Nye>: Yeah, in large part, Kathryn, I think we could look at something that's relatively flat or we could look at something that's somewhere perhaps a bit down. If we find something that's closer to a 2008 level spend – and I know you follow this closely as well – what that would do is it would take the federal program down from say $43.5 million or $6 billion, some were down to $41 billion. And I think we're thinking that somewhere in that range is probably what we'll likely see this year if we end up with a CR, through the end of the fiscal year, which I think many believe is a pretty realistic scenario.

<Q – Kathryn Thompson>: And can you point [inaudible] you know that there's a debate for new funding for multi-year highlights [inaudible] works in the House right now that would be levels that are a bit below, even below that $41 billion spend. What are you doing to prepare for this possibility, and how do you manage your business around this possibility of a little highway funding for a multi-year bill?

<A – C. Howard Nye>: Kathryn, I think the only thing that you can do when you do that is you have to be prepared to address you costs at every level of an organization. And that's exactly what we've done for the last several years. As you know, we took a hard cut at it in 2008. And actually, what I would submit to you is you're seeing the absolute benefits of some of the hard decisions we had to make in 2008 with the results that we see in 2010. So what we would do and I think what others who are responsible would do, we'd go back and revisit your cost structure and see where you can consolidate or how you could run plants differently and do more of the same just on a more extended basis.

<Q – Kathryn Thompson>: Okay.

<A – C. Howard Nye>: I think the other thing that you would obviously do is, back to my point in the earlier question with Arnie, I mean, we've got CapEx under that scenario that we would go back and revisit and we would cut that pretty considerably and we'd cut it very quickly.

<Q – Kathryn Thompson>: Okay. Great. Just another housekeeping item for your commercial business, energy is [inaudible] business, it's about half of the commercial business?

<A – C. Howard Nye>: Energy for this past year would not have been about half of that, no, Kathryn.

<Q – Kathryn Thompson>: Would it have been more [inaudible]?

<A – C. Howard Nye>: One second. Probably 5%, 6%.

<Q – Kathryn Thompson>: Okay. Thank you. And then just kind of looking back, the last time we had negative pricing in the industry in '09 -

<A – C. Howard Nye>: Yeah.

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<Q – Kathryn Thompson>: – and it took about 2.5 plus years to really, to see any type of recovery in pricing. What gives you confidence that you'll see a consistent recovery pricing this year, not only for you but for the industry?

<A – C. Howard Nye>: Well, number one, I think the industry looks a lot different today than it did back in the early 1990s. So I think you begin with that proposition. And I think number two, Kathryn, as you know, we can talk about states or regions of the country. This is a very localized business. So as we come down to different markets and we're looking at what we have already spoken to our customers about and the type of dialogue that we've had with them, what their expectations are and otherwise. As we sit here today, I'll tell you, I'm very comfortable with the pricing guidance that we've given.

<Q – Kathryn Thompson>: Okay. Great. Thank you very much.

<A – C. Howard Nye>: Thank you, Kathryn.

Operator: Thank you. Our next question comes from Clyde Lewis with Citi.

<Q – Clyde Lewis>: Yeah. So you would – and good afternoon.

<A – C. Howard Nye>: Good evening, Clyde.

<Q – Clyde Lewis>: Two questions if I may. One – thank you very much. Two questions if I may. One on North Carolina and northwest Texas as well, as your two most important states. I'm just wondering if you can say a little bit more about the state budgets that you are seeing now and what you think is going to come through in terms of, sort of, 2011?

<A – C. Howard Nye>: Sure.

<Q – Clyde Lewis>: And the other one I have is, if you come back to costs, I just wanted to clarify that – I wasn't quite sure whether you meant which fees of price you meant, you were talking about, when you were talking expecting to see aggregate costs improve a little bit in terms of production cost per ton? But [inaudible] accounts par level?

