MANAGEMENT DISCUSSION SECTION

Operator: Good day ladies and gentlemen and welcome to Martin Marietta Materials, Inc. Third Quarter 2010 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, Mr. Ward Nye, President and CEO. Please go ahead, sir.

C. Howard Nye, President and Chief Executive Officer

Good afternoon and thank you for joining our third quarter 2010 earnings call. With me today is Anne Lloyd, our Executive Vice President and Chief Financial Officer. We appreciate your interest in Martin Marietta and trust that this call will be helpful to you.

The third quarter represents our second consecutive quarter of aggregates volume growth as shipments increased 6.3% over the comparable year period. Importantly though, we saw volume growth in each of our end-use markets, led by a 14% increase in the nonresidential sector. The average selling price in aggregates declined 3.1% for the quarter, due to some market pressure, but also reflective of both product mix and geographic mix changes.

I'm pleased to report that our Specialty Products business continues to perform exceptionally well, again turning in record third quarter gross profit and earnings from operations.

For the quarter, on a consolidated basis, our earnings per diluted share were $1.13, compared with $1.23 in 2009. Unusually wet weather in July and September contributed to an erratic shipment pattern that's atypical for the third quarter. This was particularly evident in Iowa and Texas.

While it's difficult to precisely quantify the effect of weather in terms of missed volume, our approximately 25% increase in October shipments supports the fact that volume in September was delayed rather than lost. Consistent with recent trends, infrastructure represents a more significant part of our business than we've seen historically.

For the quarter, 57% of our aggregates shipments were sold to the infrastructure construction market. Of note, infrastructure shipments increased 3% over the prior year quarter despite a 32% decline in shipments for projects funded by the American Investment and Recovery Act or stimulus. In fact, excluding stimulus, infrastructure shipments increased more than 6% over the prior year quarter. This data supports our view that the transportation component of state budgets in our core states enjoys a greater relative stability that will benefit us for the balance of this year and in 2011.

Our nonresidential end-use market reported the highest percentage volume increase in the third quarter. The 14% growth in this sector was again driven by shipments from our Arkansas and north Texas/Oklahoma districts to support natural gas drilling and exploration projects at both the Haynesville and Barnett Shale deposits in east Texas, southwest Arkansas, and northeast Louisiana.

Specifically, we shipped 1.3 million tons, used predominantly to build roads and pads for drilling rigs, more than double the shipments sold to these jobs in the prior year quarter. The Arkansas district alone reported one of the highest volume increases in the company, up 35%. We expect these energy projects will continue to provide steady aggregates demand for the remainder of the year.

We are also monitoring activities at the Eagle Ford shale deposit in south Texas, as we are nicely positioned to supply aggregate to that project as well.

Our ChemRock/Rail market saw 9% increase in shipments over the prior year quarter. This volume growth was fueled by railroad maintenance and expansion activity in our Western Division, which we expect to continue through the fourth quarter.

Not only did shipments increased in each of our end-use markets, but also in each geographic group. This volume growth was led by the Mideast group, with a 10% increase in shipments over the prior year quarter. Once against our Indiana markets, with a 40% increase in shipments, were among the strongest in the company. Infrastructure demand was the driver in Indiana, as contractors benefited from highway work performed under that state's ten year, $12 billion Major Moves transportation program.

Our West Group reported volume growth of 6%, driven by both the energy sector and the railroad industry. This increase is particularly compelling considering the quarter's significant rain events and factoring in Iowa's aggressive approach to stimulus in the third quarter of 2009, which benefited the Midwest division greatly.

The southeast group reported a volume increase of 1.4%, over the prior year quarter. Volume in this group continues to be hampered by delays in key projects. Our aggregates average selling price declined 3.1%, compared with the prior year quarter. Pricing continues to reflect several previously noted trends.

Among them, shifts in geographic mix, project mix, and product mix. For example, our product mix trended heavier towards one of our lower priced products, base stone, which is used extensively in both new construction as well as the referenced energy projects.

In addition to product and geographic mix shifts, higher price projects having been bid in more stable economic periods are nearing completion and being replaced by projects bid during a more challenging time.

To better illustrate this circumstance, pricing on stimulus projects is approximately 10% lower than our company average. Overall, we estimate this combination of product mix and more aggressively bid projects negatively affected quarterly pricing by 160 basis points. We anticipate this 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 maintain their focus on controllable costs and operating efficiency in the face of a 7.5% increase in aggregates tons produced. We continue to pay particular attention to our single largest cost item, personnel. In response to increasing shipment demand, we are using productive overtime as opposed to new hires.

Our Arkansas district is a good example of this strategy in action, as they experienced a 35% volume increase, yet head count remained basically flat with the prior year. The result was a 24% increase in tons produced per working man-hour and an 8% decrease in personnel costs per ton.

