PARTICIPANTS

Corporate Participants

C. Howard Nye – President, Chief Executive Officer & Director, Martin Marietta Materials, Inc.
Anne H. Lloyd – Executive Vice President, Chief Financial Officer and Treasurer, Martin Marietta Materials, Inc.

Other Participants

Arnold Ursaner – Analyst, CJS Securities, Inc.
Kathryn I. Thompson – Analyst, Thompson Research Group LLC
Todd Vencil – Analyst, Sterne, Agee & Leach, Inc.
Ted Grace – Analyst, Susquehanna Financial Group LLP
Garik S. Shmois – Analyst, Longbow Research LLC
Jack F. Kasprzak – Analyst, BB&T Capital Markets
Jerry D. Revich – Analyst, Goldman Sachs & Co.
Rohit Bhatia – Equity Research, Exane BNP Parabas

MANAGEMENT DISCUSSION SECTION

Operator: Good day, ladies and gentlemen, and welcome to the Martin Marietta Materials Second Quarter 2013 Financial Results Conference Call. At this time, all participants are in a listen-only mode. Later we will conduct a question-and-answer session, and instructions will follow at that time. [Operator Instructions] As a reminder, this conference call is being recorded.

I would now like to turn the conference over to Ward Nye, President and CEO. Sir, you may begin.

C. Howard Nye, President, Chief Executive Officer & Director

Good afternoon, and thank you for joining Martin Marietta Materials quarterly earnings call. With me today is Anne Lloyd, our Executive Vice President and Chief Financial Officer. We're pleased to report second quarter 2013 results, which reflect growth in net sales and gross margin.

As an initial reminder, this discussion may include forward-looking statements as defined by securities laws in connection with future events or future operating or financial performance. Such statements are subject to risks and uncertainties which could cause actual results to differ materially. Except as legally required, we undertake no obligation publicly to update or revise any forward-looking statements, whether resulting from new information, future developments, or otherwise.

We refer you to the legal disclaimers contained in our earnings release relating to our second quarter 2013 results and to our other filings with the Securities and Exchange Commission, which are available on both our own and the SEC websites. Also, any margin references in our discussion are based on net sales, excluding freight and delivery revenues. These and other non-GAAP measures are also explained in our SEC filings and on our website.

As today's press release outlined, our second quarter net sales increased 4%, driven by pricing growth in all Aggregates business product lines and reportable segments, as well as in new quarterly net sales record established by our Specialty Products business.

The overall net sales increase is noteworthy considering the number of record rainfall levels in most of our key markets. To elaborate, the National Oceanic and Atmospheric Administration has tracked levels of precipitation for 119 years. Across this period, 2013 represented the wettest second quarter ever for Iowa.

Rainfall was also extensive throughout Georgia, more than double the average levels in many markets, including Augusta, which reported its wettest month in weather history in June. Not surprisingly, weather-constrained shipments and production also affected our net earnings.

Although it's difficult to isolate all of this quarter's weather impact, we know it was considerable in at least three specific areas. First, there were deferred product sales. Our estimate is that mostly heavy construction shipments were reduced by 1.5 million to 1.7 million tons, alone lowering net earnings up to $0.11 per diluted share.

Second, throughput challenges created by extraordinary rainfall in predominantly open pit quarries significantly reduced operational efficiencies. Additionally, lower production volumes likely led to an under absorption of fixed costs. The latter two items are more difficult to reasonably quantify than deferred sales. Therefore, we have not provided an estimate of their impact. Considering that backdrop, we were very pleased with net earnings that on an apples-to-apples basis were broadly similar to the comparable prior year quarter.As noted, while weather conditions hindered our short-term results, we continue to see positive indicators for increased long term construction activity. On a year-to-date basis, private construction reported double-digit growth and further expansion is forecasted. Residential construction traditionally is a primary driver of many non-residential and infrastructure projects. We expect this trend to continue, and anticipate opportunities in our markets.

During the quarter, pricing momentum continued for the Aggregates business, as evidenced by pricing growth in each reportable group. The West Group led with a 2.8% increase over the prior year quarter. This was attributable to pricing increases implemented over the past year. In particular, pricing was most favorable in the Texas markets.

The Mid-America and Southeast Groups reported average selling price increases in the second quarter of 1.9% and 0.4%, respectively. Of note, Southeastern pricing was negatively impacted by reduced offshore shipments due to a production shortfall dictated by a ship loader repair issue that has now been resolved.

On a year-to-date basis through June 30, our aggregates product line pricing rose more than 3%, leading us to reaffirm our full year pricing guidance of increasing 2% to 4%. And while the more significant benefit will be experienced in 2014, recently implemented mid-year pricing increases reinforced pricing momentum.

We also are especially pleased to report average selling price growth in our vertically integrated businesses, namely, the ready mixed concrete and hot mixed asphalt product lines, reporting pricing growth of 8.3% and 4.3%, respectively, over the prior year quarter. We believe pricing improvement in downstream businesses, in addition to enhancing profitability, provides a strong indicator of the health of local construction markets and bodes well for future conditions.

Consistent with the national trend in private sector construction, three of our four Aggregates product line end-use markets reported shipment growth. Leading the way was the non-residential market, which accounted for approximately 30% of quarterly shipments and increased 7% over the prior-year quarter. Growth in the commercial component, namely office and retail, was partially offset by decline in energy sector shipments, the result of a modest slowdown in shale oilfield activity.

The residential end-use market continues a satisfactory and sustainable recovery. Both housing starts and completions reported double-digit growth on a year-to-date basis over the comparable prior year period. For the full year, housing starts are expected to approximate 1 million, a level last seen in 2007. Encouragingly, third party forecasts predict continued growth in housing starts. For the quarter, this end-use market accounted for 13% of Aggregates product line shipments and had growth of 4% more than the prior year quarter.

Lastly, our ChemRock and Rail end-use market accounted for 10% of quarterly shipments and grew 2% over the prior year quarter. Public sector construction has not kept up with private sector growth. While weather was a factor, delayed demand on large infrastructure projects and lower governmental spending contributed to an 8% decline in infrastructure shipments and an overall reduction in Aggregates product line shipments of 1.6%, both compared with prior year quarter.