<A – C. Howard Nye>: Okay. Let's talk about state budgets first.QUESTION AND ANSWER SECTION
We'll hit North Carolina, and we'll hit Texas. As a reminder, Clyde, North Carolina is on a June 30 fiscal year. Texas is actually on a August 31 fiscal year. I guess a couple of things that I would say on, with respect to both those states.

In North Carolina, general fund revenues are up. Gas tax collections are up. Individual income taxes are up. And actually for the calendar year, our lettings in the North Carolina are going to be greater than $1 million. And what's remarkable when we reflect on that, that's a higher number than we saw in 2006, 2007, 2008 or 2009. So as we look at North Carolina, which is in an important state for us, I think that gives you at least something to build your thoughts on, Clyde.

Relative to Texas, again, their fiscal year ends to August 31, and some of the same type data. I mean, their sales tax collections in Texas are up 9% year over year. Clearly, consumer confidence is up. Something that we measure, probably not a lot of people look at, but actually, active oil and gas rigs were up pretty considerably – 58% year-over-year. So as we look at Texas, we've got FY '11 lettings there of somewhere north of $4 billion. So that's roughly equal to prior year, and again going back and measuring that to history that's better than FY '07, '08 or '09 in Texas.

So we feel pretty good about where we are in North Carolina and Texas. Keep in mind in North Carolina, too, we have a very broad footprint in this state. We're not just focused in Charlotte. We're

not just focused in Greensboro. We're not just focused in Raleigh. We're focused in all of the above.

With respect to diesel, what we were indicating, Clyde, is really we were looking at flat to down pricing or down costs if diesel had been really in that much closer zone to where it was closer to year end. Obviously, with diesel trending the way that it has of late, if it's going to trend up 30%, we're probably looking much closer to a flat cost per ton as opposed to something that's going to be down. Is that responsive to your question?

<Q – Clyde Lewis>: Yeah, that's perfect. That's great.

<A – C. Howard Nye>: Okay.

<Q – Clyde Lewis>: That clears that up. Thank you very much.

<A – C. Howard Nye>: Thanks, Clyde.

Operator: Our next question comes from Josh Borstein with Longbow Research.

<Q>: Hey, this is Josh Borstein in for Garik Shmois. Just a clarification on one of the questions that asked on the pricing. The pricing guidance reflected to 2%. Was I that right in understanding that it didn't include any second half increases but really that the pricing guidance represents just what encompasses what was announced in the first part of the year for price increases?

<A – C. Howard Nye>: It encompasses what we believe will be in place as we're looking at the business today without contemplating mid-year price increases. That's correct Josh.

<Q>: Okay. Thank you. And then switching to volumes regarding your volume guidance of flat to up 3%, at this point, where do you think there's some risks that volume outlook, and conversely were might that be some upside?

<A – C. Howard Nye>: Yeah. I think the biggest volume risk is simply going to be on the infrastructure side and really how some of the funding works it's way through. Keep in mind, Josh, that is very much a live dialogue as we go right now. So I think that's probably your biggest single risk. Yeah, obviously, I think res could see a pretty healthy move, at least on a percentage basis. The only problem with res making a good move on a percentage basis is it's still a relatively small piece of our business, so I'm not sure that really moves the needle.

I think all the non-res side I think on the heavy piece of it, we'll see growth in that piece again as we go into '11. Keep in mind, that gave many people a very pleasant surprise as we came into '10. In fairness, we had indicated that there if there was going to be any piece of potential upside as we came into '10, that was where it was likely going to be.

I think one thing worth watching and, again, I don't think it would be huge movement here, we are, though, anticipating some degree of upward movement in the office and institutional area of commercial. So I think those are the ones probably to watch, Josh.

<Q >
Okay. Great. Thank you. And then just a final question on the ARRA projects. You mentioned they were coming in about 6% below average selling prices. Now, how long does it take some of those projects to work its way through to the P&L, and how much of your backlogs right now does Stimulus projects represent?

<A – C. Howard Nye>: You know what, by the time we get to the end of this year, most of that work will have found it's way through. So that's going to provide us at least a bit of a headwind as

we go through the balance of 2011, but I think by the time we finish this year, you won't feel the effects of it.