Still, there is some costs we cannot wholly control, one of the them is diesel fuel. During the quarter, we experienced a 17% increase in the average price paid for diesel. Overall, higher energy costs negatively affected the third quarter gross margin by 200 basis points and earnings per diluted share by $0.06.

Our Specialty Products segment continued its record performance in the third quarter. Net sales of $42 million for the quarter represented a 7% increase versus the comparable prior year period. This increase was led by a solid demand for our chemicals products, as well as general resiliency in the steel industry during the first part of the third quarter. The resulting strong sales, together with cost control measures, produced record third quarter earnings from operations of $12 million.

Our focus on cost control extends also through our selling, general and administrative functions. For the third quarter we reduced these expenses by $1.7 million, despite absorbing a $900,000 charge for certain retirement plan payments. As a percentage of net sales, SG&A expenses decreased 70 basis points to 7%, representing one of the lowest rates in the industry.

Our balance sheet remains strong and provides financial flexibility that will serve us well during economic recovery. We ended the quarter with $60 million in cash and $423 million of borrowing capacity under existing short-term credit facilities. Our liquidity provides the necessary capital to actively pursue available opportunities, both internal and external, that will increase shareholder value. Our financial health and stability is underscored by the recent re-affirmation of investment grade credit ratings by both Moody's and Fitch.

Our ratio of debt to 12 month trailing EBITDA was 2.88 times, well within our leverage covenant of 3.5 times. In April 2011, we had $242 million of notes that matured. We presently have adequate credit capacity to satisfy this maturity. For the first nine months of 2010, capital expenditures were $110 million, compared with $100 million in 2009. Our base of highly efficient, cost effective operating assets allows us to safely and appropriately flex our capital investment and provides opportunities to allocate capital in ways that maximize long-term shareholder value. Our CapEx target for the year remains at $135 million, basically flat with 2009.

Looking ahead, our full year guidance of 4 to 6% increase in aggregate volume remains in place. However, given shipments through nine months of the year it's appropriate to update our end-use market guidance. We now believe infrastructure shipments will be up 4 to 6% for the year. Non-residential shipments, driven by the energy sector activity, will increase 6 to 7%. Residential shipments will be up 3 to 4% and our ChemRock/Rail shipments increase 2 to 3%. For the fourth quarter, we expect an increase in shipments over 2009, as we recoup weather delayed volumes for the third quarter.

For the reasons discussed, aggregates pricing will be challenging for the remainder of the year. We are therefore revising our pricing guidance for the full year to a range of down 3 to 4%. For the full year, we expect higher energy costs to slightly increase aggregate costs per ton, compared with 2009 and SG&A costs being no more than 8.8% of our net sales.

We also believe the Specialty Products segment will include a record year and contribute $46 million to $48 million in pre-tax earnings. While it's too early to issue specific 2011 guidance, there are certain macro indicators that could be impactful for the year ahead. We believe stability in federal infrastructure funding is the most significant variable.

We were pleased with President Obama's recent proposal of a six-year plan to rebuild infrastructure with initial $50 billion investment. However, future action related to winning new transportation legislation would largely depend on the results of today's midterm elections.

The highway bill is currently operating pursuant to a congressional continuing resolution through December 31, 2010. We believe a similar circumstance will likely persist during calendar 2011. However, some form of multi-year reauthorized infrastructure legislation maybe passed next year. If so, the two primary motivating factors would be job creation and the current state of infrastructure disrepair from years of under investment.

Finally, we anticipate approximately 30% of stimulus funds will be spent in 2011 in our critical states. We also expect improvement in both the non-residential and residential sectors, with the bulk of any percentage growth in non-residential coming from the commercial component as opposed to the heavy industrial piece that experienced such significant 2010 growth due to the energy sectors natural gas activity.

We'll provide 2011 guidance in conjunction with our fourth quarter and year end earnings call scheduled for February 2011. Again, thank you for your interest in Martin Marietta. 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.

<**A – C. Howard Nye>:** Hi, Arnie.

<**Q – Arnold Ursaner>:** Could you expand a little bit more on your discussion on pricing? I know you've talked broadly before about mix, geography and have added some competitive issues. But could you expand a little bit more about what specifically is causing some of the additional weakness you're seeing in pricing?

<**A – C. Howard Nye>:** Yeah, sure. Arnie, if you recall, really since the beginning of the year what I've said is pricing is really a stool with three different legs. We said that geographic mix was going to be an issue this year. We said product mix was going to be an issue. And we also said you can't have volumes down on a percentage basis as much as they are and not have some competitive pressures in some different markets.

Keeping things in varying degrees of context, what we're seeing now – what we reported for the quarter was an ASP of $9.90. If we go back and look at what that looks like compared to where we were in '06, the pricing is higher than it was in '06. It's higher than it was in '07 and relatively close to where it was in '08. So really what we've seen is a bit of a pullback here of late.