We believe this slowdown represents a short term step backward, given the well-documented deficiencies in the nation's transportation system, increased state level funding initiatives, as well as positive indicators of long term growth.

Consistent with the national trend in private sector construction, three of our four Aggregates product line end-use markets reported shipment growth. Leading the way was the non-residential market, which accounted for approximately 30% of quarterly shipments and increased 7% over the prior-year quarter. Growth in the commercial component, namely office and retail, was partially offset by decline in energy sector shipments, the result of a modest slowdown in shale oilfield activity.

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Consistent with the cycle we are experiencing in Texas, we anticipate increases in private sector construction in other geographic markets to stimulate growth in public sector construction to serve an expanding economy and population. We note early signs of this in Colorado and Georgia, and are well-positioned in both of those states for future growth.

We are encouraged to see other key states, namely South Carolina and Indiana, increase funding for repair of existing roads and to construct new roads. South Carolina recently increased its budget by $500 million to fund repairs of existing roads, while Indiana approved up to an additional $415 million in annual funding for the construction of new roads and expansion of major highways. Additionally, the highway contract awards activity increased double digits in several states important to Martin Marietta, including Colorado and Georgia.

Texas also reported strong award levels consistent with their stated expectation to [ph] let (9:01) nearly $8 billion of projects in fiscal 2013. Texas has been proactive in applying for awards under the Transportation Infrastructure Finance and Innovation Act, or TIFIA. To date, the U.S. Department of Transportation has received applications for $42 billion of projects, inclusive of $7 billion in Texas, more than $1 billion in North Carolina, and over $2.5 billion in Florida.

While the DOT has not moved as expeditiously as many hoped, we still expect several awards to be made in 2013. Still, consistent with our previous viewpoint, we do not anticipate any meaningful impact from TIFIA projects before next year. We remain confident that TIFIA funding can ultimately support between $30 billion and $50 billion of incremental construction projects.

Our specialty products business continued its strong performance, establishing a new record as net sales of $56.6 million increased 12% over the prior year quarter. Sales growth for the dolomitic lime product line reflect shipments from the new kiln that became operational in the fourth quarter of 2012, partially offset by decline in domestic steel production compared with the prior year quarter.

Gross margin was 37.6%, a decline of 190 basis points resulting from higher costs for natural gas and repairs. Overall, this business contributed $18.7 million of earnings from operations for the quarter. Despite weather interruptions, our operating teams continued cost control focus; contributed to a 20 basis point increase in consolidated gross margin.

The Mid-America Group, led by the performance of the Mid-Atlantic Division, which includes Virginia, North Carolina, and South Carolina, achieved a 150 basis point improvement in gross margin. Specifically, the Mid-Atlantic Division leveraged a 10% increase in Aggregates product line shipment into an incremental gross margin that exceeded 100%.

Direct production costs for the aggregates product line increased 4%,driven by the previously discussed weather impact, together with increases in costs for supplies, as well as maintenance and repair. For example, the Southeast Group's unplanned ship load repairs, mentioned earlier, negatively affected its quarterly costs and gross profit by $1.1 million.

Consolidated selling, general, and administrative, or SG&A expenses, as a percentage of net sales were 7.4%, up 20 basis points compared with the prior year quarter. On an absolute basis, these costs increased $2.6 million, largely due to expenses related to our planned information systems upgrade, expected to be completed later this year.

Consolidated earnings from operations for the quarter were $69.4 million compared with $59.2 million in the prior quarter. Recall that 2012 quarterly earnings reflected $9 million, or $0.12 per diluted share, of business development expenses. For the first six months of the year, we generated operating cash flow of $48.5 million. We made prudent capital investments of $50 million, while maintaining our quarterly dividend rate of $0.40 per common share. At June 30, our ratio of consolidated debt to consolidated EBITDA was 3.17 times, in compliance with the limits under our debt covenant.

During the quarter, we established a new, one-year, $150 million trade receivable securitization facility, which replaced a $100 million facility that expired by its own terms. The new facility can be increased by as much as $100 million, subject to our trade receivables balance. Borrowings bear interest at one-month LIBOR plus 60 basis points, a reduction of 15 basis points compared to the prior agreement, as well as the arbitrage generated by the increased facility size.Earlier this month, we finalized the purchase of our previously announced acquisition of three aggregates facilities in the greater Atlanta area. This transaction expanded our geographic footprint and added over 800 million tons of permitted aggregate reserves, thereby providing an enhanced valuable long term position. The integration of these operations is now complete. We look forward to the contributions from our new quarries and employees.

The inevitable question is this, what's the outlook? We are encouraged by various positive trends in our business end markets, especially in product pricing and in private sector activity. We anticipate volumes to the non-residential end-use market will increase in the mid-single digits, given the Architecture Billing Index, or ABI, which is a leading economic indicator for non-res construction activity, remains at a strong level.

Residential construction is experiencing a level of growth not seen since late 2005, with seasonally adjusted starts ahead of any period since 2007. We believe this trend in housing starts will continue, and our residential end-use market will experience double-digit volume growth.

By contrast, the weather-related slowdown in Aggregate shipments experienced in the first half of the year, coupled with the delay in large infrastructure projects moving through the public letting cycle, lead us to expect Aggregate shipments to the infrastructure end-use market to be down in the mid-single digits for the full year.

Our ChemRock/Rail end-use market is expected to be flat with 2012. Cumulatively, we anticipate Aggregates product line shipments will increase 1% to 3%.

As previously indicated, we currently expect Aggregates product line pricing will increase 2% to 4%, although this increase is not expected to be uniform across the company. We expect our vertically integrated businesses to generate between $350 million and $375 million of net sales and $20 million to $22 million of gross profit.

Aggregates product line direct production cost per ton are expected to be flat with 2012. Net sales for the specialty product segment should range from $220 million to $230 million, generating $81 million to $85 million of gross profit. Steel utilization and natural gas prices are two key drivers for this segment.

