

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-K

(Mark One)

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934 [No Fee Required]

For the fiscal year ended **December 31, 2001**

OR

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934 [No Fee Required]

For the transition period from _____ to _____

Commission file number **1-12744**
MARTIN MARIETTA MATERIALS, INC.
(Exact name of registrant as specified in its charter)

North Carolina
(State or other jurisdiction of
incorporation or organization)

56-1848578
(I.R.S. employer
identification no.)

2710 Wycliff Road, Raleigh, North Carolina
(Address of principal executive offices)

27607-3033
(Zip Code)

Registrant's telephone number, including area code: **(919) 781-4550**

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Name of each exchange on which registered
Common Stock (par value \$.01 per share) (including rights attached thereto)	New York Stock Exchange

Securities registered pursuant to Section 12(g) of the Act: **None**

Indicate by check mark whether the registrant: (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of the Form 10-K or any amendment to this Form 10-K.

The aggregate market value of voting stock (based on the closing price on the New York Stock Exchange on March 22, 2002 as published in the Wall Street Journal) held by non-affiliates of the Company was \$1,288,035,232. Shares of Common Stock held by each executive officer and director and by each person who owns 5% or more of the outstanding Common Stock have been excluded in that such persons may be deemed to be affiliates. This determination of affiliate status is not necessarily a conclusive determination for other purposes.

The number of shares outstanding of each of the Registrant's classes of common stock on March 22, 2002 as follows:

Common Stock (par value \$.01 per share) 48,559,741 shares

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the Martin Marietta Materials, Inc. 2002 Proxy Statement are incorporated by reference into Part III.

Portions of the Martin Marietta Materials, Inc. 2001 Annual Report to Shareholders are incorporated by reference into Parts I, II and IV.

TABLE OF CONTENTS

PART I

ITEM 1. BUSINESS

ITEM 2. PROPERTIES

ITEM 3. LEGAL PROCEEDINGS

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

FORWARD-LOOKING STATEMENTS — SAFE HARBOR PROVISIONS

EXECUTIVE OFFICERS OF THE REGISTRANT

PART II

ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY AND RELATED STOCKHOLDER MATTERS

ITEM 6. SELECTED FINANCIAL DATA

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

ITEM 7A. QUALITATIVE AND QUANTITATIVE DISCLOSURES ABOUT MARKET RISK

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

PART III

ITEM 10. DIRECTORS AND EXECUTIVE OFFICERS OF THE REGISTRANT

ITEM 11. EXECUTIVE COMPENSATION

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

PART IV

ITEM 14. EXHIBITS, FINANCIAL STATEMENTS, FINANCIAL STATEMENT SCHEDULES AND REPORTS ON FORM 8-K

(3) Exhibits

SIGNATURES

Amend & Restated Stock-based Award Plan - Amend #1

Computation of Ratio of Earnings to Fixed Charges

MMM 2001 Annual Report to Shareholders

List of Subsidiaries

Consent of Ernst & Young LLP

TABLE OF CONTENTS

	Page
<u>PART I</u>	
Item 1 Business	3
Item 2 Properties	14
Item 3 Legal Proceedings	15
Item 4 Submission of Matters to a Vote of Security Holders	15
Forward Looking Statements – Safe Harbor Provisions	16
Executive Officers of the Registrant	17
<u>PART II</u>	
Item 5 Market for Registrant's Common Equity and Related Stockholder Matters	18
Item 6 Selected Financial Data	18
Item 7 Management's Discussion and Analysis of Financial Condition and Results of Operations	18
Item 7A Qualitative And Quantitative Disclosures About Market Risk	18
Item 8 Financial Statements and Supplementary Data	19
Item 9 Changes in and Disagreements with Accountants on Accounting and Financial Disclosure	19
<u>PART III</u>	
Item 10 Directors and Executive Officers of the Registrant	20
Item 11 Executive Compensation	20
Item 12 Security Ownership of Certain Beneficial Owners and Management	20
Item 13 Certain Relationships and Related Transactions	20
<u>PART IV</u>	
Item 14 Exhibits, Financial Statements, Financial Statement Schedules and Reports on Form 8-K	21
Signatures	27

PART I

ITEM 1. BUSINESS

General

Martin Marietta Materials, Inc. (the “Company”) is the United States’ second largest producer of aggregates for the construction industry, including highways, infrastructure, commercial, and residential. The Company also manufactured and marketed in 2001 magnesia-based products, including heat-resistant refractories products for the steel industry, chemicals products for industrial, agricultural, and environmental uses, and dolomitic lime. In 2001, the Company’s aggregates segment accounted for 93% of the Company’s total net sales, and the Company’s magnesia-based products segment accounted for 7% of the Company’s total net sales.

The Company was formed in November 1993 as a North Carolina corporation to be the successor to substantially all of the assets and liabilities of the materials group of Martin Marietta Corporation and its subsidiaries. An initial public offering of a portion of the common stock of the Company (the “Common Stock”) was completed in February 1994 whereby 8,797,500 shares of Common Stock (representing approximately 19% of the shares outstanding) were sold at an initial public offering price of \$23 per share. Lockheed Martin Corporation, which was formed as the result of a business combination between Martin Marietta Corporation and Lockheed Corporation in March 1995, owned approximately 81% of the Common Stock directly and through its wholly-owned subsidiary, Martin Marietta Investments Inc., until October 1996.

In October 1996, the outstanding Common Stock of Martin Marietta Materials that was held by Lockheed Martin Corporation became available to the public market when Lockheed Martin disposed of its 81% ownership interest. This transaction was completed by means of a tax-free exchange offer pursuant to which Lockheed Martin stockholders were given the opportunity to exchange shares of Lockheed Martin common stock for shares of the Company’s Common Stock, which resulted in 100% of the outstanding shares of Common Stock being publicly traded.

As of May 28, 1997, the Company purchased all of the outstanding common stock of American Aggregates Corporation (“American Aggregates”) along with certain other assets from American Aggregates’ former parent, CSR America, Inc., for an acquisition price of approximately \$242 million in cash plus certain assumed liabilities (the “American Aggregates Acquisition”). The American Aggregates Acquisition included the Ohio and Indiana operations of American Aggregates with 29 production facilities and increased the Company’s annual production capacity by more than 25.0 million tons — in addition to adding over 1.0 billion tons of mineral reserves, of which approximately 700.0 million were zoned for production, and 11,000 acres of property. American Aggregates was a leading supplier of aggregates products in Indianapolis, Cincinnati, Dayton, and Columbus.

As of December 4, 1998, the Company acquired the common stock of Redland Stone Products Company (“Redland Stone”) from an affiliate of Lafarge SA for \$272 million in cash plus normal balance sheet liabilities and approximately \$8 million estimated for certain other assumed liabilities and transaction costs (the “Redland Stone Acquisition”). The Company did not assume any long-term debt of Redland Stone. Redland Stone was a leading producer of aggregates and asphaltic concrete in the State of Texas and had mineral reserves which exceeded 1.0 billion tons. The Redland Stone

[Table of Contents](#)

Acquisition expanded the Aggregates division's business by adding operating facilities in the southwest United States, expanding the Company's presence in the asphalt production business, adding significant long-term mineral reserve capacity, and increasing the Company's access to rail transportation.

As of October 31, 1998, the Company purchased an initial 14% interest in the business of Meridian Aggregates Company ("Meridian"). As of April 3, 2001, the Company completed the purchase of all of the remaining interests of Meridian under the purchase option terms of the original investment agreement. The purchase consideration consisted of \$238 million, including the original October 1998 investment of \$42 million, the retirement of debt, the forgiveness of related party obligations, and estimated amounts for certain other assumed liabilities and transaction costs, plus the assumption of normal balance sheet liabilities (the "Meridian Acquisition"). The purchase consideration is subject to normal post-closing adjustments and appropriate accruals. At the time of the Meridian transaction, Meridian operated 25 aggregates production facilities and seven rail-served distribution yards in 11 states in the southwestern and western United States and sold aggregates to customers in 14 states, including six states in which the Company had not previously conducted any business. The Meridian Acquisition added more than 1.6 billion tons of aggregates reserves, expanded the Company's presence in the southwest and western states, and increased its ability to use rail as a mode of transportation.

As of May 1, 2001, the Company, through its wholly owned subsidiary, Martin Marietta Magnesia Specialties, sold certain assets related to its refractories business to a subsidiary of Minerals Technologies Inc. for \$34 million. The Company retained certain current assets (including accounts receivable) and certain liabilities relating to the refractories business. In an accompanying manufacturing agreement, Magnesia Specialties agreed to supply the subsidiary of Minerals Technologies with certain refractories products principally from the Company's Manistee, Michigan plant for up to two years following the sale. The sale of Magnesia Specialties' refractories products business lessens the Magnesia Specialties division's dependence on the steel industry. Excluding refractories products, Magnesia Specialties' sales to the steel industry would account for 52% of the division's 2001 net sales, as compared to 65% including refractories.

In 2001, the Company transferred the operating responsibility for its Woodville, Ohio dolomitic lime operation to the MidAmerica Division of the Aggregates division. The Woodville, Ohio operation produces and sells dolomitic lime to the steel industry and produces and sells approximately 1.0 million tons per year of aggregates to construction businesses. However, the Woodville, Ohio operation will continue to be reported by the Company within the Magnesia Specialties segment.

The Company believes that under its Magnesia Specialties segment's current operating structure, which carries a lower invested asset base, the dolomitic lime and magnesia chemicals businesses provide an opportunity to generate attractive earnings and cash flows in 2002 and beyond.

The Company announced in February 1997 that it had entered into agreements giving the Company rights to commercialize certain proprietary technologies related to the Company's business. One of the agreements gives the Company the opportunity to pursue the use of certain fiber-reinforced polymer composites technology for products where corrosion resistance and high strength-to-weight ratios are important factors, such as bridge decks, marine applications, and other structures and applications. The Company continued its research and development activities during 2001 in this new

[Table of Contents](#)

product area, and continued manufacturing (through a contractor) and marketing certain of the products. This technology, if fully developed by the Company, would complement and expand the Company's business. In addition, the Company continued in 2001 to explore the viability of certain technology related to microbial products for enhanced plant growth. The Company had limited revenue and no profits from these technologies in 2001. Also, in 1999 and 2000 the Company made investments in a start-up company, Industrial Microwave Systems, that has proprietary technology for use in applications related to industrial heating and drying, food processing, and aseptic packaging. There can be no assurance that any of the technologies will become profitable.

The Company is replacing its existing information systems with an enterprise-wide information solution through J. D. Edwards World Solutions Company. The Company successfully completed the system design and implementation phase of the accounting, financial reporting, and human resources/payroll packages in 2001. The capital requirements for this project, excluding system replacements for acquisitions not currently on the Company's Raleigh-based systems (principally the Redland and Meridian Acquisitions) are expected to be \$26.3 million, with \$13.0 million expended in 2001 and \$4.0 million expended in 2000. Currently it is anticipated that the full system implementation will take an additional two years.

Business Segment Information

The Company in 2001 operated in two reportable business segments. These segments are aggregates products and magnesia-based chemicals, refractories, and dolomitic lime products. As of May 1, 2001, the Company sold the refractories business of its Magnesia Specialties segment. Information concerning the Company's net sales, operating profit, assets employed, and certain additional information attributable to each reportable industry segment for each year in the three-year period ended December 31, 2001 is included in "Management's Discussion and Analysis of Financial Condition and Results of Operations" on pages 36 through 38 of the Company's 2001 Annual Report to Shareholders (the "2001 Annual Report"), which information is incorporated herein by reference.

