MANAGEMENT DISCUSSION SECTION

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

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

Thanks for joining us today. I have with me Anne Lloyd, Chief Financial Officer and Janice Henry, Senior Vice President and Treasurer. We had an outstanding third quarter with our aggregates business leading the way. Our earnings of $1.62 per diluted share adjusted for $0.14 in discrete tax events yielded $1.48 per diluted share. Adjusting to prior year period for $0.09 discrete tax event, earnings increased 45% against the 14% increase in net sales.

SG&A as a percentage of sales continued to drop and is at 7.4% year-to-date versus 8.3% in the prior year period. We also continued to do a very good job of working capital management with receivables and inventories rising just over 1% against the 14% sales increase. During the quarter, we repurchased 299,000 shares of our stock for a total of over 1.6 million shares purchased year-to-date or approximately $99 million. We also made a tax deductible voluntary contribution of $15 million to our pension plan. Our aggregates business performed in an excellent manner despite the hurricane disruptions during the quarter. Volume increased 4.5% and pricing improved by 9% with solid performance in all of our major operating units. Our operating margin increased 300 basis points to 22.5% as compared to the prior year period.

Expense and business disruption created by the hurricanes was essentially offset by higher income on land and equipment sales. We also absorbed increased diesel fuel cost of about $6 million during the quarter. I am particularly proud of our management group and employees in the areas impacted by hurricanes Katrina and Rita. They did a terrific job of getting both individual employees and company operations back to a functional basis very quickly. We anticipate significant demand for the rebuilding of Louisiana and Mississippi coastal areas. Last week, the first major FEMA highway reconstruction project was led in Louisiana. We were the only aggregate supplier able to quote the entire job. We expect to supply up to 650,000 tons of material from our barge locations on the Ohio River and from our Nova Scotia Quarry. We expect to see additional major rebuilding projects led contract over the next several months. We believe there will be shortages of materials and transportation into these areas in 2006 and possibly beyond.

We also had another excellent quarter in our Magnesia Specialties business. Net sales increased 14% to $31 million while earnings from operations of $6.7 million was up 21%. To accomplish this, we had to overcome about $700,000 in increased natural gas costs.

During the quarter, we wrote down an additional $1.5 million in composites inventory related to the waste trailer product line. We have shifted our focus from bridge decks and heavy-duty truck trailers to our flat-panel products. During the quarter, we received an order from the US Military for approximately $3 million of ballistic panels. We are currently producing and shipping against that order. Although there are no guarantees, we currently expect follow-on business of a similar nature. We continue to invest in capacity growth and efficiency improvement in our aggregates business. Year-to-date, capital spending is up $47 million as we invest in what we expect to be high-return projects, most of which are focused on supplying our long-haul distribution network.

Looking ahead, we expect good pricing and solid demand in our aggregates business during the fourth quarter with weather being the governing factor. Our Magnesia Specialties business should also continue its positive performance. We expect improvements in our structural composites business, which is dependent on the level of military orders. Also during the fourth quarter, we expect to close some small aggregates facilities with the resulting shutdown expense of 2 to $3 million.

Fourth quarter – given current expectations, fourth quarter earnings are likely to fall between $0.74 and $0.89 per diluted share. For the full year, earnings per diluted share is currently expected to range from $3.80 to $3.95, inclusive of the one-time tax benefit of $0.14 per share. We expect aggregates shipments volume to increase 6 to 6.5% and aggregates pricing to increase 7.5 to 8%. Magnesia Specialties business is expected to generate between 21 to $23 million in pre-tax earnings. The Structural Composites business is expected to incur a pre-tax loss of 11.5 to $13.5 million inclusive of inventory write-downs of $3.5 million recorded in the second and third quarters. At this time, I would pleased to take any questions that you may have.

QUESTION AND ANSWER SECTION

Operator: [Operator Instructions]. Our first question, Rob Norfleet, Davenport & Company.

<Q>: Hi, this is Allen Vaughan for Rob Norfleet. Nice quarter, everyone.

<A – Stephen Zelnak>: Thank you.

<Q>: Steve, just a few questions. In the press release you mentioned that gains from asset sales helped to offset some expenses in lost sales related to the hurricanes. Can you quantify the impact of lost volumes during the quarter? And do you see any catch-up in terms of deferred volumes in the fourth quarter?