SG&A expenses, excluding costs in 2013 and 2012 related to the information systems upgrade as percentage of net sales, are expected to slightly decline. Interest expense is expected to remain relatively flat compared with 2012. Our estimated effective income tax rate is 26%, excluding discrete events. Capital expenditures are forecast to be $155 million.

To conclude, we believe underlying demand for increased construction activity continues to exist. We anticipate the current growth in the private sector to lead to increased public sector construction. We're well-positioned to capitalize on these opportunities and thereby enhance long-term value for our shareholders.

Thanks very much for your interest in Martin Marietta Materials. The operator will now give the required instructions. We'll turn our attention to addressing your questions.

QUESTION AND ANSWER SECTION

Operator: Thank you. [Operator Instructions] Our first question is from Arnie Ursaner of CJS Securities. You may begin.

<Q – Arnie Ursaner – CJS Securities, Inc.>: Hi, good afternoon. First, a clarifying question. I know you mentioned the impact of weather directly on volume was $0.13 or so. I guess my question is, can you – I know you couldn't formally quantify it, but can you give us a little better feel perhaps for the productivity hit that weather may have caused or some other way for us to gauge the weather impacting Q2?

<A – Howard Nye – Martin Marietta Materials, Inc.>: Sure, Arnie. Probably the best way for you to think about this is the way that I looked at it, and that is, I looked at our tons produced per working man hour, quarter – over same quarter last year. We were down on tons produced per working man hour about 3.6% over where we were in Q2 in 2012. Head count hasn't changed materially at all.

So when we come back and take a look at that number, what it tells me is when we have teams working in our quarries and it's wet and streams are being blanked out and you're having trouble moving product efficiently and crushing it, I think that's as good a direct correlation as I can give you. A 3.5% movement is pretty considerable, and the areas that got dumped with rain, as you can tell from the commentary and from the release, got an enormous amount of rain.

<Q – Arnie Ursaner – CJS Securities, Inc.>: Okay. And I know as a business model you never discuss mid-year price increases until they're basically implemented. Now that we're past mid-year, can you comment on the scope and breadth of mid-year price increases that have been implemented?

<A – Howard Nye – Martin Marietta Materials, Inc.>: Sure. As you recall, last year, we announced mid-year price increases really in only two distinct markets. We talked about them in Houston and we spoke to them in San Antonio. This year what we're seeing is more geographic spread. For example, I won't go through the specific increases, but we've seen mid-year price increases in portions of North Carolina, South Carolina, portions of some downstream business in San Antonio. We've seen certain mid-year price increases in North Texas. We've seen them in Houston. We've seen them in South Texas. We've seen them in portions of our business in North Georgia. We've seen them offshore and we've also seen them in South Georgia.

So on a compare, Arnie, that's part of what led me to say in the telecon that we're seeing good pricing strength and momentum and this is actually a much better story this year than it was last year.

<Q – Arnie Ursaner – CJS Securities, Inc.>: Okay, thank you very much.

<A – Howard Nye – Martin Marietta Materials, Inc.>: Thank you, Arnie.

Operator: Thank you. Our next question is from Kathryn Thompson of Thompson Research. You may begin.

<Q – Kathryn Thompson – Thompson Research Group LLC>: Hi, thanks for taking my questions today. First, following up on pricing, for your fiscal 2013 pricing guidance, it's unchanged for the year but you are taking some pricing actions mid-year. How much does the second half guidance take into account this – the price increases or will the price increases really impact more 2014 pricing?

<A – Howard Nye – Martin Marietta Materials, Inc.>: Kathryn, I think the price increases will more impact 2014. I think if we look at it historically, what we would see is the mid-year price increase might affect around 25% of your business for the remainder of the year. And really, it's simply setting a higher bar as you go into the following year.

If you think back to the comments that I had, I commented that the pricing in Texas, the West Group really led the way, and the reason that that was happening is what we saw last year in San Antonio and Houston. So if that trend follows into 2014 as it did into 2013, that's how I would think about that benefit.

<Q – Kathryn Thompson – Thompson Research Group LLC>: Thanks. And how much do you think that volumes lost in Q2 can be captured in the back half of 2013? And maybe give an early read on Q3 in terms of weather and volume dynamics?

<A – Howard Nye – Martin Marietta Materials, Inc.>: Well, I'd say – I really – I'll address Q3 when we come back and talk to you later in the fall. I'll talk a little bit about what we're thinking for the rest of year because if you take a look at the volume guidance that we're giving, really what we're saying, with [ph] 1 to 3 it infers a range of, I want to say 1.30 to 1.32 (21:26). So what that's saying is your implied volume in the second half of the year has to be, again, call it on the low end 72 million tons, on the higher end 74 million tons.

Kathryn, I think a good way to think about this is go back and take a look at half two in 2010. 2010 was not necessarily a great volume year, it wasn't a great year in our business. But go back and take a look at that. We had pretty good weather in Q4; that was important. But in 2010 in the second half, particularly in Q4, was one of the few times that we saw up volume across our entire enterprise. And two things happened, the volume came through nicely, volume flowed, and we had I want to say around 70 million tons in half two in 2010, and we saw the types of incremental margins that we would like to see again with volumes up across the profile.

The reason that I think of it that way, business to me feels better today than it did in 2010. And so when we look at what the second half volume guidance is, I think if you're looking half on half, that's not a bad way to at least to go back and reflect on it.

<Q – Kathryn Thompson – Thompson Research Group LLC>: You're saying volumes [ph] aren't (22:42) lost, but the majority can be captured in the second half, that maybe some will trickle into 2014?

<A – Howard Nye – Martin Marietta Materials, Inc.>: Yes, I think that could certainly be the case. Think of it this way Kathryn, let's talk about our business in the Midwest, in Iowa. Iowa, as we discussed in the first quarter, had a real winter this year as opposed to what they didn't have last year. They had the wettest June in history. You've got concerns about whether farmers can even plant some of their crops this year. So if we're looking at our business in Iowa, if you think of it as a bookshelf, you've had a bookend shoving in pretty hard from the left.One of the real concerns I've got is what it's going to look like as we go into Q4. If we have a relatively mild, dry winter and can run, I think a lot of what we've seen pushed off can be recovered. If we have a relatively early winter, I think it's going to be tough to recover that volume this year.