Aggregates

The Company's aggregates segment processes and sells granite, limestone, sand and gravel, and other aggregates products for use in all sectors of the public infrastructure, commercial, and residential construction industries. The Company is the United States' second largest producer of aggregates. In 2001, the Company shipped approximately 192 million tons of aggregates primarily to customers in 31 southeastern, southwestern, midwestern, central, and western states, in addition to Canada and the Bahamas, generating net sales and earnings from operations of \$1.4 billion and \$194 million, respectively.

The Aggregates division markets its products primarily to the construction industry, with approximately 44% of its shipments made to contractors in connection with highway and other public infrastructure projects and the balance of its shipments made primarily to contractors in connection with commercial and residential construction projects. As a result of dependence upon the construction industry, the profitability of aggregates producers is sensitive to national, regional, and local economic conditions, and particularly to cyclical swings in construction spending, which is affected by fluctuations in interest rates, and demographic and population shifts and to changes in the level of infrastructure spending funded by the public sector. The Company's aggregates business is

[Table of Contents](#)

concentrated principally in the southeast, southwest, midwest, and central states. In addition, the Company's Meridian Acquisition and subsequent smaller acquisitions in 2001 have expanded the Company's presence into the western states. Aggregates products are sold and shipped from a network of 343 quarries and distribution facilities in 28 states, as well as the Bahamas and Canada, although the Company's five largest shipment states (Texas, North Carolina, Ohio, Georgia, and Iowa) account for approximately 56% of total net sales by state of destination. The Company's business is accordingly affected by the economies in these regions.

Until recently, economic growth in the United States had been generally strong in the areas served by the Company. However, the current recession, weakening regional economies, particularly in the southeast and central states, and the economic fallout of the September 11, 2001 terrorist attacks, adversely affected results of the Aggregates division. If this weakness in the economy continues, particularly in areas where the Company is concentrated, or if federal infrastructure appropriation levels are reduced, or a reduction occurs or continues in state and local infrastructure spending, the Aggregates division will continue to be adversely affected.

The Company's aggregates business is also highly seasonal, due primarily to the effect of weather conditions on construction activity within its markets. As a result of the Meridian Acquisition, the American Aggregates Acquisition, and several other smaller acquisitions in the western and upper midwestern regions of the United States, more of the Company's aggregates operations have exposure to weather-related risk during the winter months. The division's operations that are concentrated principally in the northern region of the country generally experience more severe winter weather conditions than the division's operations in the Southeast and Southwest. Due to these factors, the Company's second and third quarters are generally the strongest, with the first quarter generally reflecting the weakest results. Results in any quarter are not necessarily indicative of the Company's annual results. Similarly, the division's operations near the Atlantic and Gulf Coasts are at risk for hurricane activity and have experienced hurricane-related losses in recent years, which have had a significant adverse impact on the financial performance of the Company.

Aggregates can be found in abundant quantities throughout the United States, and there are many producers nationwide. However, as a general rule, shipments from an individual quarry are limited because the cost of transporting processed aggregates to customers is high in relation to the value of the product itself. As a result, proximity of quarry facilities to customers is the most important factor in competition for aggregates business and helps explain the highly fragmented nature of the aggregates industry. As described below, the Company's distribution system mainly uses trucks, but also has access to a lower-cost river barge and ocean vessel network. In addition, the Redland Stone Acquisition, the Meridian Acquisition, and other recent acquisitions have enabled the Company to extend its reach through increased access to rail transportation.

A growing percentage of the Company's aggregates shipments are being moved by rail or water through a distribution yard network. In 1994, 93% of the Company's aggregates shipments were moved by truck, while the balance of 7% was moved by rail. In contrast, the Company's aggregates shipments were moved 77% by truck, 15% by rail, and 8% by water in 2001. The Company has an extensive network of aggregates quarries and distribution centers along the Ohio and Mississippi River systems from western Pennsylvania throughout the central and southern United States and the Bahamas, as well as distribution centers along the Gulf of Mexico and Atlantic coasts. The Gulf and Atlantic coastal areas are being supplied in part from the Bahamas location, two large quarries on the

[Table of Contents](#)

Ohio River system, and a Canadian quarry on the Strait of Canso in Nova Scotia. In addition, the Company's recent acquisitions, especially the Redland Stone and Meridian Acquisitions, have expanded its ability to ship by rail. Accordingly, in addition to increasing the Company's geographic presence through acquisitions, the Company has also enhanced its reach through its ability to provide cost-effective coverage of certain coastal markets on the east coast and reaching as far as Texas, and to ship products in and to Canada, the Caribbean, and parts of South America, as well as to additional geographic areas which can be accessed economically by its expanded distribution system. In 2001, the Company modernized and expanded the plant capacity at its Bahamas location, which provides the opportunity for the Company to capture future potential market growth and reduce costs.

As the Company continues to move more aggregates by rail and water, embedded freight costs have eroded gross margins. This typically occurs where the Company transports aggregates from a production location to a distribution location by rail or water, and the customer pays a selling price that includes a freight component. Margins are negatively affected because the customer typically does not pay the Company a profit associated with the transportation component of the selling price. Moreover, the Meridian Acquisition and its rail-based distribution network, coupled with the extensive use of rail service in the Southwest, increases the Company's dependence on and exposure to railroad performance, including track congestion, crew availability, and power failures, and the ability to renegotiate favorable railroad shipping contracts. The waterborne distribution network increases the Company's exposure to certain risks, including the ability to negotiate favorable shipping contracts, demurrage costs, and barge or ship availability.

Historically, the Company has focused on the production of aggregates and has not integrated vertically in a substantial manner into other construction materials businesses. In recent transactions, however, the Company has acquired asphaltic concrete, ready mixed concrete, paving construction, trucking, and other businesses which establish vertical integration that complement its aggregates business. These vertically integrated operations accounted for about 14% of net sales in 2001, with no single operation contributing more than 10% of total net sales. As the Company continues its expansion strategy westward, where vertically integrated operations are the norm, profit margins are generally adversely affected. Generally these operations have lower profit margins than aggregates products.

Environmental and zoning regulations have made it increasingly difficult for the construction aggregates industry to expand existing quarries and to develop new quarry operations. Although it cannot be predicted what policies will be adopted in the future by federal, state, and local governmental bodies regarding these matters, the Company anticipates that future restrictions will likely make zoning and permitting more difficult thereby potentially enhancing the value of the Company's existing mineral reserves.

Management believes the Aggregates division's raw materials, or mineral reserves, are sufficient to permit production at present operational levels for the foreseeable future. The Company does not anticipate any material difficulty in obtaining the raw materials that it uses for production in its aggregates segment. The Company's aggregates reserves exceed 55 years of production, based on current levels of activity.

The Company generally delivers products in its aggregates segment upon receipt of orders or requests from customers. Accordingly, there is no significant backlog information. Inventory of

aggregates is generally maintained in sufficient quantities to meet rapid delivery requirements of customers.

Magnesia Specialties

The Company in 2001 also manufactured and marketed dolomitic lime, magnesia-based heat-resistant refractories products for the steel industry, and magnesia-based chemicals products for industrial, agricultural, and environmental uses, including wastewater treatment, sulfur dioxide scrubbing, and acid neutralization. As of May 1, 2001, the Company sold certain assets relating to the refractories business of its Magnesia Specialties segment to a subsidiary of Minerals Technologies Inc. The Company's Magnesia Specialties division generated net sales in 2001 of \$99.5 million and earnings from operations of \$3.2 million. Approximately 26.9% of these sales were associated with the sold refractories business, including sales of certain refractories products to the subsidiary of Minerals Technologies pursuant to a related manufacturing agreement. Magnesia Specialties' refractories and dolomitic lime products are sold primarily to the steel industry. Accordingly, the division's profitability has historically depended on the production of steel and the related marketplace, and a significant portion of the division's product pricing structure has historically been affected by current economic conditions within the steel industry. The sale of Magnesia Specialties' refractories business in 2001 will lessen the Magnesia Specialties division's dependence on the steel industry over time.

In 2001, the division's refractories and dolomitic lime product areas continued to be negatively impacted by global steel industry conditions. The division's steel-related product areas' performance followed the steel industry's performance. As a result, the continued slowdown experienced in the steel industry during 2001 and continued high levels of steel imports negatively affected earnings from operations for 2001. Higher-than-expected costs for natural gas, which is used to fuel some of the division's kilns in the manufacture of its products, negatively affected earnings from operations during the first half of 2001, before returning to more normal levels by year end. The underabsorption of fixed costs associated with the conversion of the division's Manistee, Michigan plant to a magnesia chemicals facility, as a result of the sale of the refractories business, also negatively impacted earnings from operations for 2001. Competitive pricing pressures continued throughout 2001. The division's chemicals products continued to diversify in chemicals used as flame retardants, in wastewater treatment, and to reduce stack pollution, and is not as dependent on the steel industry as is the refractories or dolomitic lime businesses.

The principal raw materials used in the Company's Magnesia Specialties division's products are dolomitic limestone, brine, and imported magnesia. Management believes that its reserves of dolomitic limestone to produce dolomitic lime and its reserves of brine are sufficient to permit production at the required operational levels for the foreseeable future, which levels are expected to be lower over time than present operational levels as a result of the sale of the refractories business in 2001. The supply of natural and synthetic magnesia is abundant worldwide. In 2001, the Company purchased some of its magnesia requirements from various sources located in China. While the Company does not expect an interruption in the supply of magnesia from these sources, various factors associated with economic and political uncertainty in China could result in future supply interruptions. If such an interruption were to occur, the Company believes it could obtain alternate supplies worldwide, although there could be no assurance that the Company could do so at current prices. Alternatively, the Company believes it could adjust its mix of products and/or increase production at

[Table of Contents](#)

its Manistee, Michigan plant. Moreover, the sale of Magnesia Specialties' refractories business in 2001 will lessen the Magnesia Specialties division's magnesia requirements over time.

The Company generally delivers its Magnesia Specialties division's products upon receipt of orders or requests from customers. Accordingly, there is no significant backlog information. Inventory for the Magnesia Specialties division's products is generally maintained in sufficient quantities to meet rapid delivery requirements of customers. The Company has provided extended payment terms to certain international customers.

Patents and Trademarks

As of March 22, 2002, the Company owns, has the right to use, or has pending applications for approximately 70 patents pending or granted by the United States and various countries and approximately 63 trademarks related to its Magnesia Specialties business and its developing technologies and services business. The Company believes that its rights under its existing patents, patent applications, and trademarks are of value to its operations, but no one patent or trademark or group of patents or trademarks is material to the conduct of the Company's business as a whole.

Customers

No material part of the business of either segment of the Company is dependent upon a single customer or upon a few customers, the loss of any one of which would have a material adverse effect on the segment. The Company's products are sold principally to commercial customers in private industry. Although large amounts of construction materials are used in public works projects, relatively insignificant sales are made directly to federal, state, county, or municipal governments, or agencies thereof.

Competition

Because of the impact of transportation costs on the aggregates business, competition tends to be limited to producers in proximity to the Company's individual production facilities. Although all of the Company's locations experience competition, the Company believes that it is generally a leading producer in the areas it serves. Competition is based primarily on quarry location and price, but quality of aggregates and level of customer service are also factors.

The Company is the second largest producer of aggregates in the United States based on tons shipped. There are over 4,000 companies in the United States that produce aggregates. The largest five producers account for approximately 25% of the total market. The Company competes with a number of other large and small producers. The Company believes that its ability to transport materials by ocean vessels and river barges and its increased access to rail transportation as a result of the Redland Stone and Meridian Acquisitions, and other transactions, has enhanced the Company's ability to compete in certain extended areas. Certain of the Company's competitors in the aggregates industry have greater financial resources than the Company.