<A – Stephen Zelnak>: We tried to do that, and quite frankly, it is kind of a – it is just a guess. There were so many disruptions during the quarter that we finally just kind of backed off of that. The expectation – I mean, we clearly lost volume in the Katrina and Rita affected areas. That was the big area, but those weren't the only impacted areas with respect to hurricanes. You had some North Carolina impact on the North Carolina coast. There was some Georgia and South Carolina impact early on with Dennis. So, we just tried to look at the cost and lost profit opportunity as opposed to racking up the volumes. But we do think that you clearly are going to see major rebuilding coming. We cited the first major FEMA job. The limitation there in Louisiana and the impacted area in that part of the country is really going to be materials and transportation. So, you get it back, the question is how long does it take to do it given the shortage of material and particularly the shortage of transport.

<Q>: Okay. Second, clearly pricing continues to be well above historic averages, trending at the high single digit range. Is there anything that you see out there aside from the slowdown in residential construction that would cause pricing in '06 to decline from the current levels? And given the spike in diesel and energy costs, could we expect even higher pricing in '06 to offset some of these higher costs?

<A – Stephen Zelnak>: We'll talk to you about '06 pricing when we close out the year and close out the fourth quarter. So, I'm not going to comment specifically. What I will say to you is that the pricing momentum continues to be strong. Keep in mind that we as a company and certainly some others in the industry, in our case, we put in the most significant mid-year price increases that we've ever instituted. We have come back, we've sent out price letters with effective dates of January 1. We've got some plans in certain areas to look at mid-year price increases in '06. So, I think pretty clearly it is going to be a strong pricing environment, but I am not going to attempt to quantify it right now.

<Q>: Fair enough. Lastly, in terms of margins, operating margins in the aggregates segment in '05 are on track to be in the 18% range. The last time the margins approached the 20% range in this segment was back in the late '90s, in 1998. Given that the complexion of the company has changed over the last seven or eight years, given the more remote distribution in barge shipments, do you think that MLM's cost structure is aligned to accommodate margins back to these historic levels of 20% plus?

<A – Stephen Zelnak>: If the starting point would be if you take the 18% and you plug in the long-haul distribution system, we've got a decrement of 410 basis points related to that long-haul distribution system.

<Q>: Right.

<A – Stephen Zelnak>: So, on a same-on-same basis, the margins are more like 22% compared to the 19 or 20 that we were at. So, we are already performing very well. The real question is whether or not margins continue to improve next year. We will talk about that in some detail when we get to the end of the year, but certainly the trend line would indicate that we've got positive margin momentum. That is the expectation as we go into '06, further margin improvement and then we will try to quantify for you when we do the next conference call.

<Q>: Wonderful, thank you very much.

<A – Stephen Zelnak>: Sure.

Operator: We'll go next to Jack Kasprzak, BB&T Capital Markets. Sir, your line is open, please check your mute button.

<Q – John Kasprzak>: Thank you, good afternoon, Steve.

<A – Stephen Zelnak>: <A>: Hi Jack.

<Q – John Kasprzak>: The $2 million you mentioned of closure costs in the first quarter, I am sorry, in the fourth quarter, is that included in the guidance?

<A – Stephen Zelnak>: Yes, 2 to $3 million.

<Q – John Kasprzak>: 2 to 3. And the pricing in aggregates in general, this is sort of more of a conceptual question, but I get this question a lot, it is really independent of cost factors like diesel fuel and more a reflection of underlying demand, isn't that correct?

<A – Stephen Zelnak>: It's a combination of both, Jack. I think you have to be realistic about that. The levels that prices have gone up certainly start with the fact that you've got significant cost pressure. But beyond that, you've got a supply demand imbalance and the way you ration supply, when there is more demand than supply, you ration it with price. And that's exactly what's going on certainly in many of the markets that we are in. And we think that's likely to continue in an up-economy.

<Q – John Kasprzak>: Well, given that condition of an up economy, if diesel fuel prices were to flatten out or go down some amount, which we would hope for, I suppose, would you expect that the pricing momentum would slow down as well or --?

<A – Stephen Zelnak>: I think what you need to be doing is looking at it in terms of real rates of price increase relative to an underlying inflation or costs push rate. And what I would say to you in that regard is that I think the real rate of price increase is likely to continue for a while. I think we've got a step function increase in the value of metal reserves based on those who have them in proximity to markets where you've got good transportation costs. And I don't think that you are going to see real price increases diminish, certainly in the foreseeable future. This is the best price increase environment that I have seen in my career which stretches over 31 years, 23 years running Martin.