That said, I mentioned that I thought most of the volume loss was on the heavy side. I think it's infrastructure work. And as you know, unlike commercial or other work, the infrastructure work doesn't tend to go away. So I don't view that as lost volume. The great question is going to be, can it be captured this year?

<Q – Kathryn Thompson – Thompson Research Group LLC>: And how much did mix versus volumes impact gross margins in the West Group in the quarter?

<A – Ward Nye – Martin Marietta Materials, Inc.>: You know what, you didn't have significant mix issues in the West Group in the fourth quarter. I mean, we had some mix issues in parts of our business, but I wouldn't say it was a big deal in the West Group. Ironically, some of the mix issues that we saw that could be more profound are some of the mix issues we actually saw in parts of the Carolinas that I view as indicative of an economy that is slowly recovering.

Here's the way to think about that, Kathryn. Our base work in North Carolina was up 14%. Our sand sales were up 37% and riprap, ironically, despite the rain, was down 12%. I've got to think that's still to come. But what's notable about that is, as you go through the food chain on different products, as we discussed before, base is one of your lower priced products on a relative basis, as is sand; I think riprap tends to be a higher priced. So if I look at the West, I don't see any real mix issue there at all that was necessarily favorable to us and actually, I could cite some mix issues in some places that was not necessarily our friend on the raw pricing component.

<Q – Kathryn Thompson – Thompson Research Group LLC>: So volume was a greater impact on the West Group.

<A – Ward Nye – Martin Marietta Materials, Inc.>: No question. Absolutely, Kathryn.

<Q – Kathryn Thompson – Thompson Research Group LLC>: Great. Thank you for taking the questions today.

<A – Ward Nye – Martin Marietta Materials, Inc.>: Thank you, Kathryn.

Operator: Thank you. Our next question is from Todd Vencil of Sterne Agee. You may begin.

<Q – Todd Vencil – Sterne, Agee & Leach, Inc.>: Hi, good afternoon, Ward.

<A – Ward Nye – Martin Marietta Materials, Inc.>: Hi, Todd.

<Q – Todd Vencil – Sterne, Agee & Leach, Inc.>: On the ship loader issue, did that have an impact on the average price that you can quantify at all?

<A – Ward Nye – Martin Marietta Materials, Inc.>: It did, Todd, because what happens, as you know, that's a long haul process here. Coming out of Bahamas, you're typically coming in to either a series of ports in Florida or you might be doing direct deliveries throughout Caribbean. What I'll tell you is for the quarter, it probably reduced pricing in Southeast by around 50 bps and in June, all by itself, for the Southeast probably around 65 bps.

<Q – Todd Vencil – Sterne, Agee & Leach, Inc.>: Got it. And do you feel like you gave up any volumes related to that or you were able to back and fill from other areas?

<A – Ward Nye – Martin Marietta Materials, Inc.>: Again, I don't think we necessarily gave up volumes on that, Todd. I think the question is going to be, do you recover some of those in the second half. If that's going to be a marine limestone product, it's going to be finding its way more into structural activities than others, so there's certainly more of a possibility in that if it's apartment or other types of construction that you might have lost that volume. But I think part of what's most important to us now is that ship loader is back running, it's in good shape, and we're operating the way that we want to operate.

<Q – Todd Vencil – Sterne, Agee & Leach, Inc.>: To restate that just a little bit, do you feel like any of the – do you feel like you had a negative impact during the second quarter from having that ship loader down?

<A – Ward Nye – Martin Marietta Materials, Inc.>: Yes. I think we did and I don't think it was tremendous, Todd, but I think that we did. And I think the other thing that I would say is, if I'm looking at our volumes in Florida, they were up 8% for the quarter, and that's part of what leads me to believe that we probably did lose some volume there, because that's an economy that as we've seen is slowly getting its legs back on under it.

<A – Anne Lloyd – Martin Marietta Materials, Inc.>: And Todd, that impact was not only on the lost volume but obviously the cost, as we indicated, too.

<Q – Todd Vencil – Sterne, Agee & Leach, Inc.>: Got it. Sure. On the volume guidance for the second half. Thanks for sort of quantifying that 1.30 to 1.32. Are you assuming, for the back half of the year specifically, have you changed your expectations of that at all, or is basically the decline or the reduction in guidance due to the short fall in the second quarter?

<A – Ward Nye – Martin Marietta Materials, Inc.>: I think the reduction is really to what's happened so far through half one. I mean, so if you take a look at what happened in the first quarter, as we said, it was a real winner. I think what just was extraordinary is really what happened in June. And one of our healthiest markets right now, if you think back to the conversations we've had, we said part of the differentiator we have this year are markets like Texas, Iowa, and Colorado. So if we look at Iowa right now, Todd, I don't think any business has been lost there. My guess is, if we spoke to our team out there, their biggest concern is, can we take care of the business that's left and can we really get it all done this year. So that's how that feels to me.

As I look at Colorado for the second half, remember part of what we discussed is that new ramp program in Colorado on maintenance. Well, remember, that didn't become law until we went into the new fiscal year, which is all 30 days old. So my sense always was that Denver and Colorado was going to be a back loaded process this year, although what we've seen in the first half feels better than it did last year.

And then with respect to Texas, remember what we said about Texas. The single biggest concern we've had around Texas, was whether TxDOT would really let all of the work that they said that they were going to let. And of course they've come back now and taken their guidance down to about $7.7 billion worth of lettings this year, and what's that really effectively done is taken a big chunk of lettings, or at least a significant piece of it, and moved it into 2014. So hopefully that type of data in the West, combined with what we just talked about in the previous part of your question with respect to Florida gives you some help on that.

<Q – Todd Vencil – Sterne, Agee & Leach, Inc.>: Absolutely. On infrastructure, one or two more, thinking a little bit longer term, I guess, I mean, down 8% in the quarter was significant. You've alluded in your comments to the idea that volumes were deferred mostly on the heavy infrastructure projects and -are you suggesting that the weather was more of an impact on that side than on the private side?