But in large part, Arnie, it's driven by the type of projects that we are seeing. Several things are happening, year two in stimulus we are seeing much more new roads or new lanes built. That's sending out considerably more base that tends to be about 30% less expensive than clean wash stone. But what you will see also are the numbers, if you listened to the text as I was going through it, the two markets that we seen the greatest percentage growth then are Indiana and in Arkansas.

Now, what's driving Indiana is truly infrastructure projects and what's driving – what's going on in Arkansas and north Texas is really, to a degree, what's going on in the Haynesville and Barnett Shale deposits.

So what we are doing in the Texas/Arkansas market is sending relatively low-priced base products to the natural gas fields where we are building paths and roads. So that's a big piece of it there and Indiana – number one, it tends to be a relatively lower priced market compared to others and then you also have the product mix issues as well.

I think those are your big issues Arnie. On the competitive side of it, it's not so much that you have markets, you have macro-markets. And of course, from a competitive perspective, going up and down a highway 60 or 70 miles may change a competitive landscape rather considerably.

If I look at our overall pricing, we are probably seeing numbers anywhere from up six in some markets to down eight, that's probably not a bad bookend to what we are seeing. But given the competitive pressures in some of those markets -and more importantly what we are seeing on the mix issue because that's really half of the 3.5% that we are talking about, I'm not horribly surprised right now with what we seen in the pricing.

<**Q – Arnold Ursaner>:** Thank you for the additional color there. One other question if I can, it is Election Day today and the House of Representatives – the Head of Transportation and Infrastructure Committee is a Democrat and I guess the next in line the Ranking Republican, John Mica – to the extent the Republicans do win the House, what do you think this could do in terms of getting a highway built through Congress perhaps sooner in 2011 than you thought before?

<A – C. Howard Nye>: I don't think any – let's start it this way, Arnie. I don't think we see anything happen in lame-duck Congress, so we will begin with that. If you do see the Republicans take the House, I think you are right, I think John Mica probably ends up chairing that committee.

He's shared the aviation panel in the past, he's never chaired the full committee. I think if people looked at his philosophy, versus Jim Oberstar's, I think they are going to say that really from an approach perspective it's not going to remarkably difference.

I think there may be some ideological differences. For example, what I've heard Congressman Mica speak to a lot is what he sites as his 437-day plan and what he is referring to when he talks about that -and I think this is instructive on his philosophy, is really what happened when they rebuilt the Interstate I-35 bridge in Minneapolis/St. Paul. Because what he saw there was how quickly and how powerfully you could move infrastructure forward if you could somehow streamline the environmental and other permitting processes.

So I think you will probably see a little bit more of that type of legislative approach from Mica, as oppose to Chairman Oberstar. The other thing that I would say on Congressman Mica from my perspective is he is really a back to the basics guy.

For example, the current law requires that 10% of highway funds go towards transportation enhancements and what I mean by that is sidewalks, bike paths, road beautifications projects and the like. Really when you take all that and tally it up it's about $4 billion per annum. Not an inconsequential number. And I'm thinking the emphasis on that type of projects would likely shift. But I think those are more philosophical. I still see a 450 to 500 type bill likely coming out of that committee and being steered by Congressman Mica, if that's where we go today.

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

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

Operator: Thank you, our next question comes from Todd Vencil with Davenport.

<Q – Todd Vencil>: Well that's perfect. Hi, Ward.

<A – C. Howard Nye>: Todd, how are you?

<Q – Todd Vencil>: I'm great thanks, and yourself?

<A – C. Howard Nye>: I can't complain.

<Q – Todd Vencil>: Perfect. Good timing, because I was just thinking of a follow up to that last question, which is in your last answer, which is if we have a bill that's 450 to $500 billion, as I understand, another one of the ideological difference is that Mica might have is a bit of a stronger reluctance for any gas taxes. Do you have a view on that and do you have a thought as to how he might get that half a trillion dollars?

<A – C. Howard Nye>: Well I think, clearly, he is not doing to be a guy who is going to be gas tax driven as Congressman Oberstar was. I think one thing that is remarkable on that, Todd, is if you go back and look at what has been put to voters in the past, and whether they are willing on a project by project or even wider basis to support some form of tax, I think usually they have been relatively inclined to do that. But I think as a general rule, really coming out of the box pushing a gas tax is likely not to be something that you are going to see Congressman Mica doing. I think he's going to be considerably more focused on private sector agreements, he may be more inclined to look at broader forms of taxes.

I think part of what we as an industry have typically tried to do is have some form of line of sight between what the taxes are going to and how it ties back into transportation for those very reasons that I indicated at the begin of the call, Todd. But I do think if we see a Republican Congress, the conversation we've had relative to a gas tax is likely to be dialed back realistically.