<Q – John Kasprzak>: Right, okay, thank you.

Operator: We will go next to Arnie Ursaner, CJS Securities.

<Q – Arnold Ursaner>: Hi, good afternoon.

<A – Stephen Zelnak>: Hello, Arnie.

<Q – Arnold Ursaner>: A couple of questions. One is going to your capital spending plans, obviously you found some opportunities to invest capital in your business. Can you give us a feel for what you believe your expected incremental capacity will be? And you also talked about efficiency improvements, what impact these efficiency moves may have on your margin in the segment in '06?

<A – Stephen Zelnak>: We've already had the margin question asked, and the reality is it's some – we expect some margin improvement in '06, but again, we are not going to quantify, and I'm not going to try to quantify the individual projects. We announced a slug of them at mid-year and actually had $26 million worth of incremental projects. And the internal rate of return expected on those was about 32%. And I'll let you do some convoluted math and try to figure out what all that means in terms of translation, but obviously these projects are very, very good cost efficiency projects. All of them have increments of capacity associated with them, too. So you get the double up of more going out the gate, applying your fixed costs against that as well as reductions in variable costs. With respect to incremental capacity, we have not given an incremental capacity number. The problem with incremental capacities is that in our business it is all theoretical and what it really depends upon is the sizes that are demanded. And I have gotten to the point in recent years where I just tend to shy away from the overall capacity numbers. I think it makes more sense to talk about individual locations. I'll give you a couple of locations just to give you an idea of what we're doing. We've taken capacity up in Nova Scotia; we had about 20.2 million tons of capacity available. We will have approximately 5 million as we go into 2006. We had shipping that we had to line up to carry that, come the end of the first quarter next year we ought to be set up so that we can move 5 million on an annualized basis. So we are going to get a nice ramp up there. We've got a project down in South Carolina that where we've been capped out with about 2 million tons of capacity. We've got a new plant that comes on at the end of the year that will add about 1 million tons of capacity. We have a number of these kinds of projects going on where what they will put out truly will meet the market demand. So it is not so much the tons of capacity, it is where it is and the kinds of incrementals you get in those particular areas. And I will tell you we are focused on the areas that really add to our bottom line.

<Q – Arnold Ursaner>: Okay. A couple of mechanical questions. Your Q3 share count fully diluted was 47.2. In Q2 it was 47.17, and I know you bought back a few shares in the quarter. Where is the 300,000 shares of difference coming from?

<A – Anne Lloyd>: Arnie, that is the dilutive effect of options.

<Q – Arnold Ursaner>: Okay. I guess my final question is a clarification. You obviously mentioned the issues related to New Orleans in that area, and I think a lot of people are reading that to imply that you may have some issues delivering product in the upcoming quarter. Could you try to be a little more specific about how you think the region would impact your overall numbers?

<A – Stephen Zelnak>: I think we are in a good position, actually I think we're in a better position than anybody else. I think the first FEMA job would indicate that we are the only ones who could quote the whole job. A couple of things are going on. One, we've raised prices $3 a ton. That was put into affect a couple weeks back. You are going to see prices increase I think further in order to draw some potential supply into the market. We have some locations that we will pull into that marketplace given some higher prices. So what we have is a set of quarries that will work it initially. We have another set of quarries that as the pricing improves, which we think it will, we'll be able to augment and supplement. And given the combination of rail tonnage coming out of Arkansas, waterborne tonnage coming down the Mississippi River system by barge, material coming from the Bahamas, and particularly material coming out of Nova Scotia, we think we're going to play a very, very significant role there. So, it will be a combination of price and volume, but I think it's going to be a good marketplace.

<Q – Arnold Ursaner>: Okay. I will jump back in queue. Thank you.

<A – Stephen Zelnak>: Sure.

Operator: We'll go next to Mike Betts, JP Morgan.

<Q – Michael Betts>: Yes, good afternoon. Maybe I could start with a couple of financial questions. The first one was just on the P&L, the 6.6 earnings credit for other income, is that where the disposal gains are included? I am just wondering the comparison between the 6.6 and the 2.2 same quarter last year.

<A – Anne Lloyd>: Yes. That's where the disposal gains are, Mike.

<Q – Michael Betts>: Okay. My second question, just remind me in the fourth quarter of last year, I think you had a pretty high tax rate. Was that due to particular circumstances or does it generally tend to be higher in the fourth quarter?