<A – Ward Nye – Martin Marietta Materials, Inc.>: Oh, I don't think that there's any question that it was more on that, because you're moving more dirt [ph] than otherwise (30:04). Rain isn't necessarily going to stop some portions of homebuilding or commercial construction the way that it does heavy. And the other thing that I would tell you, Todd, is when you're looking at the percentages, remember percentages can look huge on these types of numbers. I mean, here's a way to think about it.

I mentioned to you that our volumes were up in Florida 8%. I gave you that because we're talking about a single digit number down on infrastructure. 8% up in volumes in Florida means 60,000 tons. We actually saw volumes up 13% in the eastern half of North Carolina. In other words, the part of the state that can actually takes heavy rains and let it percolate through, and 13% up in eastern North Carolina means a whopping 250,000 tons.

So these percentages based on today's numbers are tough to really sort your way through until you go back and look at what the base numbers are. It reminds me a lot of the way that we look at housing. I mean, housing on a percentage basis can be way up and you're still seeing a number that is considerably below a 50 year average.

<Q – Todd Vencil – Sterne, Agee & Leach, Inc.>: Got it. Fair enough. Thanks a lot.

<A – Ward Nye – Martin Marietta Materials, Inc.>: All right, Todd. Thank you.

Operator: Thank you. Our next question is from Ted Grace of Susquehanna. You may begin.

<Q – Ted Grace – Susquehanna Financial Group LLP>: Thank you. Hey, guys. How are you doing?

<A – Ward Nye – Martin Marietta Materials, Inc.>: Great, Ted.

<Q – Ted Grace – Susquehanna Financial Group LLP>: Great. Maybe the starting point – Anne, you're often kind enough to give us kind of an EBITDA bridge. Is there any chance you could just kind of start there to help us understand the key puts and takes in the quarter?

<A – Anne Lloyd – Martin Marietta Materials, Inc.>: Sure. Give me one second. Yeah, if you look at – that's the six month numbers – you want the quarter numbers. If you look at the quarter, pricing generated about $6.3 million of gross profit. Volume took away about $6 million. Costs improved $1.6 million and then both our vertically integrated operations and specialty products contributed about $1.4 million each to gross profit for the quarter.

<Q – Ted Grace – Susquehanna Financial Group LLP>: Okay, that's helpful. And then in the cost side, I was just wondering if you could go through some of the more granular levels. I know Ward mentioned that tons produced per working man hour was down 3%, but could you maybe just help us understand kind of the key buckets within the cost side and any impact they had?

<A – Anne Lloyd – Martin Marietta Materials, Inc.>: Yeah, the key buckets in the cost side, obviously we indicated that repairs were high in the Southeast, that was directly related to that ship loader, was about $1.1 million of production cost, increased fare. Our fuel was up, nat gas was up about 47% in the Specialty Products business, had a little bit of increase in fuel cost in the Aggregates business.**<Q – Ted Grace – Susquehanna Financial Group LLP>:** Okay. So I guess the thing I'm trying to figure out is the comments you've made on flat direct costs and the way we've kind of thought about your direct costs is just to look at the pure aggregate sales and gross profits more directly relative to external tons.

And in the first half, if I've got my math right, it's up the better part of 5% and I know you've talked about it being flat. So I'm just wondering, a) does that imply that in the back half, it's down and is that just better fixed cost absorption, something of that sort, or is there difference in the math that we would look at based on your disclosed financials versus the way you talked about the business?

<A – Anne Lloyd – Martin Marietta Materials, Inc.>: No. I would say that you're exactly right. Our view is that with the volume in the second half of the year, you have better absorption and better cost profile period, because your productivity measures should be higher.

<Q – Ted Grace – Susquehanna Financial Group LLP>: So then – okay, that ties out to kind of what the way you're tracking, you're actually up 5% year-to-date and it just improves to get flat next year?

<A – Anne Lloyd – Martin Marietta Materials, Inc.>: Correct.

<A – Ward Nye – Martin Marietta Materials, Inc.>: Exactly, Ted.

<Q – Ted Grace – Susquehanna Financial Group LLP>: Okay. And so how would you encourage us to think about that kind of next year or more on a normalized basis?

<A – Anne Lloyd – Martin Marietta Materials, Inc.>: Well, we usually provide you with what we say cost per ton is going to be doing from an annual basis when we give you guidance and we'll update that and provide you insight into 2014. Obviously, it'll depend on the volume and you can make your assessment of volume for what you expect by end use in 2014 and I would tell you that at our guidance now of between 130 million to 132 million tons, you still are in a normalized cost profile.

You're probably still running 70/30 fixed/variable and as you continue to move up that curve, you'll work your way back to kind of 60/40 variable/fixed. So you can decide again what you think volume trajectory is going to be and apply some rational move of that cost profile.

<A – Ward Nye – Martin Marietta Materials, Inc.>: Ted, the other thing I would encourage you to keep in mind is the biggest single driver on cost is going to be what we do or don't do with personnel. And I can tell you we are going to be very, very slow to hire as any recovery comes back. So you can watch that head count line and what's going to happen with personnel not be driven by hosts of new people coming into the business. Probably in that cost bucket the ones that are going to be more variable at times is just what you would expect, it's going to be around energy.

Remember that's going to be around 12% of our cost of goods sold. Here's something for you to think about, though, even as we think about energy and I know we've had some discussions before around the Specialty Products group. Even as we look at what was a fairly dramatic spike with respect to energy for nat gas, in that group it was up, I want to say 47% for the quarter, that translated to around $250,000. So what I think, I think there are a number of things that our operating teams do well. I think they do cost control really well and I think as long we maintain that head count number in the right place and we continue to put capital in the right places, I think you'll like the fall story going forward.

<Q – Ted Grace – Susquehanna Financial Group LLP>: Okay, then the last thing I just wanted to ask and I'm going to provide you with the opportunity to embarrass me here. But I guess the way I've always thought about this business is, the aggregate specifically, is every day we're pushing to get pricing. Every deal is negotiated one-off. That there isn't such a thing or has never been such a thing or typically such a thing as mid-year pricing increases because everyday we're fighting for pricing.