<Q – Todd Vencil>: But just to be clear – you're saying Mike is sort of inclined to favor a big bill and perhaps creative enough to find a way there?

<A – C. Howard Nye>: I do think that's the case. And in large part – one reason I say that is they run for re-election every two years and it's going to be impossible for Republicans or anyone else to take control of this Congress and not have some responsibility for what unemployment looks like when it's time for everyone to run for re-election again. And one of the issues that we are faced with Todd, as you know, unemployment in the construction sector today is sitting north of 17%. So it's just about double what we are seeing in most of the jurisdictions and I think putting people back to work is going to matter a lot.

<Q – Todd Vencil>: Perfect, thanks for that. On – switching to the non-residential success that you had in the quarter with the energy projects, can you give us some flavor? Obviously there was a big bump up in the quarter and a big swing in terms of your annual composition of that volume growth. Can you give me a flavor for how many projects we are looking at in the energy business? Was the quarter and is your outlook for the year driven by a relatively small number of big projects or a relatively large number of small projects? How does that break down?

<A – C. Howard Nye>: Todd, it's really a relatively large number of small projects throughout those shale deposits. And again what we've primarily spoken to are the Haynesville and Barnett Shale deposits and what we frankly would have an anticipated was probably a bit more of a slow down in that than we've seen and I thnk for several reasons – probably including largely what's going on with lease commitments, that type of process has remained nicely robust through the year and we're not seeing a sharp pull back on that either.

And I think the other thing that clearly is worth watching is what may be happening in additional shale deposits in that part of the world as well. I don't think it's simply going to be confined to what we're seeing in Haynesville and Barnett shale.

<Q – Todd Vencil>: And when we think about the business that you guys generally categorize as non-residential, at this point, what's the breakdown between what you would – I think I've heard you refer to in the past as sort of private infrastructure, where I put these energy projects versus buildings and commercial projects and things like that. How would you break that down?

<A – C. Howard Nye>: Ordinarily, Todd, what I would have told you if you had taken the commercial sector and cut it just about in half, you would have said half was office retail, the other half was heavy. I'm going to say probably 65ish percent of it is now what's going on in that sector that you would tie in to the heavy side of it and energy would, in this context, clearly fall in the heavy side bucket.

<Q – Todd Vencil>: And – final question from me. You mentioned delays of projects in the southeast, anything in particular on your radar screen that we should keep an eye on as we move forward?

<A – C. Howard Nye>: There have actually been a few federal energy projects that we would have been shipping material by rail to that have been delayed. That's the principal one, right now, that's been delayed, Todd.

<Q – Todd Vencil>: Okay. Thanks for that.

<A – C. Howard Nye>: Okay.Thank you.

Operator: Thank you. Our next question comes from Timna Tanners with UBS.

<Q – Timna Tanners>: Hi, good afternoon.

<A – C. Howard Nye>: Hi, Timna.

<Q – Timna Tanners>: You talked in the recent past about greater M&A activity potential. Can you give us update on what you seeing there?

<A – C. Howard Nye>: Yes, I can Timna. As we said, I was suspicious that a lot of M&A activity was back half driven. We have been accurate in that. I think most that we have had conversations with would like to see some form of closings before year-end. Obviously, confidentiality agreements prohibit me from going no a great deal of detail on those, but I will tell you that we are engaged in diligence on a handful of different projects right now.

Some of them look very attractive to us. At the same time, until you get to a point that you know you are really going to get a deal signed, closed and tucked away, it's very difficult to note where they're going to go at the end of the day. But we' ae very busy. I don't think there are a lot of other people who are in the position to be very busy looking at these deals with us right now and we feel good about what we're looking at.

<Q – Timna Tanners>: Okay. Are they both on mom and pops? How can you characterize them?

<A – C. Howard Nye>: It varies. It's a good different handful. The one that we did close that we mentioned in the release is really a small, closely held business. And when we are looking at small, closely held businesses, Timna, that's what we're looking at that you see in this transaction. It's going into a market where we are, into a place lake Charlotte, a market where we have a very attractive position. But at the same time, while we have a number of granite quarries in Charlotte, what we didn't have necessarily in Charlotte was good natural sand resource and now we do.

And that's important to come back in and add as a compliment to our entire product menu in that market. So when we're looking at small bolt-ons, that's the type of transaction that we are looking at. But right now, in fairness, we are looking at some small bolt-ons. We're also looking at some larger transactions as well.

<Q – Timna Tanners>: Okay. Thank you. Helpful. The other question – not to bring up sensitive ones, but I know you had talked about looking out for a typical October price increase letter for next year – and I'm sure that's also something maybe you can't give a lot of detail on. But can you characterize how those discussions are going? Are you still feeling confident in passing through higher prices with some volume stability under your belt?