<A – Anne Lloyd>: Fourth quarter tax rate last year probably was just relative to the earnings at the time, it was nothing unusual in the fourth quarter; we are looking at a 29.5% tax rate for the year.

<Q – Michael Betts>: Okay, thank you. And then if I could ask Steve sort of what sort of – in your guidance, what have you put for the diesel hit in the fourth quarter? What price are you assuming for diesel?

<Q – Stephen Zelnak>: I'd rather not give you a number there. We've obviously got some assumptions as we went through it. Diesel is awfully volatile right now. We think we got our assumptions covered, put it that way. I don't know what other people are buying for, and I'm not particularly excited about telling you what we think we're going to buy for in the fourth quarter, much more interested in telling you historics after we do it.

<Q – Michael Betts>: Okay, that's fine. And then a final question. I mean, I think, Steve, you very much commented in the past that you thought there were less opportunities for a sort of acquisitive growth in aggregates, particularly in tuck-ins. We have seen a few more deals recently, particularly the CRH one which you probably saw today. I mean, would you still hold to that comment or do you think the sort of pricing expectations of people are starting to improve now, would be more realistic or would those deals that we've seen just be one off in nature in your view?

<A – Stephen Zelnak>: Acquisitions are always in the eye of the beholder. And people are going to look at the deals, they are going to evaluate them based on their criteria and particularly what they can do with them and with respect to synergies. So that is the starting point. We continue to look at deal opportunities. And as I have indicated before for almost 3 years now, we just don't see anything that is particularly attractive to us. We compare that to buying back Martin Marietta and we like Martin Marietta a lot relative to prices we see in the marketplace.

<Q – Michael Betts>: Okay understood. Thank you very much.

Operator: We will go next to Jeff Smith, Stanford Bernstein.

<Q – Jeffrey Smith>: Good afternoon. I just wondered if you could give us a little detail on the quarries that you're expecting to close in terms of what the earnings contribution might have been year-to-date. Thank you.

<A – Stephen Zelnak>: You can assume that there is minimal contribution with respect to those quarries. Otherwise we wouldn't be thinking about closing them.

<Q – Jeffrey Smith>: Okay, great. Thank you.

<A – Stephen Zelnak>: Sure. Case, Jeff, of taking some investment out where you are not really generating anything, that's particularly positive and redeploying the capital. We've been doing that steadily now for the last three years and it has been very effective. We are going to continue to do it although the opportunities are diminishing.

Operator: We will go next to David MacGregor, Longbow Research.

<Q – David MacGregor>: Hi Steve.

<A – Stephen Zelnak>: Hey David.

<Q – David MacGregor>: Just for starters, can you just walk us through your business with respect to residential versus commercial versus public sector spending, and just what you're seeing in each?

<A – Stephen Zelnak>: Sure. Residential for us is about 22% of our business, based on the public commentaries I've seen, we've got the lowest exposure residential of any of the major aggregates materials companies. The residential market continues to be strong although we are seeing some selective tapering. We are seeing tapering off in the Mid-Western part of the country. We are seeing tapering in the North Central part. Generally the southern tier continues to be pretty strong. So, you are seeing it where you would expect to see it in the less robust areas. As we look at next year, we will give you comments on that precisely, but our view is that the trend is slightly down, and we will try to quantify that for you later.

<Q – David MacGregor>: Okay.

<A – Stephen Zelnak>: With respect to commercial and that typically runs somewhere between 25 and 28% of our business. We've seen pretty robust commercial construction activity this year in our markets, well beyond what we had expected. And we're still not completely through with our planning process, but the early indications are that we're going to continue to see strong commercial activity in the markets that make a difference to us. Again, that's southern tier. So, as we go forward we have a positive view of commercial construction. And again, we will try to put some numbers with that the next quarter.

On the infrastructure side of the business, infrastructure typically runs somewhere in the high 40s, mid 40s, high 40s, can run up to 50% of our business. With passage of the federal transportation bill that's clearly a positive. It is going to stimulate more construction activities by the states. Probably the biggest positive coming out of that is that instead of 90.5 cents on the dollar coming back as a minimum to the donor states, that's going to move up to 92 in 2007 and all of our major states or donor states only get back to 90.5. Texas, of the states we are in, probably has the most robust transportation program as we look at '06 and probably beyond for several years. They are going to have a combination of toll road turnpike activity plus state road activity. North Carolina has just recently passed about 900 million in Garvey bonds. They've had a lull in highway lettings, but given the money in the Garvey bonds that should pick up, and we expect positive activity there. So we are pretty, pretty positive, we are positive about the infrastructure, and we think that is going to be a plus in '06 and out beyond.