So am I off base with that kind of perspective? And I was wondering if you can just frame that? I know you highlighted some areas in which you got this mid-year price increase, but could you walk through how many MSAs you actually imposed a formal mid-year price increase versus just fighting for price every day?

<A – Ward Nye – Martin Marietta Materials, Inc.>: I guess, Ted, I would encourage you to think about it a little bit differently. I think the way that you're thinking about pricing is what it might have been around 10 years ago. Because I think it was more refined every day. I think it was more of a volume-driven marketplace than it is today. And I think if you go back and start looking realistically around 2004 or 2005, the notion of mid-year price increases started to come into the vernacular and customers started expecting that.

I'll tell you what drove it was some cement shortages and volatility in energy at that time because people were having a hard time keeping up with it. The notion of bidding a project over a three or four year period without escalators also is something that went away. And so what I would tell you from the way that we approach our business, we want to make sure on that day-in and day-out business that you're referring to on long term projects, we've got good escalators built into the agreement.

Now what we're doing separate and distinct from that in these marketplaces that we're talking about across the U.S. today, we are coming back putting in certain mid-year price increases. As I look at it to try to answer your question specifically, I see some degree of increases in eastern North Carolina, South Carolina, parts of San Antonio downstream, that's three, North Texas, some on certain products, that's four. Houston, again, on certain products, that's five. South Texas on certain products, that's six. North Georgia on certain products, that's seven. We've seen some to specific customers offshore, that's eight. Some in South Georgia, that's nine, and some in West Virginia as well. So juxtaposing it to last year, 2 last year, around 10 this year, so that's the type of movement that we're seeing, Ted.

<A – Anne Lloyd – Martin Marietta Materials, Inc.>: And Ted, the other thing I would encourage you to do is, as Ward indicated earlier, when we do a mid-year price increase, it usually affects about 25% of our business. So when we – that means that we've made a commitment on pricing on that 75% of the business that really can't be adjusted or won't be adjusted until we come around to this time – or to next year. So if you think about the contractual backlog that may be there from a sense of we're going to give a customer a requirement price for the year and so that price will be honored for the year.

<Q – Ted Grace – Susquehanna Financial Group LLP>: Okay. That's super helpful. I apologize for taking so much time, guys. Good luck this quarter.

<A – Ward Nye – Martin Marietta Materials, Inc.>: Thanks, Ted.

Operator: Thank you. Our next question is from Garik Shmois of Longbow Research. You may begin.

<Q – Garik Shmois – Longbow Research LLC>: Hi, thank you. Just first question is on the shale business. You said that you're seeing some modest slowdown there and it's been a source of strength in previous quarters. I'm just wondering if you can provide a little bit more color on what happened in the quarter, where, and perhaps what the outlook is.

<A – Ward Nye – Martin Marietta Materials, Inc.>: I'm happy to, Garik. If you think back to what our volume to shale looked like last year, it was a little bit more than 6 million tons. The way we're seeing it this year, it's probably going to be closer to 5.5 million, maybe a little bit off of that. Quarter-to-quarter, the variance is about 132,000 tons so it's not an enormous variance.

Here's the noise that I'm seeing on it, we continue to see, as we discussed last year, drops in Barnett and Haynesville and in large part because that doesn't have the dual play of gas as well as the oil. We've seen a moderate slowdown in Eagle Ford.

But here's the flip side to it, we're seeing a pick up basically in the Mississippian and in the Marcellus as well. So what I would say is from a rig count perspective, Texas is down, call it a little bit north of 6%. But if we're looking at Colorado, Ohio, and West Virginia, all really very positive. I mean, percentage change in Colorado, again Niobrara play 4.6%, Ohio, I mean, in large parts driven by what's going to happen with Utica, up 88%. And if we look at West Virginia, again, the Marcellus play, up around 8.3%. So it's uneven, but as a whole, it is moderately down. I hope that helped, Garik.

<Q – Garik Shmois – Longbow Research LLC>: No, it does. Thank you. I guess just switching to infrastructure – if I remember correctly, coming out of the first quarter, you were looking for mid-single digit infrastructure growth. Now you lower your expectations for this year to mid-single digit decline. I can appreciate weather is playing a big role there, but just given the puts and takes of your various geographies – Texas putting up – pushing out their letting schedule, however, Georgia seeing an increase. It seems like a fairly sizable reduction in the infrastructure outlook, at least just optically. Is there anything going on that should have us concerned that the infrastructure outlook is actually deteriorating throughout the second quarter?

<A – Ward Nye – Martin Marietta Materials, Inc.>: You know, Garik, I don't see it deteriorating. I see it staying in a lot of places relatively flat. I think North Carolina is a good example of that. I mean, we're seeing some recovery in private construction in this case but relatively flat DOT. I think what we're seeing with Texas simply pushing some of their work to the right. It is something that we're mindful of. I think the issue that we've outlined in Iowa with respect to weather and whether we can really make that up over the balance of the year is a very fair question.And I think we will have to sit back and watch what's going to happen with the ramp program in Colorado. It's going to work; it's going to do exactly what they said. I'm anxious to see how quickly it comes in to the process. So I think more than anything what we're sensitive to is – really June was a wash out in significant portions of our business. And that's in the middle of season when you're expecting to be producing with high efficiency, selling with great efficiency, and making sure that we can make that up in states like Indiana and Ohio and Nebraska and Iowa and Minnesota, all of which can be seasonally hit pretty hard at some point in Q4, is part of what gives us some caution around that.

<Q – Garik Shmois – Longbow Research LLC>: Okay. Thanks. And just lastly on the Lafarge acquisition, the assets down in Georgia, can you provide us some benchmarks with respect to volumes that the quarries are producing, EBITDA that you've been able to pick up, if you could disclose the purchase price sale, that would be helpful. And then also, is any of the volume that you're picking up embedded in your 1% to 3% volume guidance for the full year?

<A – Ward Nye – Martin Marietta Materials, Inc.>: Garik, that's the market that on a percentage basis probably fell more than any other single market. We haven't given anything on the purchase price, and per agreement we're not going to do that. What I can tell you is we didn't have to follow Hart-Scott Rodino clearance for that transaction. So that's going to give you a sense of the scope of it. And back to my point, we picked up over three-quarters of a billion tons of reserves in a market that we feel like is going to be a very attractive long term market.