<A – C. Howard Nye>: Yeah. We've been very consistent. Number one, we want to be disciplined and – but number two, pricing will come with varying degrees of stability. I think that's just the real world in this, Timna. If we go back, if I looked at prices over the quarter, as I said, somewhere between plus six, and minus eight. The places that we are seeing up pricing are the places that you would expect, based on the types of trends that we are seeing in volumes.

Obviously, with the volume trend that we saw in October, that continues to give us some degree of confidence on how volumes will be for the rest of the year, hopefully a little bit of a window into what next year will be. But obviously, we'll give you much more granular detail on pricing when we talk in February.

<Q – Timna Tanners>: Okay. Fair enough. Thank you.

<A – C. Howard Nye>: Thank you.

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

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

<A – C. Howard Nye>: Hi Jack.

<Q – Jack Kasprzak>: I wanted to ask about residential construction which – your volumes were up in the quarter and you say they're are going to be up now in fourth quarter. We all know that tax credit came and boosted activity but is now gone and there was a slump. So what are we to make of your comments on residential? Is it the follow through, the lag affect of that tax credit activity? Or do you guys think you're really seeing some nascent recovery in residential development and construction?

<A – C. Howard Nye>: You know what, Jack, I think you said it right. I would say nascent recovery is not a bad way to capture it. And it's not recovery that we're seeing in a host of markets, it is recovery that we are seeing in some very specific markets. For example, part of what we are seeing in the San Antonio market from aresidential perspective is some good positive movement and we haven't seen that in San Antonio for some time.

The other thing that I would tell you, Jack, is keep in mind we are going to lag on this a little bit, because at the same time about half of our product on housing is going into the house and about half of it is going into the subdivision. So what's happened as a lot of subdivisions have been built out, you are waiting for the sticks and bricks to go up on the different lots. So while we are happy to see some degree of recovery in the housing sector, it's not across the spectrum at all.

<Q – Jack Kasprzak>: So we are not necessarily sounding the all clear on a housing turn but rather some spotty improvement and – is it fair to say it's likely to be that way into next year from what you know today?

<A – C. Howard Nye>: Jack, I think those are relatively safe things to say. Obviously, if you take a look at the housing forecast for next year – again, they are showing big percentage movement for next year, but they are showing big percentage movements off relatively low numbers. So we're still not anywhere near that million starts that everyone would say is a good solid year in and year out number to deal with new households and obsolescence.

<Q – Jack Kasprzak>: Fair enough. I wanted to make sure also – I caught the comment you made about SG&A. I believe 8.8% as a percent of sales? Was that for the full year, 2010? I think is what you said?

<A – C. Howard Nye>: That was for the full year 2010 and that's also taking into account some of that expenses that we'll incur in Q4 on some pension liabilities as well.

<Q – Jack Kasprzak>: Got it. Okay, that's it for me. Thank you, Ward.

<A – C. Howard Nye>: See you, Jack.

Operator: Thank you. Our next question comes from Garik Shmois with Longbow Research.

<Q – Garik Shmois>: Hi, thanks. Good afternoon. I had question on costs. The release had mentioned that production costs were up 20 million, some of that was diesel and energy related. But it seemed like the cost outpaced the sales growth in the quarter, sales were up about 14 million, year-over-year. Just wondering if there is anything more – other than energy and diesel, that was up in the quarter that we might be missing?

<A – C. Howard Nye>: Diesel and energy was the single biggest component of it. If you had energy flat for the quarter – just to give you a sense of it, on a unit basis, costs would have been down by about 1.5%. So that was clearly your big swing factor. The other thing that though we have done, Garik, as you know we've taken a number of sites we've idled them. And if you are looking at a place like Arkansas where suddenly you're having to ramp up production what we've done is we've taken some instances where we've moved idle equipment from one facility to another facility.

And obviously, when you do that you're going to have some degree of up start costs in that. So there was probably a little bit more M&R in this quarter than you would ordinarily expect. I don't view that as a consistent run rate type issue. But if you are looking at what the two different buttons would have been in really that cost delta, I would say A, is energy and little B is M&R.

<Q – Garik Shmois>: I guess a follow-up to your last point. If we remember back last winter, you were moving around production capacity to best meet demand and there was some inventory issues as a result. It sounds like you are maybe mobilizing your capacity a little bit earlier this year to meet the winter. Is that a fair characterization?

<A – C. Howard Nye>: No, I don't think that's necessarily right, Garik. We are obviously controlling our inventories really very carefully. What's happening is, it's much like pricing. It's a market-by-market or times sub market-by-sub market type movement. Actually if you go through the quarter and see what we did, we reduced inventories by about 2.5 million tons.

So we continue to be aggressive in managing inventories and working capital because we do want to make sure that when the volume is there and we really want to run with it we're in the potential to do that very, very quickly. But the other thing I will tell you to your question, very directly, if you recall last year we shut down places early and we opened them late. And the fact is we will probably do that again this year, depending on what weather does. Obviously, weather in October was very good. So far weather in November has been good. But in much of our footprint, once you get around that Thanksgiving time, it gets a little bit dicey so you are never sure exactly what you're going to have.