<Q – David MacGregor>: Great. Thanks. That was a pretty thorough answer. I appreciate it. You've been talking earlier in response to another questioner's question about pricing and I was just hoping you could give us some sense of what percentage of your revenues right now are from projects bid in advance? And how will this change over the next year as opposed to sales or revenues generated from immediate sales?

<A – Stephen Zelnak>: Well, the larger portion of our sales, I mean, if you start looking at just pick-up sales at the quarry, list price sales, that is a minority of our sales. So, the larger portion of our sales is going to be under some type of contractual arrangement. It could be a quote which historically has been good for a year, but we've shortened those quotes up now, we are telling customers that as we quote them they should not expect that the quotes are going to be good for longer than 6 months in most cases. In some cases even shorter than that. So, what we're trying to do is we are trying to make sure that the timeframe between a quote on a particular piece of activity and the opportunity to quote higher prices gets shortened. With the contractual activity – we honor that. There are some companies that on occasion will choose not to honor things if it is not locked down in a firm, written, highly legalistic document. If we tell our customers that is what we're going to do that's exactly what we do, even if we have to absorb a little cost. If you go to – I think one way to look at it that might be helpful is if you look at infrastructure work, all of that is contractual work. And it tends to stretch out over a period of time. If it is typical highway job it could be 12, 18 months on average; some of them stretch out 3, 4 years. So, if you take that 12 to 18-month average what is happening is that we are rotating through and we are getting old quotes filled those jobs off the books and now we have an opportunity to quote new prices and not only do we quote them January 1 of last year, but we had an opportunity to begin to quote increased prices mid-year last year. And then we will have an opportunity to quote increased prices January 1 of '06. So, I think we are moving on that pretty expeditiously to make sure that we can move pricing to where we think it should be.

<Q – David MacGregor>: Good, and then the final question is more with respect to your new military business and your structural composites business. And you mentioned that it is still sort of in the early stages, sounds like it might be some sort of a pilot program. But what is possible in terms of extensions from that particular project? And what can you say about your goals for that business as revised as they maybe over the next say 9 to 12 months?

<A – Stephen Zelnak>: First of all, the order we picked up is not a pilot program. We were one of several suppliers who were chosen to supply ballistic panels. We actually produced that product as something that can be sold in the marketplace. It is a relatively new product for us. Just to give you an indication of what it is so that you can visualize, we are talking about polyester resin and woven glass fiber, conventionally fiberglass, conventional polyester resin, panels about 5/8 of an inch thick and if you fire an AK-47 at it, AK-47 will not penetrate, neither will a .44 Magnum. So it's a pretty interesting product. The military has been tested thoroughly, and they like it. So, we will see whether or not we get the follow-on orders. We also have some other types of panels that they have been testing. And the indications are they like those, too. I will understand what like means when we see purchase orders. But we like what we're seeing and we like the signals and the conversations to this point. And we are producing panels as we speak at our Sparta facility. The objective on this business is to get to breakeven and that is a 2006 objective. We think with the product mix that's likely to float that it takes 30 to $35 million worth of revenue. We had talked about 25 to 30 in the past. This is a different product mix; given the customer and the type of product it's going to have a little lower margin. So, that's where we are on that.

<Q – David MacGregor>: Is there a possibility of generating any other sources of revenue in this business right now or has military just become – I know you were talking about some other trucking business and I'm just wondering how far along that might be?

<A – Stephen Zelnak>: We've got – we actually have quite a few initiatives. We've got a cooling tower initiative which looks pretty interesting. That will be commercial. We do have some truck-related initiatives, everything from RV floors to truck bodies to platforms trailers. Those are in various stages with various customers. It is too early to speculate on those. I think military in the next 12 to 18 months is probably going to drive this opportunity. But we do have some good commercial opportunities which if we can layer them on top of what we think the military opportunity is, then it begins to get us to where we want to be with the productive and profitable business.

<Q – David MacGregor>: Sounds like that business is finding some traction. So congratulations. Thanks.

<A – Stephen Zelnak>: Thank you.

Operator: We will go next to Leo Larkin, Standard & Poor's.

<Q – Leo Larkin>: Yes, good afternoon. Could you give us guidance for the tax rate for '06?