Now in total fairness, Garik, as we look at that deal, if people want to take the bear view that the Southeastern United States has seen its greatest day and that population trends aren't going to continue to come there and Atlanta, Georgia isn't going to be a driver of the Southeastern economy, then I think coming back and saying did you really want to buy a number two market position in Atlanta is a perfectly fair question.

On the other hand, if we come back and say that did give us the number two position in Atlanta, we believe based on population dynamics it's going to be a very powerful, then picking up 800 million tons in that market feels awfully good. We haven't given any EBITDA numbers per se on that business. Obviously, that's a part of the United States that right now needs one thing predominantly and that one thing is volume.

<Q – Garik Shmois – Longbow Research LLC>: Okay. And is the volume that you're picking up in the guidance for the full year?

<A – Ward Nye – Martin Marietta Materials, Inc.>: Yeah, it's baked in there, Garik.

<Q – Garik Shmois – Longbow Research LLC>: Okay, great. Thanks for the help.

<A – Ward Nye – Martin Marietta Materials, Inc.>: Thank you.

Operator: Thank you. Our next question is from Jack Kasprzak of BB&T. You may begin.

<Q – Jack Kasprzak – BB&T Capital Markets>: Thanks. Good afternoon, everyone.

<A – Ward Nye – Martin Marietta Materials, Inc.>: Hello, Jack.

<Q – Jack Kasprzak – BB&T Capital Markets>: Hi. On residential, Ward, you still seem pretty positive there. And I was just wondering, you guys have stated many times that over the years that aggregates are really used more in subdivision work, you really need new development activity in housing to generate a lot of aggregate use. Are you seeing more of that now? I mean, is that kind of what underlies some of this ongoing confidence in residential in terms of what customers are telling you and what you see them planning?

<A – Ward Nye – Martin Marietta Materials, Inc.>: Jack, it is. And it's not even, where we're seeing it, in fairness, I mean, it's spotty and it's different, in the West it's better. And candidly, part of what I liked about Q2 volumes is I'm looking at the spread of business: 47% infrastructure, 30% non-res, 13% res and 10% ChemRock/Rail. That's starting to feel like a more normal spread, at least on a percentage basis, as this business really starts to grow.

Part of what I continue to be moved by with respect to housing is while the June data was below expectations and I think in fairness caused some concern, the 12-month rolling story we think still tells a good tale of what's going on. If building permits were 16.1% above the June 2012 estimate of 785,000. Housing starts were 10% above, at a rate of 757,000 and housing completions were 20% above June 2012 at a rate of 628,000.

So part of what we're looking at is completions need to increase by over 30% just to catch up with starts, and I think that ties back into the initial comments that we made. We feel good about what we're seeing in private construction. We're feeling increasingly good about what we believe that's doing to office and retail as well.

I mean, if we're taking a look at what's happening with office and retail, again, I say this, Jack, because I think housing is driving some of this. A place like Charlotte is showing nice vacancy moves from over 20% to around 15% right now on office vacancy, and we're seeing the same types of numbers in industrial. For example, Orlando went from almost 20% vacancy rates down to 16%. So we think housing is driving a good bit of that.

But as we come back and really look at it in our markets, to try to be more specific with you, we feel awfully good about what we're seeing in Colorado. Units are up there 68% and, get this, in North Carolina and Georgia, and we think this is incredibly important, they're up 32% in both of those states. In Texas, which has been healthy obviously for awhile, units are still up 17%.

So we feel like that on both the single and multi-family piece of it is helpful for driving us to that 13% end number higher. We also think it's going to put more constitution in that 30% that's the pure non-res.

<Q – Jack Kasprzak – BB&T Capital Markets>: Okay. That's great, thanks. On SG&A, the press release mentions excluding costs in 2013 and 2012 related to information systems upgrade. SG&A will down slightly as a percentage of sales. But on a reported basis, will the SG&A in the back half of the year kind of look like it did in the first half?

<A – Ward Nye – Martin Marietta Materials, Inc.>: Yes, I think it probably will, Jack.

<Q – Jack Kasprzak – BB&T Capital Markets>: Yes. And – I'm sorry, go ahead.

<A – Anne Lloyd – Martin Marietta Materials, Inc.>: We'll be through with the upgrade in the fourth quarter. So those costs will kind of roll through the rest of the year.

<Q – Jack Kasprzak – BB&T Capital Markets>: Okay. And so, again on a reported basis, next year, we might see – I know you're not giving guidance for next year yet, but we might see a decline in SG&A dollars, all else equal, for that reason, right?

<A – Ward Nye – Martin Marietta Materials, Inc.>: Let's just say, if we're doing an upgrade next year, something went wrong.

<Q – Jack Kasprzak – BB&T Capital Markets>: Okay.

<A – Anne Lloyd – Martin Marietta Materials, Inc.>: Let's don't even say that.

<Q – Jack Kasprzak – BB&T Capital Markets>: Ward said it, not me, so...

<A – Anne Lloyd – Martin Marietta Materials, Inc.>: Exactly. Thank you, Jack.

<Q – Jack Kasprzak – BB&T Capital Markets>: Okay, that's it. Thanks very much, guys.

<A – Ward Nye – Martin Marietta Materials, Inc.>: Thank you, Jack.

Operator: Thank you. Our next question is from Jerry Revich of Goldman Sachs. You may begin.

<Q – Jerry Revich – Goldman Sachs & Co.>: Good afternoon.

<A – Ward Nye – Martin Marietta Materials, Inc.>: Hi, Jerry.

<Q – Jerry Revich – Goldman Sachs & Co.>: Ward, can you talk about the outlook in each of the three reportable segments in the back half of the year? Which ones do you expect to put up better volume growth? Which one's going to be tougher given the difference in pricing points, certainly as margin implications, based on how much visibility you have between the different regions?

<A – Ward Nye – Martin Marietta Materials, Inc.>: Yeah, we're talking different regions of the country, not different end uses. Is that what you're asking, Jerry? I just want to make sure I've got your question.