<Q>: Great. Thank you.

<A – C. Howard Nye>: Thank you.

Operator: Our next question comes from Jerry Revich of Goldman Sachs.

<Q – Jerry Revich>: Hi, everyone.

<A – C. Howard Nye>: Hi, Jerry.

<Q – Jerry Revich>: Can you say more about the rate of improved ready mix pricing that you cited earlier. And it's good to see pricing increases this time of year. I'm wondering if you'd just quantify that for us and perhaps tell us what you're seeing on the asphalt mix customer side as well?

<A – C. Howard Nye>: Well, again, we don't have a great deal of asphalt or concrete in our business. What we're watching is what customers are doing in different markets, and we're seeing price increases sometimes in the mid-single digits, sometimes in the low double digits as well depending on the market. And in many instances, the good news is they tend to be sticking right now, Jerry. So we take comfort in that. Obviously, what's going to drive the asphalt piece of it, in large parts going to be what happens with liquid. Liquid, really for the fourth quarter, was around $425 a ton. We're seeing liquid move somewhere in the range of around 10% up year-over-year, so that's clearly going to put some pricing momentum, or it should behind the asphalt piece of the business as well.

<Q – Jerry Revich>: And, Anne, can you give us an update on your M&A pipeline. Is it as robust as it was a quarter ago now that the tax legislation went through and perhaps people some more time to figure out how they're thinking about their legacy quarry assets? Thanks.

<A – C. Howard Nye>: The M&A piece is still very busy. And obviously, I would love to have closed several deals. I'm sure a lot of people would as well, but what I will tell you is this: we continue to have a very gainfully employed group of people who are working in M&A in our business. We feel like we're making good progress on transactions, and we're pleased with the progress that we're making.

At the same time, we're going to continue to approach these in the same disciplined way that we have. And that is, we're not going to overpay for acquisitions, and we're going to be very intentional about the way that we approach them. But back to the point of your question, the pipeline is still there. It's still robust. We're having a lot of conversations and in varying degrees, we're engaged in a lot of diligence as we speak.

<Q – Jerry Revich>: And lastly, Ward, in your prepared remarks, you mentioned from a pricing standpoint, you think makes as net neutral '11 versus '10. I'm wondering if you could touch on how you think the mix looks for mid-east versus southeast versus the west segments, if you have that level of detail available? Thank you.

<A – C. Howard Nye>: Certainly. What I would tell you, Jerry, is as we look into 2011, I don't see any material shifts in the volumes that we've seen this year. In other words, we knew coming into this year that mix was going to be an issue relative to pricing because the west was going to have a more robust year. It did. And clearly, we even saw some products move around in the west relative to products like agricultural lime. I think one question we have to ask is, will you have as good an aglime year in the west next year? I think that's probably fair. But at the same time, I don't see dramatic changes in the mix as we move into '11 from '10.

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<A – Anne H. Lloyd>: And, Jerry, we would say that that goes across all the different reporting units. I don't – it should be a relatively neutral factor for '11.

<Q – Jerry Revich>: Thank you.

Operator: Thank you. Our next question comes from Ted Grace with Susquehanna.

<Q – Ted Grace>: Guys, congratulations on a nice quarter.

<A – C. Howard Nye>: Ted, thanks.

<Q – Ted Grace>: Quick question. And Ward State predated the final – you were quarterbacking the call. But we've talked about kind of rules of thumb for how spending would break down on roads and highways, and one of your largest competitors just kind of talked about 14 million tons of aggregates and 4.5 million tons of asphalt and 150,000 cubic yards per billion dollars of spend. I realize there's a wide degree of typesQUESTION AND ANSWER SECTION
of spending but do those numbers still kind of pass your smell test?