The Magnesia Specialties division of the Company competes with various companies in different geographic and product areas. The division competes principally on the basis of quality, price, and technical support for its products. The Magnesia Specialties division also competes for sales

[Table of Contents](#)

to customers located outside the United States with sales to such customers accounting for approximately \$11.8 million in net sales in 2001 (representing approximately 12% of net sales of the Magnesia Specialties segment) principally in Canada, Mexico, the United Kingdom, Germany, and Korea. The sale of the refractories business in 2001 has reduced division sales to foreign customers. The Magnesia Specialties division's sales to foreign customers were \$20.4 million in 2000 and \$21.0 million in 1999.

Research and Development

The Company conducts research and development activities for its Magnesia Specialties segment at its plant in Manistee, Michigan, and at various locations for the new proprietary technologies. The Company closed its Baltimore, Maryland, laboratory after the sale of the refractories business in 2001, and transferred the remaining research and development activities for its Magnesia Specialties segment to its Manistee, Michigan plant. In general, the Company's research and development efforts in 2001 were directed to applied technological development for the use of its chemicals products and for its proprietary technologies, including composite materials and microwave technology. The Company spent approximately \$0.6 million in 2001, \$2.3 million in 2000, and \$2.8 million in 1999 on research and development activities.

Environmental Regulations

The Company's operations are subject to and affected by federal, state, and local laws and regulations relating to the environment, health and safety, and other regulatory matters. Certain of the Company's operations may from time to time involve the use of substances that are classified as toxic or hazardous substances within the meaning of these laws and regulations. Environmental operating permits are, or may be, required for certain of the Company's operations and such permits are subject to modification, renewal, and revocation. The Company regularly monitors and reviews its operations, procedures, and policies for compliance with these laws and regulations. Despite these compliance efforts, risk of environmental liability is inherent in the operation of the Company's businesses, as it is with other companies engaged in similar businesses, and there can be no assurance that environmental liabilities will not have a material adverse effect on the Company in the future. In accordance with the Company's accounting policy for environmental costs, amounts are not accrued and included in the Company's financial statements until it is probable that a liability has been incurred and such amounts can be estimated reasonably. The environmental accruals are estimated based on internal studies of the required remediation costs and generally not discounted to their present value or offset for potential insurance or other claims. Costs incurred by the Company in connection with environmental matters in the preceding two fiscal years were not material to the Company's operations or financial condition.

The Company believes that its operations and facilities, both owned or leased, are in substantial compliance with applicable laws and regulations and that any noncompliance is not likely to have a material adverse effect on the Company's operations or financial condition. See "Legal Proceedings" on page 15 of this Form 10-K and "Note M: Commitments and Contingencies" of the "Notes to Financial Statements" on page 24 and "Management's Discussion and Analysis of Financial Condition and Results of Operations — Environmental and Litigation Matters" on page 41 of the 2001 Annual Report. However, future events, such as changes in or modified interpretations of existing laws and regulations or enforcement policies, or further investigation or evaluation of the potential health

[Table of Contents](#)

hazards of certain products or business activities, may give rise to additional compliance and other costs that could have a material adverse effect on the Company.

In general, quarry sites must comply with noise, water discharge, and air quality regulations, zoning, and special use permitting requirements, applicable mining regulations, and federal health and safety requirements. As new quarry sites are located and acquired, the Company works closely with local authorities during the zoning and permitting processes to design new quarries in such a way as to minimize disturbances. The Company frequently acquires large tracts of land so that quarry and production facilities can be situated substantial distances from surrounding property owners. Also, the Company's ability to transport material by rail and ship allows it to locate its facilities further away from residential areas. The Company maintains a centralized blasting function for its quarry operations and has established policies designed to minimize disturbances to surrounding property owners.

The Company is generally required by state or local laws or pursuant to the terms of an applicable lease to reclaim quarry sites after use. The Company generally reclaims its quarries on an ongoing basis, reclaiming mined-out areas of the quarry while continuing operations at other areas of the site. Historically, the Company has not incurred extraordinary or substantial costs in connection with the closing of quarries. Reclaimed quarry sites owned by the Company are available for sale, typically for commercial development or use as reservoirs.

As is the case with other companies in the same industry, some of the Company's products contain varying amounts of crystalline silica, a common mineral. Excessive, prolonged inhalation of very small-sized particles of crystalline silica has been associated with nonmalignant lung disease. The carcinogenic potential of crystalline silica was evaluated by the International Agency for Research on Cancer and later by the U.S. National Toxicology Program. In 1987, the agency found limited evidence of carcinogenicity in humans but sufficient evidence of carcinogenicity in animals. The National Toxicology Program concluded in 1991 that crystalline silica is "reasonably anticipated to be a carcinogen." In October 1996, the International Agency for Research on Cancer issued another report stating that "inhaled crystalline silica in the form of quartz or cristobalite from occupational sources is carcinogenic to humans." The Mine Safety and Health Administration has included the development of a crystalline silica standard as one of its long-term goals. The Company, through safety information sheets and other means, communicates what it believes to be appropriate warnings and cautions to employees and customers about the risks associated with excessive, prolonged inhalation of mineral dust in general and crystalline silica in particular.

The EPA in November 1996 proposed certain changes to the regulations relating to the standard for particulate matter in connection with air quality, which were recently placed into law as the National Ambient Air Quality Standards. The new law places an ambient air limit on the emission of fine particles (smaller than 2.5 microns) that typically result from industrial, motor vehicle, and power generation fuel combustion, in addition to the coarse particles previously regulated. As adopted, the regulations impact many industries, including the aggregates industry. The National Stone, Sand and Gravel Association ("NSSGA") joined a lawsuit with many other industries challenging the standard and the lack of scientific data available supporting the limits and the ability of industry to monitor the pollutant. In May 1999, the United States Court of Appeals for the District of Columbia overturned the EPA's PM2.5 and ozone national ambient air quality standards. The EPA appealed the Court of Appeals' decision to the United States Supreme Court, which decided on

[Table of Contents](#)

February 27, 2001 that the EPA has the authority to issue air quality standards and remanded the case for reexamination of the standards proposed by the EPA. The Company will not be able to determine the applicability of any new rules or the costs associated with any required standards until an emission standard is adopted. Based on field studies showing that crushed stone operations have a near negligible impact on ambient PM_{2.5} concentrations, the Company believes that any such costs would not have a material adverse effect on the Company's operations or its financial condition.

As a result of the processing of dolomitic limestone at the Magnesia Specialties division's Woodville, Ohio, facility, lime kiln dust ("LKD") is produced as a by-product. The Company historically placed the LKD in the quarry as part of reclamation required under its mining permit. In 1994, the Ohio Environmental Protection Agency ("OEPA") promulgated regulations that applied to the disposal of LKD and regulated it as a solid waste. The regulations required the Company to change its disposal method and institute additional controls. In order to comply with the regulations, the Company executed an administrative order with the OEPA on November 24, 1997 requiring the Company to submit a permit application for a landfill by May 1998, which was duly submitted. The Company, along with the National Lime Association and other lime producers in Ohio, introduced a bill before the State of Ohio Senate in August 2000 proposing that LKD be regulated under the mining laws and excluded as a solid waste thus eliminating the requirement for a landfill permit. The bill was passed and ratified in 2001. Based upon the result of the legislation, the facility will not require a landfill permit, and the Company will not incur any significant compliance costs associated with implementation of the legislation.

The Clean Air Act Amendments of 1990 require the EPA to develop regulations for a broad spectrum of industrial sectors that emit hazardous air pollutants, including lime manufacturing. The new standards to be established would require plants to install feasible control equipment for certain hazardous air pollutants, thereby significantly reducing air emissions. The Company is actively participating with other lime manufacturers in working with the EPA to define test protocols, better define the scope of the standards, determine the existence and feasibility of various technologies, and develop realistic emission limitations and continuous emissions monitoring/reporting requirements for the lime industry. The EPA has conducted testing at lime manufacturing facilities located in Alabama, Texas, and Ohio, including the Company's Woodville facility, the results of which were discussed with the EPA in 1999 to determine whether the facilities should be subject to these regulations. The EPA received comments on its proposed technology-based standards for the industry in November 2000, and a summary of the draft proposed national emission standards for lime manufacturing plants was released on December 1, 2001. The Company will not be able to determine the applicability of the new regulations or the cost associated with any required standards until the emission standards are formally adopted. The Company believes that any costs associated with the upgrade and/or replacement of equipment required to comply with the new regulations would not have a material adverse effect on the Company's operations or its financial condition but can give no assurance that the compliance costs will not have a material adverse effect on the financial condition or results of the Magnesia Specialties segment's operations.

In February 1998, the Georgia Department of Natural Resources ("GDNR") determined that both the Company and the Georgia Department of Transportation ("GDOT") are responsible parties for investigation and remediation at the Company's Camak Quarry in Thomson, Georgia, due to the discovery of trichloroethene ("TCE") above its naturally occurring background concentration in a drinking water well on site. The Company provided the GDNR with information indicating that the

[Table of Contents](#)

source of the release was either from an asphalt plant that was on the site in the early 1970's or from a maintenance shop that was operated on the property in the 1940's and 1950's before the Company purchased the property. The Company entered into a Consent Order with GDNR to conduct an environmental assessment of the site and file a report of the findings. The Company and GDOT signed an agreement to share evenly the costs of the assessment work. The assessment report was completed and filed. Based upon the results of the assessment report, GDOT withdrew from the cost sharing agreement and has indicated it will not share in any future remediation costs. The Company is funding the entire cost of future investigations and remediation which will occur over several years. Management believes any costs incurred by the Company associated with the site will not have a material adverse effect on the Company's operations or its financial condition.

In December 1998, the GDNR determined that the Company, the GDOT, and two other parties which operated an asphalt plant are responsible parties for investigation and remediation at the Company's Ruby Quarry in Macon, Georgia. The Company was designated by virtue of its ownership of the property. GDOT was designated because it caused a release of TCE above its naturally occurring background concentration in the groundwater at the site. The two other parties were designated because both entities operated the asphalt plant at the site. The groundwater contamination was discovered when the Company's tenant vacated the premises and environmental testing was conducted. The Company and GDOT signed an agreement to share the costs of the assessment work. The report of the assessment work was filed with the GDNR. GDOT entered into a Consent Order with GDNR agreeing to conduct additional testing and any necessary remediation at the site. On May 21, 2001, GDNR issued separate Administrative Orders against the Company and other responsible parties to require all parties to participate with GDOT to undertake additional testing and any necessary remediation. If the Company is required to fund the cost of remediation, the Company will pursue its right of contribution from the responsible parties. Management believes any costs incurred by the Company associated with the site will not have a material adverse effect on the Company's operations or its financial condition.

In the vicinity of and beneath the Magnesia Specialties division's Manistee, Michigan, facility, there is an underground plume of material originating from the adjacent Packaging Corporation of America ("PCA") property. The Company believes the plume consists of paper mill waste. On September 8, 1983, the PCA plume and property were listed on the National Priorities List ("NPL") under the authority of the Comprehensive Environmental Response, Compensation and Liability Act (the "Superfund" statute). The PCA plume is subject to a Record of Decision issued by the U.S. Environmental Protection Agency ("USEPA") on May 2, 1994, pursuant to which PCA (and now its successor, Pactiv Corporation ("Pactiv")) is required to conduct annual monitoring. The USEPA has not required remediation of the groundwater contamination. On January 10, 2002, the Michigan Department of Environmental Quality ("MDEQ") issued a Notice of Demand letter to the Company, PCA, and Pactiv indicating that it believes the plume has commingled with underground brine contamination historically released at the Manistee plant and designating the parties as responsible for investigation and remediation. The MDEQ has requested meetings and cost sharing with the Company, PCA, and Pactiv. Michigan law provides that responsible parties are jointly and severally liable, and, therefore, the Company is potentially liable for the full cost of funding the investigation and any necessary remediation. Michigan law also provides a procedure whereby liability may be apportioned among responsible parties if it is capable of division. The Company believes that the liability will be apportioned and that any such costs attributed to the Company's brine contamination will not have a material adverse effect on the Company's operations or its financial condition but can

[Table of Contents](#)

give no assurance that the liability will be apportioned or that the compliance costs will not have a material adverse effect on the financial condition or results of the Magnesia Specialties segment's operations.