<Q – Garik Shmois>: Okay. That's helpful. And just my last question is on the tax for Ann. I think in the release it said tax guidance of 26% for the full year. Does that imply the fourth quarter somewhere around high 30s, low 40s?

<A – Anne Lloyd>: Probably in the 30s. Basically, the third quarter got affected by the settlement of the 2006 and 2007 tax return, so that pulled it down a little bit.

<Q – Garik Shmois>: Okay. So we shouldn't expect a material bump up in the fourth quarter relative to -

<A – Anne Lloyd>: No, you should not.

<Q – Garik Shmois>: Okay. Great. Thank you very much.

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

<Q – Kathryn Thompson>: Hi. Thank you for taking my questions today. If volume follows price, we now seen two quarters with better volumes and I have to believe that Q4 and Q1 comps are fairly easy, particularly Q1. When should we expect to see some improvement in pricing in your opinion?

<A – C. Howard Nye>: Kathryn, as I said in the last call, I said stability is what is going to be important, stability is not going to be one or two quarters. So here we are at two quarters. I think one thing that's going to be important Kathryn is to take the jobs that were bid during 2009, during that particularly dark period, and give them a chance to work their way through the system.

If you are looking at larger infrastructure projects, which is what that was, most of those tend to have 12, 18, 24 months type of lives to them. So if you go back and look at that type of period and then you try to assess how long the jobs are, I would tell you that probably for a year-ish, you are likely to have varying degrees of headwinds simply dealing with what was done late in 2009.

<Q – Kathryn Thompson>: Okay. And one point I just wanted to get some clarification on, you talked about October you had about 25% increase in volume and some of it was impacted by pull foward and September from adverse weather. What geographies were most impacted by weather?

<A – C. Howard Nye>: I'll obviously give you much more color on that in February, as well. But I will tell you that the general trends that we have seen throughout the year, if you go back and look at it, tended to follow through reasonably closely even in October, Kathryn.

<Q – Kathryn Thompson>: Okay. But I think you said that September weather was particularly bad?

<A – C. Howard Nye>: It was.

<Q – Kathryn Thompson>: Was there a particular geographic area that we should focus on?

<A – C. Howard Nye>: Yeah, it was particularly bad in portions of the Midwest. What is happening now in parts of the Midwest – and knock on wood on this, Kathryn. If you recall, we have been saying for a couple of years if we have a dry winter, we would have a good [inaudible] season. We actually believe we will see that because weather is cooperating on that.

But really it was the parts of the Midwest and portions of Texas, as well. If you look at south Texas and in particular around San Antonio, we had pretty considerable flooding in San Antonio and even in a number of the private projects that we are working on in south Texas were delayed as well. The good news is that's a part of the world that can truly just push it a little bit to the right, because weather is probably going to be pretty cooperative, at least in south Texas. It's really going to be more acute in what happens or doesn't happen in portions of the Midwest and by that I mean Iowa, Nebraska, Minnesota, et cetera.

<Q – Kathryn Thompson>: Okay. And looking at pricing, in terms of price competition, let's say over the past several months. If you generally have been more aggressive – has it been the vertical, integrated guys, versus just more of your local quarries just trying to maintain cash flow?

<A – C. Howard Nye>: It completely varies depending on – in the words I used earlier Kathryn, were micro markets. Literally, you can move 60 or 70 miles down an Interstate and see remarkably different behavior. So I'm not sure that it's as easy now as it was say a year ago to step back and say it's really this group of competitors or this group of competitors that are making it look different in some markets. It's a project-by-project, micro market by micro market issue for us.

<Q – Kathryn Thompson>: Okay. Also, just as far as – I know you referenced earlier some retirement payouts in Q3 and I know you've got one in Q4. And I think you said in the past it was nearly 2.5 million for Q4? Is that still good?

<A – Anne Lloyd>: That's about right. Yes, Kathryn.

<Q – Kathryn Thompson>: Okay and then also for your – you had 70 million for an interest expense guidance for the year. It would imply a sequential increase from Q3 to Q4. Is that also accurate?

<A – Anne Lloyd>: Yes, that's the forecast of 70 million for the year, so yes.

<Q – Kathryn Thompson>: Okay, great. Thank you so much.

<A – C. Howard Nye>: See you, Kathyrn.

Operator: Thank you. Our next question comes from Gary Revich with Goldman Sachs.

<Q – Jerry Revich>: Yes, hi. It's Jerry Revich from Goldman Sachs. Good afternoon.

<A – C. Howard Nye>: Hi, Jerry

<Q – Jerry Revich>: Last quarter we saw a pretty tough pricing landscape for some of your downstream customers. Can you talk about whether pricing trends for asphalt and concrete mix customers have improved recently?