<A – C. Howard Nye>: No, it is tough to say in large part, Ted, because it depends on the type of project that you're talking about. If you're building a new road, it's probably 38,000 tons per mile to build a road. But at the same time, are you talking about base because you're building a road from the ground up, or are you talking about repaving a road? Are you talking about a two-lane road or a four-lane road? Are you building to various highway specifications or is it something that's in a local town or municipality? So I think in our industry, it's very, very difficult to come back and put broad strokes to those types of numbers and do it with any precision that would be meaningful to you.

<Q – Ted Grace>: And then I guess Steve, I think, had in prior calls – and Anne maybe you remember this and, Ward, maybe you do too -- but said the outlook broad brush those numbers and probably in the right ballpark. And would you say you think they're in the right ballpark?

<A – C. Howard Nye>: I'll – Ted, I don't really know what to say. I am – I think it truly depends on the nature of the project, I really do.

<Q – Ted Grace>: Okay. Maybe asked a little differently, would you say that if you look at the cost structure, generally speaking, asphalt is going to be the biggest single component of a road in highway.

<A – C. Howard Nye>: I mean, the liquid is going to be the biggest single cost component in the manufacture of asphalt, far and away. So from that perspective, yeah, it would be.

<Q – Ted Grace>: Okay. Just and this is just to facilitate a conversation, but if you were to look at there is rules and, again, we can debate whether or not they're the right average rules, but using those metrics and call it $50 a ton for asphalt price. So that includes lead asphalt or delivered asphalt anyway. It would be about 23% of the cost structure. And we know there aren't futures for liquid asphalt prices, but competing oils is historically shows the highest correlation, and that would be talking, pointing us towards like a 30% increase in net cost. So if you were to isolate those two variables – and I realize this is just isolating variables – but you'd be looking at a 7% headwind in the cost of roadwork, which kind of inverted, would probably – it's 9% deflationary to the dollar spend that's out there.

And as we think about the dollars that they actually out there and available for road and construction, I think that's generally how we all compute them. But I'm just wondering how this is factored into your volume guidance of about, call it 2% at the mid point. Because we all think about

dollars, because it's much easier to kind of understand. How do we think about whether it's obligations or outlays for the Federal trust fund at state level and not only that, other things.

But I guess throughout the conversation of diesel and the cost of moving the stuff around, I'd just be curious to understand how you're thinking about this as a delayered overall spending dollars?

<A – C. Howard Nye>: Honestly, we don't think of it that way. What we do is we build it up quarry by quarry, project by project, road by road, shopping center by shopping center, nuclear plant by nuclear plant and any other projects that we have going on. So when we approach the way that we budget, the way we look at our forecasting and the way that we come and try to articulate to you, what we think will happen on volume, pricing and other lines it is from a very granular market by market build. Not so much city by city, but oftentimes borough by borough as we go through. So, Ted, that's the way that we would approach that.

<A – Anne H. Lloyd>: Ted, we may look at indicators like you're talking about for something over a longer range. In our strategic planning, we may use some indicators of total construction spend or obligations or put in place numbers over a 5- or 10-year period, but for any single forward year, it is a very granular build.

<Q – Ted Grace>: Yeah, I know, and that's great. I mean, we like that forecast, but I guess the way we think about it, especially the public road and, well, any of the public matter end-markets for that matter, it's pretty much fixed dollars. And so, if public is – call if 55% to your total end-market – those dollars are fixed. I mean, the budgets are what they are. And so when you see inflationary pressure, is it essentially translates nominal dollars in the fewer real tons of activity, and that's kind of overlay that we're it to calibrate for relative to your guidance.

<A – C. Howard Nye>: Understood.

<Q – Ted Grace>: I thought – it happens, given the math we just went through, you're talking about high single-digit deflationary impact on that spending, I'm just wondering how that impacts your forecast because it absolutely could be over half of your market.

<A – C. Howard Nye>: But as we sit here right now, I can't tell you that it remarkably does affect our forecast.

<Q – Ted Grace>: Okay. That's helpful. And then just a second thing quickly, in terms of the base rock inventory -

<A – C. Howard Nye>: Yes.