Employees

As of March 22, 2002, the Company has approximately 6,900 employees. Approximately 5,200 are hourly employees and approximately 1,700 are salaried employees. Included among these employees are approximately 800 hourly employees represented by labor unions. Approximately 14% of the Company's Aggregates division's hourly employees are members of a labor union, while 92% of the Magnesia Specialties division's hourly employees are represented by labor unions. The Company's principal union contracts cover employees at the Manistee, Michigan, magnesia-based products plant and the Woodville, Ohio, lime plant. The current Manistee labor union contract was ratified in August 1999 and expires in August 2003. The current Woodville labor union contract was ratified in June 2001 and expires in June 2006. The Company considers its relations with its employees to be good.

ITEM 2. PROPERTIES

Aggregates

As of March 22, 2002, the Company processed or shipped aggregates from 343 quarries and distribution yards in 28 states in the southeast, southwest, midwest, central, and western United States and in Canada and the Bahamas, of which 98 are located on land owned by the Company free of major encumbrances, 72 are on land owned in part and leased in part, 159 are on leased land, and 14 are on facilities neither owned nor leased, where raw materials are removed under an agreement. In addition, the Company processed and shipped ready mixed concrete and/or asphalt products from 23 properties in 5 states in the southern United States, of which 11 are located on land owned by the Company free of major encumbrances, 2 are on land owned in part and leased in part, and 10 are on leased land.

Magnesia Specialties

The Magnesia Specialties division currently operates a major manufacturing facility in Manistee, Michigan, and smaller processing plants in Bridgeport, Connecticut, and Lenoir City, Tennessee. All of these facilities are owned, except Lenoir City, which is leased. The Company has also entered into several third-party toll-manufacturing agreements pursuant to which it processes various chemical products. In addition, in 2001 the Company transferred operating responsibility for its Woodville, Ohio dolomitic lime operation from its Magnesia Specialties division to the Mid-America Division of its Aggregates division, but the Woodville, Ohio operations will continue to be reported by the Company within the Magnesia Specialties segment. The Woodville, Ohio facilities are owned.

Other Properties

The Company's corporate headquarters, which it owns, is located in Raleigh, North Carolina. The Company owns and leases various administrative offices and research and development laboratories for its Aggregates division and its Magnesia Specialties division.

The Company's principal properties, which are of varying ages and are of different construction types, are believed to be generally in good condition, are generally well maintained, and are generally suitable and adequate for the purposes for which they are used. The principal properties are believed to be utilized at average productive capacities of approximately 80% and are capable of supporting a higher level of market demand.

ITEM 3. LEGAL PROCEEDINGS

From time to time claims of various types are asserted against the Company arising out of its operations in the normal course of business, including claims relating to land use and permits, safety, health, and environmental matters (such as noise abatement, vibrations, air emissions, and water discharges). Such matters are subject to many uncertainties, and it is not possible to determine the probable outcome of, or the amount of liability, if any, from, these matters. In the opinion of management of the Company (which opinion is based in part upon consideration of the opinion of counsel), it is unlikely that the outcome of these claims will have a material adverse effect on the Company's operations or its financial condition. However, there can be no assurance that an adverse outcome in any of such litigation would not have a material adverse effect on the Company or its operating segments.

See also "Note M: Commitments and Contingencies" of the "Notes to Financial Statements" on page 24 of the 2001 Annual Report and "Management's Discussion and Analysis of Financial Condition and Results of Operations - Environmental and Litigation Matters" on page 41 of the 2001 Annual Report.

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

No matters were submitted to a vote of security holders during the fourth quarter of 2001.

FORWARD-LOOKING STATEMENTS — SAFE HARBOR PROVISIONS

This Annual Report on Form 10-K and other written reports and oral statements made from time to time by the Company contain statements which constitute “forward-looking statements” within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934. Investors are cautioned that all forward-looking statements involve risks and uncertainties, and are based on assumptions that the Company believes in good faith are reasonable, but which may be materially different from actual results.

Factors that the Company currently believes could cause its actual results to differ materially from those in the forward-looking statements include, but are not limited to, national and regional economic conditions in the markets the Company serves, the level and timing of federal and state transportation funding, levels of construction spending in the markets the Company serves, unfavorable weather conditions, fuel costs, transportation costs, competition from new or existing competitors, changes in environmental and other governmental regulations, ability to recognize quantifiable savings from internal expansion programs, ability to successfully integrate acquisitions quickly and in a cost-effective manner, changes in capital availability or costs, and the timing and occurrence of events that may be subject to circumstances beyond the Company’s control.

Investors are also cautioned that it is not possible to predict or identify all such factors. Consequently, the reader should not consider any such list to be a complete statement of all potential risks or uncertainties. The forward-looking statements in this document are intended to be subject to the safe harbor protection provided by Sections 27A and 21E. These forward-looking statements are made as of the date hereof based on management’s current expectations, and the Company does not undertake an obligation to update such statements, whether as a result of new information, future events, or otherwise.

For a discussion identifying some important factors that could cause actual results to vary materially from those anticipated in the forward-looking statements, see the Company’s Securities and Exchange Commission filings, including, but not limited to, the discussion of “Competition” on pages 9 and 10 of this Annual Report on Form 10-K, “Management’s Discussion and Analysis of Financial Condition and Results of Operations” on pages 25 through 43 of the 2001 Annual Report and “Note A: Accounting Policies” and “Note M: Commitments and Contingencies” of the “Notes to Financial Statements” on pages 14 through 16 and page 24, respectively, of the Audited Consolidated Financial Statements included in the 2001 Annual Report.

EXECUTIVE OFFICERS OF THE REGISTRANT

The following sets forth certain information regarding the executive officers of Martin Marietta Materials, Inc. as of March 22, 2002:

Name	Age	Present Position at March 22, 2002	Year Assumed Present Position	Other Positions and Other Business Experience Within the Last Five Years
Stephen P. Zelnak, Jr.	57	Chairman of the Board of Directors; President and Chief Executive Officer; President of Aggregates Division	1997 1993 1993	Vice Chairman of the Board of Directors (1996 – 1997)
Philip J. Sipling	54	Executive Vice President; Chairman of Magnesia Specialties Division; Executive Vice President of Aggregates Division	1997 1997 1993	Senior Vice President (1993 – 1997); President, Magnesia Specialties Division (1993 – 1997)
Janice K. Henry	50	Senior Vice President; Chief Financial Officer	1998 1994	Vice President (1994 – 1998); Treasurer (1996 – 2000)
Donald M. Moe	57	Senior Vice President; Senior Vice President of Aggregates Division; President-Carolina Division	2001 1999 1996	Vice President (1999 – 2001); Vice President — General Manager; Martin Marietta Aggregates Eastern Carolina Region (1993 – 1996)
Jonathan T. Stewart	53	Senior Vice President, Human Resources	2001	Vice President, Human Resources (1993 – 2001)
Roselyn R. Bar	43	Vice President and General Counsel; Corporate Secretary	2001 1997	Deputy General Counsel (2001); Associate General Counsel (1998-2001)
Donald J. Easterlin, III	60	Vice President, Business Development	1994	
Daniel G. Shephard	43	Vice President and Treasurer; President of Magnesia Specialties Division	2000 1999	Assistant Treasurer (1996-1999)

PART II

ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY AND RELATED STOCKHOLDER MATTERS

There were approximately 1,331 holders of record of Martin Marietta Materials, Inc. Common Stock, \$.01 par value, as of March 22, 2002. The Company's Common Stock is traded on the New York Stock Exchange (Symbol: MLM). Information concerning stock prices and dividends paid is included under the caption "Quarterly Performance (Unaudited)" on page 44 of the 2001 Annual Report, and that information is incorporated herein by reference.

During 2001, 2000, and 1999, the Company issued 1,684,352, 0, and 311,111 shares of its Common Stock, respectively, in connection with the acquisition of additional businesses for its Aggregates Division, none of which were material transactions. These acquisitions generally consisted of the acquisition of certain assets or stock of the businesses being acquired in exchange for cash and/or the Company's Common Stock paid to the selling businesses or their shareholders, along with the assumption of certain liabilities of the businesses. All of the shares issued in these acquisition transactions were issued in eight separate acquisitions, one of which was pursuant to an exemption from the registration requirements of the Securities Act of 1933, as amended (the "1933 Act") under Section 4(2) of the 1933 Act, and Rule 506 under the 1933 Act, and in the other acquisitions, the shares issued constituted exempted securities under Section 3(a)(10) of the 1933 Act following fairness hearings held before the North Carolina Secretary of State (through the North Carolina Securities Administrator).

ITEM 6. SELECTED FINANCIAL DATA

The information required in response to this Item 6 is included under the caption "Five Year Summary" on page 45 of the 2001 Annual Report, and that information is incorporated herein by reference.

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The information required in response to this Item 7 is included under the caption "Management's Discussion and Analysis of Financial Condition and Results of Operations" on pages 25 through 43 of the 2001 Annual Report, and that information is incorporated herein by reference, except that the information contained in the 28th and 29th paragraphs of "Management's Discussion and Analysis of Financial Condition and Results of Operations-Business Environment" on pages 34 and 35 of the 2001 Annual Report is not incorporated herein by reference.

ITEM 7A. QUALITATIVE AND QUANTITATIVE DISCLOSURES ABOUT MARKET RISK

The Company does not hold or issue derivative financial instruments for trading purposes. The Company, from time to time, may use on a limited basis derivative financial instruments to manage its exposure to fluctuations in interest rates and foreign exchange rates. In such case, the aggregate value of derivative financial instruments held or issued by the Company is not material to the Company nor is

[Table of Contents](#)

the market risk posed. The Company did not use any derivative financial instruments in 2001. For additional discussion of the Company's market risk see "Management's Discussion and Analysis of Financial Condition and Results of Operations — Capital Structure and Resources" on pages 39 through 41 of the 2001 Annual Report, and that information is incorporated herein by reference.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

The information required in response to this Item 8 is included under the caption "Consolidated Statement of Earnings," "Consolidated Balance Sheet," "Consolidated Statement of Cash Flows," "Consolidated Statement of Shareholders' Equity," "Notes to Financial Statements," "Management's Discussion and Analysis of Financial Condition and Results of Operations," and "Quarterly Performance (Unaudited)" on pages 10 through 44 of the 2001 Annual Report, and that information is incorporated herein by reference.

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

None.

PART III

ITEM 10. DIRECTORS AND EXECUTIVE OFFICERS OF THE REGISTRANT

The information concerning directors required in response to this Item 10 is included under the captions "Election of Directors," "Board of Directors," and "Section 16(a) Beneficial Ownership Reporting Compliance" in the Company's definitive proxy statement to be filed with the Securities and Exchange Commission pursuant to Regulation 14A within 120 days after the close of the Company's fiscal year ended December 31, 2001 (the "2002 Proxy Statement"), and that information is hereby incorporated by reference in this Form 10-K. Information concerning executive officers of the Company required in response to this Item 10 is included in Part I on page 17 of this Form 10-K.