<A – Anne Lloyd>: No, we will give that when we release our annual earnings and our 2006 outlook.

<Q – Leo Larkin>: Okay. With respect to the composites business, it seems like it is getting stretched out a bit. At what point and how close to break-even does it have to get to in '06 for you to be completely committed to it or at some point when would you might rethink this?

<A – Stephen Zelnak>: You got to have a string of orders; clearly, what we're working right now it has been slower, Leo, that is a true statement. We started off in this business, we were – we started with bridge decks. And because of the lack of the federal transportation bill, the innovative research money that was used to fund some of these bridge deck projects just hadn't been there for the last couple of years. As we look at the business right now, the bridge deck opportunity is limited, although it is likely going to come back and could come back pretty strongly. We went down the trail of taking on some of the most difficult truck trailer applications and we did that with a lot of knowledge and what we thought was realistic confidence in the products. The reality was that we found it much, much more difficult to make that product standup and not perform the same as aluminum or steel, but perform better because that's what we have to do to get into the marketplace. So, after several rounds of that we just decided that we were going to put that in the category that will come back to because the military opportunity we're looking into really began to develop. So the objective is just what we said, this business needs to move to the black, 2006 is the target year for that. If it's not in the black or very close thereto then we've got to look at whether or not we want to be in this business in any significant way and that's just a fact. We've said that before and I will repeat it to you. We are not in the business of losing money. But at the same time I will tell you that we think we've got something that's very interesting and the objective is to take it forward. And if we can do that effectively, then we've got a growth opportunity with relatively low investment. Good question.

<Q – Leo Larkin>: Okay, thank you.

<A – Stephen Zelnak>: Sure.

Operator: [Operator Instructions]. We'll go to David Weaver, Adams Express.

<Q – David Weaver>: Good afternoon.

<A – Stephen Zelnak>: Hey Dave.

<Q – David Weaver>: I know there were quite a few disruptions in the quarter, but can you give us a little color on the regions, and maybe give us an idea of where you did better or where you have done poorly?

<A – Stephen Zelnak>: Yeah, I will give you – why don't I do it in terms of sales revenue increases and that will give you an idea.

<Q – David Weaver>: Okay.

<A – Stephen Zelnak>: If you take what we call the Mid-East, which is North Carolina through Virginia, Maryland and over to Indiana, Ohio, revenue was up about 11%, pricing was very strong, the unit volume was below the average, below the 4.5% average for the company for the quarter. Ohio, Indiana was fairly weak. They actually got a fair amount of rain and weather disruption coming off the hurricanes as they passed up through the central part of the country, Katrina and Rita. And the Southeast, which is our South Carolina all the way over to Louisiana territory down through Florida, despite the disruptions, they had an extremely strong quarter in terms of revenue increase, up about 19%. Selling price was double-digit increase and the volumes were strong and above the 4.5%. The Southwest had a very good quarter. They were up about 13% on revenue. Pricing was very strong there, just below double-digit. And the volume there was below the 4.5, but they took a pretty significant disruption from Rita. Houston shutdown for a week or a little better, and I mean literally you saw it on TV what was going on in Houston. So we just – we didn't do any business there. If you go to the Northwest, which includes our primarily the farm belt and locations we have in Colorado, Nevada, California and Washington, their revenue was up 13%. And in that particular case the volume was pretty strong. It was above the – well above the average for the company. The pricing there was the only unit that was below the average for the company. So hopefully that will give you some idea.

<Q – David Weaver>: Yeah, that helps.

<A – Stephen Zelnak>: Okay.

<Q – David Weaver>: Did you have any significant damage to your water-based distribution system that has not been rectified?

<A – Stephen Zelnak>: The answer to that is no. We actually – the worst damage we had came in Mobile, Alabama. And we had a sales office that just got destroyed with the peripheral winds which were pretty high, but as far as the distribution yards, no major damage. They got them back operating pretty quickly. When you have hurricane forces and all the water surges like you had with Katrina and Rita, barges have a tendency to take off and go somewhere other than where they're supposed to be. We had some do that that belonged to us. There were a lot of people who had barges that took off and went to other places, at one time I think there were some 700 barges or maybe a little bit more than that that were sunk in places where they shouldn't be, but most of that has been put back together, at least – least effectively enough to let things move. The other one item in this quarter that is probably worth mentioning is that we did have hurricane Wilma. It passed across Florida, did not disrupt us in a major way there. It did decide to visit the Bahamas. That's the third one in the last 2 years and hit Bahamas pretty squarely, 110 mile an hour winds, significant water surges there. We did not have any long-lasting damage, nothing like what we had last year, but we lost about a week's worth of shipments in production in the Bahamas. But we recovered very quickly there. Unfortunately, we've got a lot of employees who are not going to recover for a while; we've got ten people who've just lost their houses totally and the company will be helping with that.