<Q – Ted Grace>: – can you give us sense for kind of what's on the balance sheet, what's been expensed how we should think about the flow through benefits?

<A – C. Howard Nye>: Our inventories look very much the way that they did last year at this time. We actually pulled our inventories down about three-quarters of the million tons year-on-year. Much of that though, Jerry, (sic) [Ted] was a build in the fourth quarter. It was very much intentional. If you go back and see, we mentioned that our tons produced per working man-hour were up about 16%. Going back to some of the earlier conversations, recognizing that Q1 is a difficult environment to operate in or sell in, we were happy to use some very productive time in Q4 to build some of those inventories.

<Q – Ted Grace>: Well, that's – is their a dollar reserve you've got on the balance sheet or a dollar value you could point us to year-over-year change?

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<A – Anne H. Lloyd>: From base stock inventory, it hadn't changed significantly. There's about 9 million tons still on the ground.

<Q – Ted Grace>: 9 million tons?

<A – Anne H. Lloyd>: [inaudible]

<A – C. Howard Nye>: That's correct.

<Q – Ted Grace>: And just as a reminder, is that all expensed or is some of that capitalized?

<A – Anne H. Lloyd>: It's all been expensed.

<Q – Ted Grace>: Okay. Great. Thanks a lot, guys. Best of luck for 2011.

<A – C. Howard Nye>: Thanks, Ted.

Operator: Our next question comes from Mike Betts with Jefferies.

<Q – Mike Betts>: Yes, good afternoon. Just two quick questions from me. Ward, first, I mean, that increasing ready mix concrete prices, I'm just wondering why you think they're holding given that the volume upturn is pretty small. I mean, is it just because of the losses that industry's been carrying, or is it because everybody's holding the same line; just your view maybe as to why?

And then secondly, your forecasting is very different from Vulcan's on the non-res market. I mean, you're talking about an increase in the same sort of magnitude that they're talking about a decrease, and I realize you've probably no idea how they built their number up. But do think regional differences could account for that or end-markets? Do have any [inaudible] might account for that difference in terms of the non-residential accounts for 2011?

<A – C. Howard Nye>: Mike, I will take your questions in reverse order. I do think it is all end-market and it is our local market driven. If you come back to 2010 and you take a look at what we did in the commercial sector, obviously, the position that we had relative to energy during the year was really quite different from a lot of companies and we benefited from that. I think at the same time, as we look at some of our individual markets and we start looking again at the commercial market pieces of it, I think that likely accounts for the differences between what we're forecasting and whatever Vulcan put out.

Relative to the ready mix concrete pricing, my sense is that industry has had such a tough go of it for the last couple of years that they're simply not in a position to continue to cut and they have to start taking that industry in another direction and I think they are. And I think that's purely and simply, Mike, what's going on there. And I think the prices, from what I can tell, are holding right now. I think there might in some markets have been some moderation or the degree of increase. But that said, I think increases are in most respects in place and seem to be holding.

<Q – Mike Betts>: Okay. Thank you for that. And just one follow-up, on the state and local spending, when you're talking about highways, are you assuming that – you talked very much in terms of the Federal program? Are you assuming flat at state and local level?

<A – C. Howard Nye>: Yeah, in large part, we do anticipate broadly flat at the state and local level. I think one of the reasons that that works, Mike, again, if we even look at a speech that the governor of Florida gave last night, he went through a host of areas that he plans to cut in his state budget. He talks to cuts in education. He talks to cuts in benefits for state employees, and his words come back to, we intend to be involved and what we view as the core business of a state. And I think transportationQUESTION AND ANSWER SECTION

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is very much a core business of a state, particularly given the fact that construction workers in states are parked somewhere near north of 20% on unemployment. So we do think we anticipate seeing broadly flat spending in that area.

<Q – Mike Betts>: Okay. And very last question if I could , Ward, dolomitic lime kiln that you talked about, when that's up and running – and maybe give me some idea in 2012, you think mid way through the year or the end of the year – and what sort of revenue or volume could we sort of model for that?