ITEM 11. EXECUTIVE COMPENSATION

The information required in response to this Item 11 is included under the captions "Executive Compensation," "Board of Directors," "Report of the Compensation Committee on Executive Compensation," "Comparison Cumulative Total Return Martin Marietta Materials, Inc., S&P 500 and Peer Group Indices," and "Compensation Committee Interlocks and Insider Participation" in the Company's 2002 Proxy Statement, and that information, except for the information required by Items 402(k) and (l) of Regulation S-K, is hereby incorporated by reference in this Form 10-K.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

The information required in response to this Item 12 is included under the captions "Voting Securities and Record Date" and "Security Ownership of Certain Beneficial Owners and Management" in the Company's 2002 Proxy Statement, and that information is hereby incorporated by reference in this Form 10-K.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

The information required in response to this Item 13 is included under the captions "Compensation Committee Interlocks and Insider Participation" and "Certain Related Transactions" in the Company's 2002 Proxy Statement, and that information is hereby incorporated by reference in this Form 10-K.

PART IV

ITEM 14. EXHIBITS, FINANCIAL STATEMENTS, FINANCIAL STATEMENT SCHEDULES AND REPORTS ON FORM 8-K

(a)(1) List of financial statements filed as part of this Form 10-K.

The following consolidated financial statements of Martin Marietta Materials, Inc. and consolidated subsidiaries, included in the 2001 Annual Report, are incorporated by reference into Item 8 on page 19 of this Form 10-K. Page numbers refer to the 2001 Annual Report:

	<u>Page</u>
Consolidated Balance Sheet — December 31, 2001 and 2000	11
Consolidated Statement of Earnings — Years ended December 31, 2001, 2000 and 1999	10
Consolidated Statement of Shareholders' Equity — Years ended December 31, 2001, 2000 and 1999	13
Consolidated Statement of Cash Flows — Years ended December 31, 2001, 2000 and 1999	12
Notes to Financial Statements —	14 through 24

(2) List of financial statement schedules filed as part of this Form 10-K

The following financial statement schedule of Martin Marietta Materials, Inc. and consolidated subsidiaries is included in Item 14(d). The page number refers to this Form 10-K.

Schedule II — Valuation and Qualifying Accounts 26

All other schedules have been omitted because they are not applicable, not required, or the information has been otherwise supplied in the financial statements or notes to the financial statements.

The report of the Company's independent auditors with respect to the above-referenced financial statements appears on page 9 of the 2001 Annual Report, and that report is hereby incorporated by reference in this Form 10-K. The report on the financial statement schedule and the consent of the Company's independent auditors appear on page 39 of this Form 10-K.

(3) Exhibits

The list of Exhibits on the accompanying Index of Exhibits on pages 23 through 25 of this Form 10-K is hereby incorporated by reference. Each management contract or compensatory plan or arrangement required to be filed as an exhibit is indicated by asterisks.

(b) Reports on Form 8-K

None.

(c) Index of Exhibits

<u>Exhibit No.</u>	
3.01	— Restated Articles of Incorporation of the Company, as amended (incorporated by reference to Exhibits 3.1 and 3.2 to the Martin Marietta Materials, Inc. Current Report on Form 8-K, filed on October 25, 1996)
3.02	— Restated Bylaws of the Company, as amended (incorporated by reference to Exhibit 3.3 to the Martin Marietta Materials, Inc. Current Report on Form 8-K, filed on October 25, 1996)
4.01	— Specimen Common Stock Certificate (incorporated by reference to Exhibit 4.01 to the Martin Marietta Materials, Inc. registration statement on Form S-1 (SEC Registration No. 33-72648))
4.02	— Articles 2 and 8 of the Company's Restated Articles of Incorporation, as amended (incorporated by reference to Exhibit 4.02 to the Martin Marietta Materials, Inc. Annual Report on Form 10-K for the fiscal year ended December 31, 1996)
4.03	— Article I of the Company's Restated Bylaws, as amended (incorporated by reference to Exhibit 4.03 to the Martin Marietta Materials, Inc. Annual Report on Form 10-K for the fiscal year ended December 31, 1996)
4.04	— Indenture dated as of December 1, 1995 between Martin Marietta Materials, Inc. and First Union National Bank of North Carolina (incorporated by reference to Exhibit 4(a) to the Martin Marietta Materials, Inc. registration statement on Form S-3 (SEC Registration No. 33-99082))
4.05	— Form of Martin Marietta Materials, Inc. 7% Debenture due 2025 (incorporated by reference to Exhibit 4(a)(i) to the Martin Marietta Materials, Inc. registration statement on Form S-3 (SEC Registration No. 33-99082))
4.06	— Form of Martin Marietta Materials, Inc. 6.9% Notes due 2007 (incorporated by reference to Exhibit 4(a)(i) to the Martin Marietta Materials, Inc. registration statement on Form S-3 (SEC Registration No. 33-99082))
4.08	— Indenture dated as of December 7, 1998 between Martin Marietta Materials, Inc. and First Union National Bank (incorporated by reference to Exhibit 4.08 to the Martin Marietta Materials, Inc. registration statement on Form S-4 (SEC Registration No. 333-71793))
4.09	— Form of Martin Marietta Materials, Inc. 5.875% Note due December 1, 2008 (incorporated by reference to Exhibit 4.09 to the Martin Marietta Materials, Inc. registration statement on Form S-4 (SEC Registration No. 333-71793))
4.10	— Form of Martin Marietta Materials, Inc. 6 7/8% Note due April 1, 2011 (incorporated by reference to Exhibit 4.12 to the Martin Marietta Materials, Inc. registration statement on Form S-4 (SEC Registration No. 333-61454))
10.01	— Rights Agreement, dated as of October 21, 1996, between the Company and First Union National Bank of North Carolina, as Rights Agent, which includes the Form of Articles of Amendment With Respect to the Junior Participating Class A Preferred Stock of Martin Marietta Materials, Inc., as Exhibit A, the Form of Rights Certificate, as Exhibit B, and the Summary of Rights to Purchase Preferred Stock, as Exhibit C (incorporated by reference to Exhibit 1 to the Martin Marietta Materials, Inc. registration statement on Form 8-A, filed with the Securities and Exchange Commission on October 21, 1996)
10.02	— Five Year Credit Agreement dated as of August 8, 2001, among Martin Marietta Materials, Inc., the banks parties thereto, and The Chase Manhattan Bank (incorporated by reference to Exhibit 10.01 to the Martin Marietta Materials, Inc. Form 10-Q for the quarter ended June 30, 2001)

[Table of Contents](#)

10.03	—	364-Day Credit Agreement dated as of August 8, 2001, among Martin Marietta Materials, Inc., the banks parties thereto, and The Chase Manhattan Bank (incorporated by reference to Exhibit 10.02 to the Martin Marietta Materials, Inc. Form 10-Q for the quarter ended June 30, 2001)
10.04	—	Martin Marietta Materials, Inc. Amended and Restated Shareholder Value Achievement Plan (incorporated by reference to Exhibit 10.07 to the Martin Marietta Materials, Inc. Annual Report on Form 10-K for the fiscal year ended December 31, 1999)**
10.05	—	Form of Martin Marietta Materials, Inc. Amended and Restated Employment Protection Agreement (incorporated by reference to exhibit 10.08 to the Martin Marietta Materials, Inc. Annual Report on Form 10-K for the fiscal year ended December 31, 1999)**
10.06	—	Amended and Restated Martin Marietta Materials, Inc. Common Stock Purchase Plan for Directors (incorporated by reference to Exhibit 10.10 to the Martin Marietta Materials, Inc. Annual Report on Form 10-K for the fiscal year ended December 31, 1996)**
10.07	—	Martin Marietta Materials, Inc. Executive Incentive Plan, as amended (incorporated by reference to Exhibit 10.18 to the Martin Marietta Materials, Inc. Annual Report on Form 10-K for the fiscal year ended December 31, 1995)**
10.08	—	Martin Marietta Materials, Inc. Incentive Stock Plan (incorporated by reference to Exhibit 10.01 to the Martin Marietta Materials, Inc. Form 10-Q for the quarter ended June 30, 1995)**
10.09	—	Amendment No. 1 to the Martin Marietta Materials, Inc. Incentive Stock Plan (incorporated by reference to Exhibit 10.01 to the Martin Marietta Materials, Inc. Form 10-Q for the quarter ended September 30, 1997)**
10.10	—	Amendment No. 2 to the Martin Marietta Materials, Inc. Incentive Stock Plan (incorporated by reference to Exhibit 10.13 to the Martin Marietta Materials, Inc. Annual Report on Form 10-K for the fiscal year ended December 31, 1999)**
10.11	—	Amendment No. 3 to the Martin Marietta Materials, Inc. Incentive Stock Plan (incorporated by reference to Exhibit 10.01 to the Martin Marietta Materials, Inc. Form 10-Q for the quarter ended June 30, 2000)**
10.12	—	Amendment No. 4 to the Martin Marietta Materials, Inc. Incentive Stock Plan (incorporated by reference to Exhibit 10.14 to the Martin Marietta Materials, Inc. Annual Report on Form 10-K for the fiscal year ended December 31, 2000)**
10.13	—	Amendment No. 5 to the Martin Marietta Materials, Inc. Incentive Stock Plan (incorporated by reference to Exhibit 10.03 to the Martin Marietta Materials, Inc. Form 10-Q for the quarter ended June 30, 2001)**
10.14	—	Martin Marietta Materials, Inc. Amended and Restated Stock-Based Award Plan (incorporated by reference to Exhibit 10.15 to the Martin Marietta Materials, Inc. Annual Report on Form 10-K for the fiscal year ended December 31, 2000)**
*10.15	—	Amendment No. 1 to the Martin Marietta Materials, Inc. Amended and Restated Stock-Based Award Plan**
10.16	—	Martin Marietta Materials, Inc. Amended and Restated Omnibus Securities Award Plan (incorporated by reference to Exhibit 10.16 to the Martin Marietta Materials, Inc. Annual Report on Form 10-K for the fiscal year ended December 31, 2000)**
10.17	—	Martin Marietta Materials, Inc. Supplemental Excess Retirement Plan (incorporated by reference to Exhibit 10.16 of the Martin Marietta Materials, Inc. Annual Report on Form 10-K for the fiscal year ending December 31, 1999)**
*12.01	—	Computation of ratio of earnings to fixed charges for the year ended December 31, 2001
*13.01	—	Martin Marietta Materials, Inc. 2001 Annual Report to Shareholders, portions of which are incorporated by reference in this Form 10-K. Those portions of the 2001 Annual Report to Shareholders that are not incorporated by reference shall not be deemed to be “filed” as part of this report.
*21.01	—	List of subsidiaries of Martin Marietta Materials, Inc.

[Table of Contents](#)

*23.01	—	Consent of Ernst & Young LLP, Independent Auditors for Martin Marietta Materials, Inc. and consolidated subsidiaries
*24.01	—	Powers of Attorney (included in this Form 10-K at page 27)

Other material incorporated by reference:

Martin Marietta Materials, Inc.'s 2002 Proxy Statement filed pursuant to Regulation 14A, portions of which are incorporated by reference in this Form 10-K. Those portions of the 2002 Proxy Statement which are not incorporated by reference shall not be deemed to be "filed" as part of this report.