<Q – Jerry Revich – Goldman Sachs & Co.>: Yeah, thank you, Ward. So yeah, exactly, Mideast, Southeast, West.

<A – Ward Nye – Martin Marietta Materials, Inc.>: Okay. I guess from where I sit, the West Group continues to have the most upside right now, again, I think Texas. The infrastructure work and housing and rising commercial in Texas, we think has a good future ahead of it and we think will continue to be strong. I think the infrastructure work and the non-res work in Iowa will continue to be strong. We love Iowa. There are not a lot of people moving there, so I'm not seeing the residential numbers going through the roof, but I do think that's going to be good, steady business. And a lot of that is driven by the farm economy. The fact is, that economy has just never gone down during this downturn.

I think the story in Colorado continues to be a very powerful story. I think the infrastructure piece of that will be healthy. We're seeing a lot of bidding activity in that state right now, particularly in the metro and north of Denver. We continue to believe the residential story is going to be good and the commercial story there is pretty good. We're pretty bullish on Colorado right now.

We knew coming across the Mississippi that this was going to be a tougher year for a place like Indiana. The [ph] major moves (51:52) is waning, but you're also seeing Indiana come back and put over $400 million into infrastructure in that state, so that business is right where we thought. In a state like Ohio, part of what I like I'm seeing there is sand sales are going up, which means ready mixed is getting better, which means single family housing, multi-family housing, and commercial is getting better in that market as well.

As we come down and take a look at Virginia, and the fact is Virginia is sitting in a pretty attractive place. This isn't so much a rest of the year story. It's beyond that, because they've come back. They've put in a new infrastructure funding program there and we're going to see, over a six-year period, billions of dollars more invested in Virginia than we've seen.If we look at North Carolina, Jerry, I think part of what's important is we do have a new governor. We've got a Republican Legislature, House and Senate. We haven't had this in North Carolina in 150 years. They're very dedicated to getting their fiscal house in order, which I think they're doing it, part of the transportation planning in North Carolina is putting more money into the urban areas.

Now, there is a little bit of debate in some parts of the economy around that, which I get, but if you're Martin Marietta and you have a significant presence in the eastern part of the state, near New Bern and Wilmington, as well Raleigh/Durham, Chapel Hill and Greensboro/High Point, Winston-Salem and Charlotte, that's not a bad place for us to be.

And as we look at what's going on in the Southeast, again, that's the one that has gone down with the hardest thud over the last four or five years. But, again, I take great heart in the fact that we're seeing the type of volume uptick in Florida that we're seeing and, again, we're starting to see housing come back in Georgia. And we're starting to see good employment numbers as well.

So as we come back and think about what parts of the country we can feel largely better about, the job recovery that we're seeing now in the Southeastern United States, as we discussed in the Q1 call, is starting to outpace the national average and it hasn't been there for awhile.

I mean, here's something to think about. At the current pace, we're less than a year away to regaining peak employment. I mean, that's a great number for us to have in our minds because people with a job will either go and move into an apartment, build a home or otherwise and, God knows all those kids who are living with mom and dad who are desperate to get out of there, their parents do as well. So we think the job situation is incredibly helpful for that. But if we come back and look at state employment change, again, to give you a sense of how we're looking at it.

Texas and Colorado both lead in job growth and we're looking at a U.S. growth percentage of 1.5%. Texas is at 2.7%; Colorado is at 2.4%. And here you go, Georgia is at 2.2%, South Carolina at 1.7% and North Carolina at 1.7%, and Florida as well, ahead of the national average. So Jerry, that's – I'm probably not answering your question on how does it feel in half two, but to tell you the truth, what I'm looking at, and I think what a lot of people are looking at, are the long term fundamentals that we're talking about as the industry continues to recover and where and why. And I think those are your drivers.

<Q – Jerry Revich – Goldman Sachs & Co.>: Okay. And on the downstream part of the business, you've spoken about a couple of areas where you're putting through additional price increases. I'm wondering if based on the cadence of those price increases, do you expect year-over-year pricing for asphalt and concrete to accelerate for your business in the back half of the year? I guess, how meaningful are those increases?

<A – Ward Nye – Martin Marietta Materials, Inc.>: Well, I think in some places in Texas you'll see that, I'm not seeing a lot of that really in Colorado for the balance of the year, although we are already talking to customers in Colorado now about what we believe our price increases will be going into next year. And again, if we're taking a look on the ready mixed side in particular, our volumes in the quarter in ready mixed in Colorado were up 28%. If we look for half one, they were up 30% there. So again, that's a very healthy market right now, Jerry.

<Q – Jerry Revich – Goldman Sachs & Co.>: And what's your sense on the magnitude of downstream price increases that, in areas where you're not vertically integrated, your customers are seeing. Is it similar level of pricing power that you're showing here with your concrete and asphalt business, or how much variability is there in other regions where you're not integrated?

<A – Ward Nye – Martin Marietta Materials, Inc.>: Well, I think there continues to be an emphasis, at least in our business, of coming back and revisiting where concrete stone pricing has been, because that has been a sector that was hit pretty hard. And I think as a practical matter, they were not seeing, at least from us, the types of price increases perhaps other sectors were, and I think there's some recovery there on that piece of it, Jerry.

<Q – Jerry Revich – Goldman Sachs & Co.>: Okay, thank you.

<A – Ward Nye – Martin Marietta Materials, Inc.>: Thank you.

Operator: Thank you. Our next question is from Rohit Bhatia of Exane. You may begin.

<Q – Rohit Bhatia – Exane BNP Parabas>: My questions have been answered. Thanks a lot, though.

Operator: Thank you. I'm showing no further questions at this time. I would like to turn the conference back over to Ward Nye for closing remarks.

C. Howard Nye, President, Chief Executive Officer & Director

Thanks again for joining our second quarter earnings call and for your interest in our company. We are dedicated to our disciplined approach to managing our business and look forward to discussing our third quarter results with you in October. Thanks for your time today and your continued support of Martin Marietta.

Operator: Ladies and gentlemen, this concludes today's conference. Thanks for your participation and have a wonderful day.