<A – C. Howard Nye>: From a volume perspective, it's going to end up being probably north of 200,000 tons. And, yeah, that's going to be something in 2012 that would be coming on line. So that – what I'll do is that I'll give you that degree of tonnage and then let you back into the balance of your numbers.

<A – Anne H. Lloyd>: Actually -

<Q – Mike Betts>: Okay. What does a ton of dolomitic lime sell for roughly?

<A – C. Howard Nye>: Well, and again, that's going to vary pretty considerably. So I'd really rather not going into those specifics, Mike.

<Q – Mike Betts>: Okay. Understood. Thank you very much.

<A – C. Howard Nye>: Okay. Thank you.

Operator: Our next question comes from Brent Thielman with D.A. Davidson.

<Q – Brent Thielman>: Hi, good afternoon. Ward, I know diesel is a big piece of the energy exposure, but as you began to see fuel surcharges in your long haul distribution networking, can you sort of put into perspective from me how those transportation costs today maybe compared to years past?

<A – C. Howard Nye>: We are seeing varying degrees of surcharges and the fact is we put them in ourselves. It's always been my view, Brent, that I would rather, if I'm on the transportation end of it, I would rather not charge someone a fuel surcharge because fuel surcharges go in and fuel surcharges go away. I would really rather just deal with the aggregate pricing and take it up accordingly. I think one other ways though as a practical matter that we're able to deal with fuel surcharges with increased transportation cost in very degrees is simply do to the nature and scope of relationships with the railroads and others. And keep in mind, Brent, we're the largest shipper of aggregate on CSX, on UP, on BN and on the Kansas City Southern. So that certainly puts us in a circumstance that's a bit different from others.

<Q – Brent Thielman>: That's helpful. And then, you mentioned North Carolina and obviously that strong [inaudible] activity in the last fiscal year. And certainly that, the data certainly supports that. And I guess I'm just trying to understand from a timing perspective, did you any guess how much of that work is sort of begun and is it a bigger benefit to 2011 versus 2010? Any thoughts there?

<A – C. Howard Nye>: Well, I think some of that's going to vary because it's going to depend when the jobs actually get underway. For example, we've got some turnpike work that's near the Raleigh area that was actually delayed last year due to some environmental matters. That pushes a lot of that work into 2011. At the same time, for example, you have the second major turnpike road in Charlotte – it's actually closer to Gastonia – that will be let sometime in the second half of this year. And again, the rate of progress on actually performing work on those jobs may vary. So it's hard to sit here at this point in very early February and give you a good sense of timing.

<Q – Brent Thielman>: Okay. Thanks, Ward.

<A – C. Howard Nye>: Sure, Brent.

Operator: Thank you. Our next question comes from Chris Manuel with KeyBanc.

<Q – Chris Manuel>: Good afternoon.

<A – C. Howard Nye>: Hi, Chris.

<Q – Chris Manuel>: Since we don't want to talk about 2011, I am going to ask you question about 2017? Seriously, now, as you look at the 200 plus million tons that you've produced back at the last peak in your some 70 million, 75 million tons off of that today.

<A – C. Howard Nye>: Yeah.

<Q – Chris Manuel>: Do you think it's reasonable over the next – by the end of the decade to get back to levels like that?

<A – C. Howard Nye>: You know what, Brent (sic) [Chris] , I guess a lot of it depends on what the highway bill looks like because that's clearly going to be a six-year bill and how robustly housing and commercial comes back. What I would tell is this, would we like to see 200 million tons based on our cost structure today? You bet. Do we have to have 200 million tons to put up the same numbers that we were putting it up in 2006 and 2007? We don't need that at all. In fact, your numbers are about right. We're about -- say it's 70 million tons from peak to where we are today. If we go back and pick up 30 million tons, based on that what I'll suggest to you Chris is, whatever numbers we put up before that had record in front of them, are numbers that will fall under that kind of volume. Because if we come back with 30 million tons to this business today, we don't have to add a lot of head count to do that.