* Filed herewith

** Management contract or compensatory plan or arrangement required to be filed as an exhibit pursuant to Item 14(c) of Form 10-K

(d) FINANCIAL STATEMENT SCHEDULE

SCHEDULE II — VALUATION AND QUALIFYING ACCOUNTS
MARTIN MARIETTA MATERIALS, INC. AND CONSOLIDATED SUBSIDIARIES

Col A	Col B	Col C		Col D	Col E
Description	Balance at beginning of period	Additions		Deductions - describe	Balance at end of period
		(1) Charged to costs and expenses	(2) Charged to other accounts - describe		
(Amounts in Thousands)					
Year ended December 31, 2001					
Allowance for doubtful accounts	\$ 5,139	\$ 2,173	\$ 950(a)	\$ 895(b)	\$ 7,367
Inventory valuation allowance	5,772	591	—	343(b)	6,020
Accumulated amortization of intangible assets	75,146	28,393	3,746(a)	3,095(c)	103,015
				512(d)	
				663(b)	
Year ended December 31, 2000					
Allowance for doubtful accounts	\$ 4,707	\$ 432	—	—	\$ 5,139
Inventory valuation allowance	6,745	—	—	\$ 973(d)	5,772
Accumulated amortization of intangible assets	58,354	22,612	—	5,820(c)	75,146
Year ended December 31, 1999					
Allowance for doubtful accounts	\$ 4,430	\$ 312	—	\$ 35(d)	\$ 4,707
Inventory valuation allowance	8,449	360	—	2,064(d)	6,745
Accumulation amortization of intangible assets	42,511	20,290	—	3,342(c)	58,354
				673(a)	
				432(e)	

- (a) Purchase accounting adjustments.
- (b) Sale of Magnesia Specialties refractories assets.
- (c) Fully-amortized intangible assets written off.
- (d) To adjust allowance for change in estimates.
- (e) Sale of assets.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

MARTIN MARIETTA MATERIALS, INC.

By: /s/ Roselyn R. Bar

Roselyn R. Bar
Vice President, General Counsel and Corporate Secretary

POWER OF ATTORNEY

KNOW ALL PERSONS BY THESE PRESENTS, that each person whose signature appears below appoints Roselyn R. Bar and M. Guy Brooks, III, jointly and severally, as his or her true and lawful attorney-in-fact, each with full power of substitution and resubstitution, for him or her and in his or her name, place and stead, in any and all capacities, to sign any and all amendments to this Annual Report on Form 10-K, and to file the same, with all exhibits thereto, and other documents in connection therewith, with the Securities and Exchange Commission, granting unto said attorneys-in-fact, jointly and severally, full power and authority to do and perform each in connection therewith, as fully to all intents and purposes as he or she might or could do in person, hereby ratifying and confirming all that said attorneys-in-fact, jointly and severally, or their or his or her substitute or substitutes, may lawfully do or cause to be done by virtue hereof.

Dated: March 27, 2002

[Table of Contents](#)

Pursuant to the requirements of the Securities and Exchange Act of 1934, this report has been signed by the following persons on behalf of the registrant and in the capacities and on the dates indicated:

<u>Signature</u>	<u>Title</u>	<u>Date</u>
/s/ Stephen P. Zelnak, Jr. _____ Stephen P. Zelnak, Jr.	Chairman of the Board, President and Chief Executive Officer	March 27, 2002
/s/ Janice K. Henry _____ Janice K. Henry	Senior Vice President and Chief Financial Officer	March 27, 2002
/s/ Anne H. Lloyd _____ Anne H. Lloyd	Chief Accounting Officer	March 27, 2002
/s/ Richard G. Adamson _____ Richard G. Adamson	Director	March 27, 2002
/s/ Marcus C. Bennett _____ Marcus C. Bennett	Director	March 27, 2002
/s/ Sue W. Cole _____ Sue W. Cole	Director	March 27, 2002
/s/ Bobby F. Leonard _____ Bobby F. Leonard	Director	March 27, 2002
/s/ William E. McDonald _____ William E. McDonald	Director	March 27, 2002
/s/ Frank H. Menaker, Jr. _____ Frank H. Menaker, Jr.	Director	March 27, 2002

[Table of Contents](#)

Signature	Title	Date
/s/ James M. Reed	Director	March 27, 2002
James M. Reed		
/s/ William B. Sansom	Director	March 27, 2002
William B. Sansom		
/s/ Richard A. Vinroot	Director	March 27, 2002
Richard A. Vinroot		

EXHIBITS

Exhibit No.	
3.01	— Restated Articles of Incorporation of the Company, as amended (incorporated by reference to Exhibits 3.1 and 3.2 to the Martin Marietta Materials, Inc. Current Report on Form 8-K, filed on October 25, 1996)
3.02	— Restated Bylaws of the Company, as amended (incorporated by reference to Exhibit 3.3 to the Martin Marietta Materials, Inc. Current Report on Form 8-K, filed on October 25, 1996)
4.01	— Specimen Common Stock Certificate (incorporated by reference to Exhibit 4.01 to the Martin Marietta Materials, Inc. registration statement on Form S-1 (SEC Registration No. 33-72648))
4.02	— Articles 2 and 8 of the Company's Restated Articles of Incorporation, as amended (incorporated by reference to Exhibit 4.02 to the Martin Marietta Materials, Inc. Annual Report on Form 10-K for the fiscal year ended December 31, 1996)
4.03	— Article I of the Company's Restated Bylaws, as amended (incorporated by reference to Exhibit 4.03 to the Martin Marietta Materials, Inc. Annual Report on Form 10-K for the fiscal year ended December 31, 1996)
4.04	— Indenture dated as of December 1, 1995 between Martin Marietta Materials, Inc. and First Union National Bank of North Carolina (incorporated by reference to Exhibit 4(a) to the Martin Marietta Materials, Inc. registration statement on Form S-3 (SEC Registration No. 33-99082))
4.05	— Form of Martin Marietta Materials, Inc. 7% Debenture due 2025 (incorporated by reference to Exhibit 4(a)(i) to the Martin Marietta Materials, Inc. registration statement on Form S-3 (SEC Registration No. 33-99082))
4.06	— Form of Martin Marietta Materials, Inc. 6.9% Notes due 2007 (incorporated by reference to Exhibit 4(a)(i) to the Martin Marietta Materials, Inc. registration statement on Form S-3 (SEC Registration No. 33-99082))
4.08	— Indenture dated as of December 7, 1998 between Martin Marietta Materials, Inc. and First Union National Bank (incorporated by reference to Exhibit 4.08 to the Martin Marietta Materials, Inc. registration statement on Form S-4 (SEC Registration No. 333-71793))
4.09	— Form of Martin Marietta Materials, Inc. 5.875% Note due December 1, 2008 (incorporated by reference to Exhibit 4.09 to the Martin Marietta Materials, Inc. registration statement on Form S-4 (SEC Registration No. 333-71793))
4.10	— Form of Martin Marietta Materials, Inc. 6 7/8% Note due April 1, 2011 (incorporated by reference to Exhibit 4.12 to the Martin Marietta Materials, Inc. registration statement on Form S-4 (SEC Registration No. 333-61454))
10.01	— Rights Agreement, dated as of October 21, 1996, between the Company and First Union National Bank of North Carolina, as Rights Agent, which includes the Form of Articles of Amendment With Respect to the Junior Participating Class A Preferred Stock of Martin Marietta Materials, Inc., as Exhibit A, the Form of Rights Certificate, as Exhibit B, and the Summary of Rights to Purchase Preferred Stock, as Exhibit C (incorporated by reference to Exhibit 1 to the Martin Marietta Materials, Inc. registration statement on Form 8-A, filed with the Securities and Exchange Commission on October 21, 1996)

[Table of Contents](#)

10.02	—	Five Year Credit Agreement dated as of August 8, 2001, among Martin Marietta Materials, Inc., the banks parties thereto, and The Chase Manhattan Bank (incorporated by reference to Exhibit 10.01 to the Martin Marietta Materials, Inc. Form 10-Q for the quarter ended June 30, 2001)
10.03	—	364-Day Credit Agreement dated as of August 8, 2001, among Martin Marietta Materials, Inc., the banks parties thereto, and The Chase Manhattan Bank (incorporated by reference to Exhibit 10.02 to the Martin Marietta Materials, Inc. Form 10-Q for the quarter ended June 30, 2001)
10.04	—	Martin Marietta Materials, Inc. Amended and Restated Shareholder Value Achievement Plan (incorporated by reference to Exhibit 10.07 to the Martin Marietta Materials, Inc. Annual Report on Form 10-K for the fiscal year ended December 31, 1999)**
10.05	—	Form of Martin Marietta Materials, Inc. Amended and Restated Employment Protection Agreement (incorporated by reference to exhibit 10.08 to the Martin Marietta Materials, Inc. Annual Report on Form 10-K for the fiscal year ended December 31, 1999)**
10.06	—	Amended and Restated Martin Marietta Materials, Inc. Common Stock Purchase Plan for Directors (incorporated by reference to Exhibit 10.10 to the Martin Marietta Materials, Inc. Annual Report on Form 10-K for the fiscal year ended December 31, 1996)**
10.07	—	Martin Marietta Materials, Inc. Executive Incentive Plan, as amended (incorporated by reference to Exhibit 10.18 to the Martin Marietta Materials, Inc. Annual Report on Form 10-K for the fiscal year ended December 31, 1995)**
10.08	—	Martin Marietta Materials, Inc. Incentive Stock Plan (incorporated by reference to Exhibit 10.01 to the Martin Marietta Materials, Inc. Form 10-Q for the quarter ended June 30, 1995)**
10.09	—	Amendment No. 1 to the Martin Marietta Materials, Inc. Incentive Stock Plan (incorporated by reference to Exhibit 10.01 to the Martin Marietta Materials, Inc. Form 10-Q for the quarter ended September 30, 1997)**
10.10	—	Amendment No. 2 to the Martin Marietta Materials, Inc. Incentive Stock Plan (incorporated by reference to Exhibit 10.13 to the Martin Marietta Materials, Inc. Annual Report on Form 10-K for the fiscal year ended December 31, 1999)**
10.11	—	Amendment No. 3 to the Martin Marietta Materials, Inc. Incentive Stock Plan (incorporated by reference to Exhibit 10.01 to the Martin Marietta Materials, Inc. Form 10-Q for the quarter ended June 30, 2000)**
10.12	—	Amendment No. 4 to the Martin Marietta Materials, Inc. Incentive Stock Plan (incorporated by reference to Exhibit 10.14 to the Martin Marietta Materials, Inc. Annual Report on Form 10-K for the fiscal year ended December 31, 2000)**
10.13	—	Amendment No. 5 to the Martin Marietta Materials, Inc. Incentive Stock Plan (incorporated by reference to Exhibit 10.03 to the Martin Marietta Materials, Inc. Form 10-Q for the quarter ended June 30, 2001)**
10.14	—	Martin Marietta Materials, Inc. Amended and Restated Stock-Based Award Plan (incorporated by reference to Exhibit 10.15 to the Martin Marietta Materials, Inc. Annual Report on Form 10-K for the fiscal year ended December 31, 2000)**
*10.15	—	Amendment No. 1 to the Martin Marietta Materials, Inc. Amended and Restated Stock-Based Award Plan**
10.16	—	Martin Marietta Materials, Inc. Amended and Restated Omnibus Securities Award Plan (incorporated by reference to Exhibit 10.16 to the Martin Marietta Materials, Inc. Annual Report on Form 10-K for the fiscal year ended December 31, 2000)**
10.17	—	Martin Marietta Materials, Inc. Supplemental Excess Retirement Plan (incorporated by reference to Exhibit 10.16 of the Martin Marietta Materials, Inc. Annual Report on Form 10-K for the fiscal year ending December 31, 1999)**
*12.01	—	Computation of ratio of earnings to fixed charges for the year ended December 31, 2001

[Table of Contents](#)

- *13.01 — Martin Marietta Materials, Inc. 2001 Annual Report to Shareholders, portions of which are incorporated by reference in this Form 10-K. Those portions of the 2001 Annual Report to Shareholders that are not incorporated by reference shall not be deemed to be “filed” as part of this report.
- *21.01 — List of subsidiaries of Martin Marietta Materials, Inc.
- *23.01 — Consent of Ernst & Young LLP, Independent Auditors for Martin Marietta Materials, Inc. and consolidated subsidiaries
- *24.01 — Powers of Attorney (included in this Form 10-K at page 27)

Other material incorporated by reference:

Martin Marietta Materials, Inc.’s 2002 Proxy Statement filed pursuant to Regulation 14A, portions of which are incorporated by reference in this Form 10-K. Those portions of the 2002 Proxy Statement which are not incorporated by reference shall not be deemed to be “filed” as part of this report.