<A – C. Howard Nye>: I think it continues to be a pretty challenging world for contractors downstream right now. They clearly want to get some backlog and they are hungry to pick up some of that. And I think that that circumstance certainly makes commentary with them on raising pricing a more difficult circumstance than it was three or four years ago. But again, I don't see a remarkable change in the downstream activity right now in the views they would have Jerry.

<Q – Jerry Revich>: Thanks, Howard. And can you talk about your pricing trends on a sequential basis? How is October or September tracking versus the third quarter? I recognize mix can vary a lot. But can you give us a flavor there?

<A – C. Howard Nye>: I can't so much talk about October pricing right now and I obviously don't want to go into any specific geographies of it. But again, what I want to encourage you to remember is what I said at the beginning of the call. If you go to the places where volume has been good, if you go the places in many respects that went into the downturn the earliest, what you'll find is that if you go pack to the range that I suggested of somewhere plus six to down eight. In those areas where you have volume, many of which now are places that went down the first and then are coming out earlier, that's where you'll find stronger pricing right now.

<Q – Jerry Revich>: Okay. And Anne, you have some required pension cash contributions in the fourth quarter. Can you talk about the P&L impact of the contribution?

<A – Anne Lloyd>: There's no P&L impact of the cash contribution other than the calculation of whatever expected returns you get on that. It's just – it will be purely a cash impact.

<Q – Jerry Revich>: Okay, thanks. And lastly, specialty products. We saw some good sales growth but gross profits were flat, year on year. Can you talk about what were the cost headwinds in the business?

<A – C. Howard Nye>: Yes. The cost headwinds weren't that significant. Natural gas is the biggest single one and we're in pretty good shape on that. I think what you really saw there, Jerry, is steel stayed stronger longer than we thought it would. But it started to softened a little bit after the first part of the third quarter. So when that came back – we anticipated it would pull off around 20%. That's what we think it's going to do here as we tail off into the back end of the year. The chemicals component of it continues. That should be quite strong and again, all things considered, I have to tell you I'm very pleased with the way that segment of our business has performed this year.

<Q – Jerry Revich>: Thank you very much.

<A – C. Howard Nye>: All right. See you, Jerry.

Operator: Thank you. Our next question comes from Keith Hughes with SunTrust.

<Q – Keith Hughes>: Thanks. I just had one question. You refer in your 2011 outlook to 30% of the ARRA funds being spent in '11.How much do you think will be spent in '10 when the year is all said and done?

<A – C. Howard Nye>: All right, I will tell you what I think, I think we will be probably around 41% that will be spent in '10, from a top side perspective, around 30% probably in '11. And it looks like 8% beyond that. If you really go and take a look at our top states and try to sort out what they look like beyond this year, part of what is compelling to me as I look at it Keith is, even when we are done with 10, we are still going to have 52% of stimulus funds still to go in Florida. In Georgia, a top five state for us, a 55%. Louisiana we'll still have 60% of it. Texas is going to right at half of it still to go. And even here in our backyard, in North Carolina, there is still going t be around 35% of stimulus funds in 2011 and beyond.

<Q – Keith Hughes>: You broke up when you were giving this – you thought about 40% would be spent in total? Here in 2010?

<A – C. Howard Nye>: Yes. I think that's exactly right.

<Q – Keith Hughes>: Okay. Thank you very much.

<A – C. Howard Nye>: You are welcome.

Operator: Thank you. Our next question comes from Trey Grooms with Stephens Inc.

<Q – Trey Grooms>: Hey, guys.

<A – C. Howard Nye>: Hey, Trey.

<Q – Trey Grooms>: Most of the questions have been answered, but Ward – and this is to kind of – I guess Bill asked the pricing question, maybe a little bit different direction, but as far as your expectation. A few years ago you guys said that, as a general rule, if we were to see volumes drop about 50% from the peak that you could expect to possibly see some price declines and that's exactly what happened.

Just generally speaking, how much of that – the lost volume there do you think we would – the industry would need to recover in general, or even specific markets – the micro markets you are talking about. Generally speaking, how much of that loss volume do you think needs to be recovered to get up off that line where people are kind of fighting to kind of cover fixed costs and what have you. And I'm not talking about the mix and things like that, I'm talking specifically about areas that you operate in that have pricing – real competitive pricing pressure.

<A – C. Howard Nye>: Again I think that is going to move around on you, Trey – remarkably from market to market. I think the most important thing – I think volume recovery will be a huge help. I think really what will you need to have is just volume so it not falling anymore. And not falling anymore just in a host of markets. In markets where we've seen volume come back at numbers well less than double digits some where half of that and maybe a little bit more than that, then you start to see varying degrees of discipline come back on the prices component. So I think if I was trying to put some range to it for you, it would probably be somewhere around that. But at the same time, I think the primary thing that the market needs is stability. And I think once that's there, I think the pricing will tend to follow. Again you know what I said before Tray, if you can find anything else that you want, that you can buy for $9.90 a ton, I want to know what it is.