<Q – David Weaver>: Okay. And a quick question on your composites business. Panels for ballistics, I guess, for glass fiber and resin products, have been around for a number of years. What are you bringing to the table with that? Are you bringing a thinner or a lighter product or is it – are you bringing a less expensive product, where is your advantage in that business?

<A – Stephen Zelnak>: Well, we are bringing a lightweight product that meets the specifications. There are products out there, but we have a certain set of specifications that they wanted to meet in terms of ballistic resistance. We also have panels that been tested for blast affect, we've got something that is just very interesting to the military in terms of the weight versus the properties that the panels exhibit. So you're right on it, in that regard.

<Q – David Weaver>: Okay. Thank you very much. Good quarter.

<A – Stephen Zelnak>: Thank you.

Operator: We will go next to Arnie Ursaner, CJS Securities.

<Q – Arnold Ursaner>: Hi, question I asked you about your cash build-up, I know, Steve, at various times you've indicated you'd like to have something closer to 100 million in cash. You are well above that now even after the pension contribution and obviously looking at Q4 you should build that cash much further. And yet you had very modest share repurchases in Q3. Could you share with us your views on the cash build-up and what your thoughts maybe on how you would use it?

<A – Stephen Zelnak>: What we said with respect to Q3 and we actually – we were asked this comment at the end of Q2 about share buyback in particular, what we flagged people on was that based on the profitability of the company, which has increased rather dramatically, we are a cash taxpayer. And we had a tax bill that we had to pay during the third quarter. So, the first thing we wanted to do was to make sure that we had plenty of cash available to pay the tax bill. And we obviously had plenty of cash available to do that. So, we paid taxes first, but we just wanted to make sure that we had our tax estimates down fast and didn't get any surprises there. Then we looked at it and we said we've got an opportunity to do a voluntary pension contribution of $15 million which is tax-deductible. I put that one in the no-brainer category, so we did that. And then beyond that we bought some shares. Given the other two things going on we had a limited time period in which we could actually come in and buy shares. We had some restrictions there. So, if we had known exactly how things were going to flow, you could theorize that we might have bought more shares during the quarter based on the cash that we had available. I'll just reiterate again the same thing I said with respect to acquisitions. With respect to buying things, we like ourselves. We've said we are a buyer of Martin Marietta stock for the foreseeable future based on what we think our company is going to do and based on what it has done, we expect to continue to take a good hard look at that and be positively disposed.

<Q – Arnold Ursaner>: On your pricing side, in your Q4 guidance, your price guidance of 7.5 to 8% is less than you had in Q3 and less than you've had year-to-date. Can you give us a little help on understanding that?

<A – Stephen Zelnak>: Well, it's less than we had in Q3; it is not less than year-to-date. We are at 7.8% year-to-date. And actually that wasn't Q4 guidance per se, although you can translate it that way because the numbers are --if you work it out mathematically it brackets that way. We said 7.5 to 8% for the year. We're at 7.8% through the first three quarters. The fourth quarter and we flagged this before and it's a good question, I will flag it again. If you look at last year through the first three quarters, our average rate of price increase was about 3%. In the fourth quarter of last year we spiked up to 5.8%. So, we've got tougher compare in that regard. So, we will be measuring against that higher level of price increase that we had in Q4. The expectation is the absolute level of pricing will be higher than the absolute level was in Q3. But the comparative is going to be different.

<Q – Arnold Ursaner>: Okay. My final question on capital spending is you obviously have found a lot of very good uses of cash for capital spending to grow. As you look towards '06, I assume you're going back to your management team and asking them to find more of these types of programs. Can you give us a sense of what you think your 2006 CapEx maybe and perhaps even glance out beyond that?