* Filed herewith

** Management contract or compensatory plan or arrangement required to be filed as an exhibit pursuant to Item 14(c) of Form 10-K

AMENDMENT NO. 1 TO THE AMENDED
AND RESTATED STOCK-BASED AWARD PLAN

This Amendment to the Martin Marietta Materials, Inc. Amended and Restated Stock-Based Award Plan, as previously amended (the "Plan") hereby makes the following amendment, effective as of May 22, 2001.

Section 6(a) of the Plan is amended and restated as follows:

"Annual Options. Each Eligible Director shall be granted a Non-Qualified Stock Option to acquire 2,000 shares of Stock annually at the same meeting that options are normally granted to employees of the Corporation, or in such other amount or at such other time as may be determined by the Board of Directors."

All other terms and provisions of the Plan remain in full force and effect.

MARTIN MARIETTA MATERIALS, INC. AND CONSOLIDATED SUBSIDIARIES

COMPUTATION OF RATIO OF EARNINGS TO FIXED CHARGES

FOR THE YEAR ENDED DECEMBER 31, 2001

EARNINGS:

Earnings before income taxes	\$158,439
Earnings of less than 50%-owned associated companies, net	273
Interest Expense	46,792
Portion of rents representative of an interest factor	4,602

ADJUSTED EARNINGS AND FIXED CHARGES	\$210,106
	=====

FIXED CHARGES:

Interest Expense	\$ 46,792
Capitalized Interest	6,040
Portion of rents representative of an interest factor	4,602

TOTAL FIXED CHARGES	\$ 57,434
	=====

RATIO OF EARNINGS TO FIXED CHARGES	3.66
	=====

STATEMENT OF FINANCIAL RESPONSIBILITY

SHAREHOLDERS -
MARTIN MARIETTA MATERIALS, INC.

The management of Martin Marietta Materials, Inc., is responsible for the consolidated financial statements and all related financial information contained in this report. The financial statements, which include amounts based on estimates and judgments, have been prepared in accordance with accounting principles generally accepted in the United States applied on a consistent basis.

The Corporation maintains a system of internal accounting controls designed and intended to provide reasonable assurance that assets are safeguarded, that transactions are executed and recorded in accordance with management's authorization, and that accountability for assets is maintained. An environment that establishes an appropriate level of control-consciousness is maintained and monitored and includes examinations by an internal audit staff and by the independent auditors in connection with their annual audit.

The Corporation's management recognizes its responsibility to foster a strong ethical climate. Management has issued written policy statements which document the Corporation's business code of ethics. The importance of ethical behavior is regularly communicated to all employees through the distribution of the Code of Ethics and Standards of Conduct booklet and through ongoing education and review programs designed to create a strong commitment to ethical business practices.

The Audit Committee of the Board of Directors, which consists of five outside directors, meets periodically and when appropriate, separately with the independent auditors, management and the internal auditors to review the activities of each. The Audit Committee meets standards established by the Securities and Exchange Commission as they relate to the composition and practices of audit committees.

The consolidated financial statements have been audited by Ernst & Young LLP, independent auditors, whose report appears on the following page.

/S/ Janice K. Henry

Janice K. Henry
Senior Vice President and Chief Financial Officer

REPORT OF ERNST & YOUNG LLP, INDEPENDENT AUDITORS

BOARD OF DIRECTORS AND SHAREHOLDERS -
MARTIN MARIETTA MATERIALS, INC.

We have audited the accompanying consolidated balance sheet of Martin Marietta Materials, Inc., and subsidiaries at December 31, 2001 and 2000, and the related consolidated statements of earnings, shareholders' equity and cash flows for each of the three years in the period ended December 31, 2001. These financial statements are the responsibility of the Corporation's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of Martin Marietta Materials, Inc., and subsidiaries at December 31, 2001 and 2000, and the consolidated results of their operations and their cash flows for each of the three years in the period ended December 31, 2001, in conformity with accounting principles generally accepted in the United States.

/S/ Ernst & Young LLP

Raleigh, North Carolina
January 28, 2002

CONSOLIDATED STATEMENT OF EARNINGS

for years ended December 31

(add 000, except per share)	2001	2000	1999
NET SALES	\$1,505,691	\$1,333,000	\$1,258,827
Freight and delivery revenues	212,359	184,517	175,292
Total revenues	1,718,050	1,517,517	1,434,119
Cost of sales	1,201,941	1,029,429	948,128
Freight and delivery costs	212,359	184,517	175,292
Total cost of revenues	1,414,300	1,213,946	1,123,420
GROSS PROFIT	303,750	303,571	310,699
Selling, general and administrative expenses	105,949	98,768	92,621
Research and development	556	2,326	2,789
EARNINGS FROM OPERATIONS	197,245	202,477	215,289
Interest expense on debt	46,792	41,895	39,411
Other income and (expenses), net	7,986	8,239	18,435
Earnings before taxes on income	158,439	168,821	194,313
Taxes on income	53,077	56,794	68,532
NET EARNINGS	\$ 105,362	\$ 112,027	\$ 125,781
NET EARNINGS PER COMMON SHARE			
- BASIC	\$ 2.20	\$ 2.40	\$ 2.70
- DILUTED	\$ 2.19	\$ 2.39	\$ 2.68
AVERAGE NUMBER OF COMMON SHARES OUTSTANDING			
- BASIC	47,873	46,753	46,668
- DILUTED	48,066	46,948	46,947
CASH DIVIDENDS PER COMMON SHARE	\$ 0.56	\$ 0.54	\$ 0.52

The notes on pages 14 to 24 are an integral part of these financial statements.

CONSOLIDATED BALANCE SHEET

at December 31

ASSETS (add 000)	2001	2000
CURRENT ASSETS:		
Cash and cash equivalents	\$ 1,379	\$ --
Accounts receivable, net	215,184	180,915
Inventories, net	231,003	207,534
Current deferred income tax benefits	19,696	16,750
Other current assets	28,970	19,802
TOTAL CURRENT ASSETS	496,232	425,001
NONCURRENT ASSETS:		
Property, plant and equipment, net	1,082,189	914,072
Goodwill, net	571,186	374,994
Other intangibles, net	35,782	34,462
Other noncurrent assets	39,191	92,910
TOTAL ASSETS	\$2,224,580	\$1,841,439
LIABILITIES AND SHAREHOLDERS' EQUITY (add 000)		
CURRENT LIABILITIES:		
Book overdraft	\$ --	\$ 4,778
Accounts payable	79,572	59,029
Accrued salaries, benefits and payroll taxes	38,553	27,021
Accrued insurance and other taxes	32,265	23,967
Income taxes	3,091	2,498
Current maturities of long-term debt and commercial paper	4,490	45,155
Other current liabilities	34,066	26,665
TOTAL CURRENT LIABILITIES	192,037	189,113
NONCURRENT LIABILITIES:		
Long-term debt and commercial paper	797,385	601,580
Pension, postretirement and postemployment benefits	81,650	84,950
Noncurrent deferred income taxes	102,664	86,563
Other noncurrent liabilities	28,632	15,947
TOTAL LIABILITIES	1,202,368	978,153
SHAREHOLDERS' EQUITY:		
Common stock, \$0.01 par value; 100,000,000 shares authorized	485	468
Additional paid-in capital	437,020	356,546
Retained earnings	584,707	506,272
TOTAL SHAREHOLDERS' EQUITY	1,022,212	863,286
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	\$2,224,580	\$1,841,439

The notes on pages 14 to 24 are an integral part of these financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

for years ended December 31

(add 000)	2001	2000	1999
CASH FLOWS FROM OPERATING ACTIVITIES:			
Net earnings	\$ 105,362	\$ 112,027	\$ 125,781
Adjustments to reconcile net earnings to cash provided by operating activities:			
Depreciation, depletion and amortization	154,635	136,373	124,754
Other items, net	(12,682)	(2,331)	(6,257)
Changes in operating assets and liabilities:			
Deferred income taxes	14,356	9,457	(1,345)
Net changes in receivables, inventories and payables	(9,373)	(13,093)	(31,513)
Other assets and liabilities, net	645	(29,553)	12,256
NET CASH PROVIDED BY OPERATING ACTIVITIES	252,943	212,880	223,676
CASH FLOWS FROM INVESTING ACTIVITIES:			
Additions to property, plant and equipment	(194,386)	(170,805)	(137,820)
Acquisitions, net	(221,772)	(39,327)	(77,080)
Other investing activities, net	45,973	8,326	339
NET CASH USED FOR INVESTING ACTIVITIES	(370,185)	(201,806)	(214,561)
CASH FLOWS FROM FINANCING ACTIVITIES:			
Repayments of long-term debt	(2,680)	(9,369)	(618)
Increase in long-term debt	250,078	805	280
Commercial paper and line of credit, net	(97,518)	12,518	15,000
Debt issue costs	(2,175)	--	--
Dividends paid	(26,927)	(25,248)	(24,276)
Issuances of common stock	2,621	2,039	2,022
Repurchases of common stock	--	--	(12,706)
NET CASH PROVIDED BY (USED FOR) FINANCING ACTIVITIES	123,399	(19,255)	(20,298)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	6,157	(8,181)	(11,183)
(BOOK OVERDRAFT) CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	(4,778)	3,403	14,586
CASH AND CASH EQUIVALENTS (BOOK OVERDRAFT), END OF YEAR	\$ 1,379	\$ (4,778)	\$ 3,403

The notes on pages 14 to 24 are an integral part of these financial statements.

CONSOLIDATED STATEMENT OF SHAREHOLDERS ' EQUITY

(add 000)	Common Stock	Additional Paid-In Capital	Retained Earnings	Total Shareholders' Equity
Balance at December 31, 1998	\$ 466	\$ 349,245	\$ 317,988	\$ 667,699
Net earnings	--	--	125,781	125,781
Dividends declared (\$0.52 a share)	--	--	(24,276)	(24,276)
Net stock transactions	4	17,504	--	17,508
Repurchases of common stock	(3)	(12,703)	--	(12,706)
Balance at December 31, 1999	467	354,046	419,493	774,006
Net earnings	--	--	112,027	112,027
Dividends declared (\$0.54 a share)	--	--	(25,248)	(25,248)
Net stock transactions	1	2,500	--	2,501
Balance at December 31, 2000	468	356,546	506,272	863,286
Net earnings	--	--	105,362	105,362
Dividends declared (\$0.56 a share)	--	--	(26,927)	(26,927)
Net stock transactions	17	80,474	--	80,491
Balance at December 31, 2001	\$ 485	\$ 437,020	\$ 584,707	\$ 1,022,212

The notes on pages 14 to 24 are an integral part of these financial statements.