<Q – Trey Grooms>: Well all that's very helpful. If I heard you right the ASP of 990 was that as of 930?

<A – C. Howard Nye>: It was, yes.

<Q – Trey Grooms>: Okay. Thank you very much for your input on that it was real helpful and you guys have a great rest of the day.

<A – C. Howard Nye>: You too, Trey.

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

<Q – Mike Betts>: Yes, good afternoon, Ward and Anne. I've got three questions if I could. First one, there was quite a significant decline in the corporate charge in Q3 is there anything specific behind that?

Secondly, looking at the Southeast Group, that pricing number does kind of stand out, given the relatively small volume increasing in Q3. I guess it's probably mix? But maybe you could give me a bit more explanation on that please, Ward? And then October, I would have thought was a important month in the third quarter? I presume it's in a normal – if there is such a thing, fourth quarter, I presume it's in more than the third. Is October even half of the volumes in the normal quarter.?

<A – C. Howard Nye>: Well, it depends on – we will work from the back. Why don't we do that, Mike.

<Q – Mike Betts>: Okay.

<A – C. Howard Nye>: It really depends on how weather hold up. Historically, for Martin Marietta, historically for the industry, October is probably the biggest volume month. So it didn't surprise me to see volumes strong in October. It probably surprised me to see their percentage strength in October. But it clearly is a disproportionately important month for the fourth quarter, but it's a disproportionately important month throughout the year. So I will preface my comments with that.

As we go to the southeast, Mike ,and the volume growth that's there, keep in mind what we are focused on there when we look at those southeast markets is it's going to be principally markets around Atlanta, some of the river markets and otherwise.

Those have been markets in the southeast that have been particularly hard hit and I think what are seeing there – and I referenced in commentary, is we have seen a number of delays in projects in South Carolina, and some in Georgia, and really a decline in portions of Alabama as well that has driven that decline, so precipitously in the Southeast. Relative to the corporate charge -

<A – Anne Lloyd>: Mike, this is Anne. There is nothing remarkable there, other than continued control of the cost, really on almost every line.

<Q – Mike Betts>: Okay. And just back to the southeast, Ward, the 3% price increase. Is there anything specific behind that?

<A – C. Howard Nye>: I think in large part it's probably just a mix of product and where some of the projects are, Mike. There is certainly not any particular market issue that's gone on there.

<Q – Mike Betts>: Okay. That's great, thanks to both of you.

<A – C. Howard Nye>: Ok. Thank you.

Operator: Thank you. [Operator Instructions] Our next question comes from Clyde Lewis with Citigroup.

<Q – Clyde Lewis>: Good afternoon Ward. Good afternoon, Anne. I think most of minw have been done, but I do have two small ones if I may. One on the acquisition in Charlotte and just maybe kind of just a rough idea of what an annualized volume profile from that business might be? Second one was for Anne on the likely tax rate for 2011, given the various sort of tax adjustments that have occurred so far this year, will it go back to a normal year or will there be a sort of subnormal tax rate next year?

<A – C. Howard Nye>: Mike, I will deal with Charlotte first and then we will turn it over. Well we bought, Mike, is a little bit over 1000 acres worth of property. It's an active sand site and really those volumes in large part will be used to supplement our hard rock reserves as well. Sorry, Clyde. and that will end up finding its way over time more into the ready mix market, than anything else in that Charlotte market per se. That's a business that probably from a tonnage perspective of slow ton, maybe several hundred thousand tons, and more robust times in excess of a million tons. It can literally swing that much depending on how the Charlotte market is working.

<A – Anne Lloyd>: And from a tax rate perspective Clyde, I'm going to say that all bets are off on what the tax rate might be for next year depending on what the code says but under current – under our current expectations, we will probably be back up into that 28% to 30% range. The tax rate was driven lower that year primarily because of some settlement of some IRS exams.

<Q – Clyde Lewis>: Okay. Lovely, thank you very much.

<A – C. Howard Nye>: Thanks Clyde.

Operator: Thank you. I'm showing no further questions at this time.

C. Howard Nye, President and Chief Executive Officer

Again, thank you for joining us on this earnings call and for your interest in Martin Marietta. We are obviously pleased with the volume trends in the last two quarters as an industry cost leader we feel we are exceptionally well positioned to enhance our profitability also our specialty products business should to expand it's profitability.

We will continue as we do to focus on employee safety, together with managing our cost production, sales and strategy for the long-term benefit of our shareholders. We look forward to discussing these and other items with you at our fourth quarter and full year call. We will talk to you if February. Take care. Thank you very much.

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