<Q – Chris Manuel>: That's helpful. And then, if I can kind of come at a different direction at the pricing is we would look out over this past year since those tons have gone away. You guys have done a remarkable job – you and the industry as a whole – of holding pricing while many other commodities have come off and now started to come back up. As we would work to a scenario where volumes would improve again, would you anticipate the pricing could also move up as robustly as it has in the past, i.e, basically doubled what underlining inflation is over that period?

<A – C. Howard Nye>: It wouldn't surprise me to see it do that, Chris. I don't think that's an unrealistic expectation at all. And I think so much of it goes back to what we discuss before. One reason that we can go in and do what we're going to do with the dolomitic lime kiln in Ohio is we have a Title V operating permit there. And whether you're talking about a kiln or whether you're talking about quarry, the ability to open new sites or even make existing sites larger is incredibly difficult right now. And I think the way the industry has consolidated over the last 20 years, I think with what's happened with the difficulty in land use, I think with what's happened in the difficulty in obtaining new permits – to come back to your point, seeing pricing in a more normalized volume environment doing something that could be doubled inflation, I don't think is a reach at all.

<Q – Chris Manuel>: Okay, and then the last question I had is, I recognize as you're out looking at assets – and my understanding is there may even be some larger properties on the market available – how do you try to value those properties today? Obviously, you can't look at any kind of trailing basis or film or profitability levels or things of that nature, has the valuation of what you're paying per ton for owned reserves or leased reserved change much and can you kind of update us on what you're seeing out in the marketplace today?

<A – C. Howard Nye>: It hasn't changed dramatically. The fact is, we're going to run these on a 10-year DCF, and we're going to go through our modeling and we're going to do it in a very disciplined, very careful way. And that's how we are going to look at it. And then at the end of it, we're going to come back and put some real world features to it as well, just to make sure that there's not some nuances in the modeling that makes the process unrealistic. But the trick to it, as you would imagine now, is trying to get a sense of where volumes are going to be.

But keep in mind what our aim has historically been, we're looking for markets that have good long-term growth characteristics where we can have a number one or number two market position. So if you take those propositions at the beginning of it, Chris, and then start your modeling after that, it will give you sense of why I said at the beginning of this, I'm not sure that we're seeing some of the numbers on the per ton basis change dramatically.

<Q – Chris Manuel>: That's helpful. And by the way, I forgot to congratulate you guys on a strong quarter and the progress you're making clearly differentiates you from some of your peers. So good luck.

<A – C. Howard Nye>: Chris, thanks for your comments. We appreciate it.

Operator: Our next question comes from Keith Hughes of SunTrust.

<Q – Keith Hughes>: Yes, just quickly, many questions ago there was some comments on non-residential energy 5%to 6%, is that 5% to 6% of the 26% that's non-residential?

<A – C. Howard Nye>: Yeah, it would be. It's probably, in fairness, a little bit north of that but not dramatically north of that.

<Q – Keith Hughes>: And the bulk of the remainder would be traditional strip mall, office, that type of construction?

<A – C. Howard Nye>: Or in this environment, even more heavier type of work as well.

<Q – Keith Hughes>: Okay, thank you.

<A – C. Howard Nye>: Sure.

Operator: Thank you. I'm showing no further questions in theQUESTION AND ANSWER SECTION
queue. At this time, I'd like to turn the call back over to Ward Nye.

C. Howard Nye, President and Chief Executive Officer

Thanks again for joining us on this earnings call and for your interest in Martin Marietta. We believe we distinguish ourselves as the premier performer among building materials companies. We're gratified by the momentum created in 2010 and look forward to extending it in an economic recovery. Never forgetting who we work for, we'll continue to focus on managing our business for the long-term benefit of our shareholders.

We look forward discussing our progress with you during our first quarter call in April, and we'll talk to you then. Thanks.

Operator: Ladies and gentlemen, thank you for your participation in today's conference. This concludes the conference and you may now disconnect.

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