<A – Stephen Zelnak>: Yeah, I think we are – based on what we see right now, I think we are somewhere in the vicinity of peak levels. A lot is going to depend upon how much spending we get done in '05 versus carryover to '06. Last quarter I had indicated that with the additional capital projects that we expected spending to be approximately $225 million. The real question is whether or not we physically can get that done, and that relates to flow of steel and other things that we buy, pace of projects that are underway. As we sit today I would expect that the spending number this year is going to be below the 225. It is probably going to be somewhere closer to 210 to 215 as I speak today. If that's the case, then we will have some more carryover into 2006, which would push that number up as opposed to being a little bit below '05, which is what we had indicated earlier. Might be a little bit above, but they are going to be in the same range. The key thing for '06 is that based on where we are and what we see right now and particularly what we've done, we didn't wait for all this stuff to just materialize; we've got a long-term plan and we've been executing on it. So, we are kind of ahead of the curve in putting in some capacity and making sure that we've got transportation where that is needed to move it. So, looking at authorizations, which is the leading indicator for spending, I expect our authorizations in '06 are going to be down. They could be down 20% or so, and that would spell lower capital spending as we go into '07. So, I don't see huge capital needs out there unless we all of a sudden discover a project of great interest and high return that we don't see right now. I think we've already done a lot of it.

<Q – Arnold Ursaner>: Steve, with the rapid rise in prices, are we seeing projects that may not have been economical a year or two, 3 years ago, start to make sense and should we be looking for more rock coming into this country from other sources?

<A – Stephen Zelnak>: It's possible it could draw, but the fact is with offshore sources that there is limited geology to work with and you have to have a distribution network to go with it. And if you didn't start thinking about that about 10 years or so ago, you're going to have a difficult time doing it in any major significant way. I'll cite specifically our project near Paducah, Kentucky, which is called our Three Rivers Quarry. That project got underway before hurricanes Katrina and Rita, before the run-up in energy and some of these pricing dynamics. We had what we thought was a very good rate of return on that project, 3 of these factors. I would suggest to you that with these factors that we go back and recalculate the rate of return on that project that it is probably going to be much more attractive. So that one would play out and will come online in the third quarter of next year and will take what is currently about 5.5 million ton capacity operation up to 8, 8.5 with an opportunity to expand to 12.

<Q – Arnold Ursaner>: And a comment on the permitting environment today?

<A – Stephen Zelnak>: In contrast to the beautiful business environment or at least the bottom line part of it, the permitting environment is very ugly. It is contentious. It is just extremely rare that you can permit a site anywhere where you do not have to get into a political debate that is not much fun. If you are successful there which is unusual, you move along, which you've get a lot of people that want to help you, that you don't necessarily want help from. The more likely thing is that you're going to have to go to court to get your permits. Politicians have discovered that if they take illegal actions that the courts will straighten them out and politically it is much more attractive for them to take legal actions. And that means that you may be two, three, four years in the court system before you get a permit that you are entitled to. At the end of the day, it is frustrating for the particular site, but the overall environment it's a positive because it just means that the barriers to entry have gone up and they have gone up very sharply in the last three, four years.

<Q – Arnold Ursaner>: Thank you.

Operator: [Operator Instructions]. We'll go to Mike Betts, JP Morgan.

<Q – Michael Betts>: Just one final question if I could. I mean, one of your key competitors last week was commenting about the profile of volumes during the quarter, which was very weak July and then volumes accelerated as they went through the quarter. Would you also be in a similar pattern?

<A – Stephen Zelnak>: July volumes were a little bit – for us were a little bit weaker than what we expected, but not significantly weaker. And actually volumes through the quarter were pretty good.

<Q – Michael Betts>: Okay. Thanks very much.

Operator: We will return to David MacGregor, Longbow Research.

<Q – David MacGregor>: Yeah, just a quick follow-up on the month of October and we are one-third of the way through the quarter, how has weather been on your operations in the month of October?

<A – Stephen Zelnak>: Yeah, the only thing that's notable we decided that's hurricane Wilma passing across and hitting the Bahamas.

<Q – David MacGregor>: Everything else has been relatively clear?

<A – Stephen Zelnak>: Yeah, it's within the bounds of what you consider to be a normal October.

<Q – David MacGregor>: Right, okay. Great, thank you.

Operator: Gentlemen, at this time I have no other questions holding. I would like to turn the conference back for any additional or closing remarks.

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

Thanks for joining us. We obviously had an excellent quarter, truly outstanding quarter. And we're very positive about our business. We're particularly positive about our ability to execute our business and we look forward to talking to you at the end of the year. Thanks.

Operator: Ladies and gentlemen, that will conclude today's teleconference. We do thank you for participating and we ask that you please disconnect your phone line at this time.