NOTES TO FINANCIAL STATEMENTS

NOTE A: ACCOUNTING POLICIES

ORGANIZATION. Martin Marietta Materials, Inc. ("Martin Marietta Materials" or the "Corporation") is engaged principally in the construction aggregates business. Aggregates products are used primarily for construction of highways and other infrastructure projects in the United States, and in the domestic commercial and residential construction industries. The Corporation's aggregates products are sold and shipped from a network of 343 quarries and distribution facilities to customers in 31 states, Canada and the Caribbean. Texas, North Carolina, Ohio, Georgia, and Iowa account for approximately 56% of total 2001 net sales. In addition, the Corporation produces magnesia-based chemicals and dolomitic lime products used in a wide variety of industrial, agricultural and environmental applications, primarily to customers in the worldwide steel industry.

BASIS OF CONSOLIDATION. The consolidated financial statements include the accounts of the Corporation and its wholly owned and majority-owned subsidiaries, including a joint venture in Cheyenne, Wyoming, which was purchased as part of the Meridian Aggregates Company ("Meridian") acquisition. Partially owned affiliates are accounted for at cost or as equity investments depending on the level of ownership interest or the Corporation's ability to exercise control over the affiliates' operations. The Corporation is a minority member of certain limited liability corporations whereby the majority members are paid a preferred return from the profits of the underlying businesses. Generally, the Corporation has an option to purchase the majority members' interest after the lapse of a specified number of years. One such option is exercisable beginning after December 31, 2002.

All significant intercompany balances and transactions have been eliminated in consolidation.

USE OF ESTIMATES. The preparation of the Corporation's financial statements in conformity with accounting principles generally accepted in the United States requires management to make certain estimates and assumptions. Such judgments affect the reported amounts in the consolidated financial statements and accompanying notes. Actual results could differ from those estimates.

REVENUE RECOGNITION. Substantially all revenues are recognized when finished products are shipped to unaffiliated customers or services have been rendered. Total revenues generally include sales of materials to customers, net of discounts or allowances, if any, and include freight and delivery charges billed to customers. Appropriate provision for uncollectible amounts is recognized.

CASH AND CASH EQUIVALENTS. Cash and cash equivalents are net of outstanding checks that are funded daily as presented for payment. Cash equivalents are comprised generally of highly liquid instruments with original maturities of three months or less from the date of purchase.

INVENTORIES VALUATION. Inventories are stated at the lower of cost or market. Costs are determined by the first-in, first-out method.

PROPERTIES AND DEPRECIATION. Property, plant and equipment are stated at cost. Depreciation is computed over estimated service lives, principally by the straight-line method. The estimated service life for buildings ranges from 4 to 38 years; from 2 to 20 years for machinery and equipment; and 3 to 15 years for land improvements. Interest cost of \$6,040,000 and \$2,107,000 was capitalized during 2001 and 2000, respectively. Depletion of mineral deposits is calculated over estimated recoverable quantities, principally by the units-of-production method. Depreciation and depletion expense was \$125,642,000, \$113,221,000, and \$103,928,000 for the years ended December 31, 2001, 2000 and 1999, respectively.

REPAIR AND MAINTENANCE COSTS. Repair and maintenance costs that do not substantially extend the life of the Corporation's machinery and equipment are expensed as incurred.

INTANGIBLE ASSETS. Goodwill represents the excess purchase price paid for acquired businesses over the estimated fair value of identifiable assets and liabilities. Goodwill is amortized ratably over appropriate periods ranging from 10 to 30 years. At December 31, 2001 and 2000, the amounts for accumulated amortization of goodwill were \$77,386,000 and \$52,071,000, respectively. Other intangibles represent amounts assigned principally to noncompete agreements and are amortized ratably over periods based on related contractual terms, generally 3 to 20 years. At December 31, 2001 and 2000, the amounts for accumulated amortization of other intangibles were \$25,629,000 and \$23,075,000, respectively. Amortization expense for intangibles was \$28,393,000, \$22,612,000, and \$20,290,000 for the years ended December 31, 2001, 2000 and 1999, respectively.

The carrying value of goodwill and other intangibles is reviewed if the facts and circumstances indicate potential impairment. If this review indicates that the carrying value of goodwill and other intangibles is not recoverable, goodwill and other intangibles are adjusted. (See: Accounting Changes for the effect of adoption of Statement of Financial Accounting Standards No. 142, Goodwill and Other Intangible Assets.)

STOCK-BASED COMPENSATION. The Corporation has adopted Statement of Financial Accounting Standards No. 123, Accounting for Stock-Based Compensation ("FAS 123"). In accordance with FAS 123, the Corporation has elected to follow Accounting Principles Board Opinion No. 25, Accounting for Stock Issued to Employees, and related interpretations in accounting for certain of its employee stock-based compensation plans.

ENVIRONMENTAL MATTERS. The Corporation records an accrual for environmental remediation liabilities in the period in which it is probable that a liability has been incurred and the appropriate amount can be estimated reasonably. Such accruals are adjusted as further information develops or circumstances change. Costs of future expenditures for environmental remediation obligations are generally not discounted to their present value.

Certain reclamation and other environmental-related costs are treated as normal ongoing operating expenses and expensed generally in the period in which they are incurred.

INCOME TAXES. Deferred income tax assets and liabilities on the consolidated balance sheet reflect the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes.

RELATED PARTY TRANSACTIONS. The Corporation entered into certain agreements with Meridian between October 31, 1998, the original investment date, and April 3, 2001, the acquisition date, which required the Corporation to provide certain advisory and consulting services at agreed-upon rates. In 1999, the Corporation provided funds to finance certain Meridian expansion projects at market rates of interest. The Corporation recorded an investment in Meridian, including receivables and a convertible note, of \$56,058,000 at December 31, 2000, and Meridian-related income of \$508,000 from January 1 through April 3, 2001, \$3,717,000 during 2000 and \$3,395,000 during 1999. Further, prior to the April 3, 2001 acquisition, Meridian provided 273,000 and 475,000 tons of aggregates products to certain operations of the Corporation in 2001 and 2000, respectively.

RESEARCH AND DEVELOPMENT AND SIMILAR COSTS. Research and development and similar costs are charged to operations as incurred.

START-UP COSTS. Preoperating costs and noncapital-related start-up costs for new facilities and products are generally charged to operations as incurred.

CRITICAL ACCOUNTING POLICIES. Information and further discussion of certain accounting policies that the Corporation's management considers critical to understanding its business are included in Management's Discussion and Analysis of Financial Condition and Results of Operations on pages 26 and 27.

SEGMENT INFORMATION. Information concerning business segment data is included in Management's Discussion and Analysis of Financial Condition and Results of Operations on pages 36 through 38.

EARNINGS PER COMMON SHARE. Basic earnings per common share are based on the weighted-average number of common shares outstanding during the year. Diluted earnings per common share are computed assuming that the weighted-average number of common shares was increased by the conversion of fixed awards (employee stock options, restricted stock and incentive stock awards) and nonvested stock awards to be issued to employees and nonemployee members of the Corporation's Board of Directors under certain stock-based compensation arrangements. The diluted per-share computations reflect a change in the number of common shares outstanding (the "denominator") to include the number of additional shares that would have been outstanding if the potentially dilutive common shares had been issued. In each year presented, the income available to common shareholders (the "numerator") is the same for both basic and dilutive per-share computations. The following table sets forth a reconciliation of the denominators for the basic and diluted earnings per share computations for each of the years ended December 31:

(add 000)	2001	2000	1999

BASIC EARNINGS PER COMMON SHARE:			
Weighted-average number of shares	47,873	46,753	46,668

EFFECT OF DILUTIVE SECURITIES:			
Employees' fixed awards	152	156	238
Employees' and Directors' nonvested stock	41	39	41

DILUTED EARNINGS PER COMMON SHARE:			
Weighted-average number of shares and assumed conversions	48,066	46,948	46,947

ACCOUNTING CHANGES. In June 2001, the Financial Accounting Standards Board ("FASB") issued Statements of Financial Accounting Standards No. 141, Business Combinations, which applied to business combinations for which the date of acquisition was July 1, 2001, or later, and No. 142, Goodwill and Other Intangible Assets ("FAS 142"), effective January 1, 2002, (collectively the "Statements").

Under the new rules, goodwill and intangible assets deemed to have indefinite lives are no longer amortized but are subject to annual impairment tests in accordance with the Statements. The impact of the initial adoption of FAS 142 has not yet been determined; however, it may be material to the financial position of the Corporation. Other intangible assets continue to be amortized over their useful lives.

The Corporation applied the new rules on accounting for goodwill and other intangible assets, beginning with four purchase business combinations completed after June 30, 2001, and began January 1, 2002 for all purchase business combinations. Application of the nonamortization provisions of FAS 142 will favorably impact 2002 earnings, versus 2001 as related to such amortization. The Corporation recognized \$22,394,000 in 2001 and \$16,205,000 for 2000 in goodwill amortization. (See Management's Discussion and Analysis of Financial Condition and Results of Operations, "Business Combinations, Divestitures and Capacity Expansion" on pages 25 and 26, "Business Environment" on pages 30 through 36 and Note B.)

In June 2001, the FASB issued Statement of Financial Accounting Standards No. 143, Accounting for Asset Retirement Obligations ("FAS 143"). FAS 143 requires recognition of the fair value of a liability representing an asset retirement obligation in the period in which it is identified. The asset retirement obligation is recorded at the acquisition date of a long-lived tangible asset if the fair value can be reasonably estimated. A corresponding amount is capitalized as part of the asset's carrying amount. The Corporation incurs some reclamation liabilities as part of its aggregates mining process. However, certain reclamation costs are currently treated as normal, ongoing operating expenses and expensed generally in the period in which they are incurred. FAS 143 is effective the first quarter of 2003 for the Corporation. The effect of the adoption of FAS 143 on the earnings and financial position of the Corporation has not yet been determined but is not expected to be material.

In August 2001, the FASB issued Statement of Financial Accounting Standards No. 144, Accounting for the Impairment or Disposal of Long-Lived Assets ("FAS 144"), which is effective the first quarter of 2002 for the Corporation. FAS 144 supercedes Statement of Financial Accounting Standards No. 121, Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to Be Disposed of and Accounting Principles Board Opinion No. 30, Reporting the Results of Operations - Reporting the Effects of Disposal of a Segment of a Business, and Extraordinary, Unusual and Infrequently Occurring Events and Transactions. FAS 144 establishes criteria for the recognition and measurement of an impairment loss for long-lived assets to be held and used and defines classification of continuing and discontinued operations. FAS 144 also requires that assets held for sale be measured at the lower of their carrying amount or fair value less cost to sell. The Corporation does not expect the impact of adoption to be material to earnings or financial position.

NOTE B: BUSINESS COMBINATIONS AND DIVESTITURES

On April 3, 2001, the Corporation completed the purchase of the remaining interest of Meridian under the purchase option terms of the original October 1998, investment agreement. The purchase consideration consisted of \$238,000,000, including the original October 1998, investment of \$42,000,000, the retirement of debt, the forgiveness of related party obligations, and estimated amounts for certain other assumed liabilities and transaction costs, plus the assumption of normal balance sheet liabilities. The purchase consideration is subject to normal post-closing adjustments and appropriate accruals. This acquisition was accounted for under the purchase method of accounting, and the operating results of Meridian were included with those of the Corporation from April 3, 2001, forward. The Corporation recognized \$149,451,000 in goodwill in this acquisition. Goodwill was amortized based on a 30-year period through December 31, 2001. Effective January 1, 2002, the goodwill related to the Meridian acquisition was no longer amortized in accordance with FAS 142.

The Corporation, also in 2001, completed twelve smaller acquisitions in addition to Meridian, for a combined \$40,112,000 in cash and 1,684,400 shares, valued at the time of acquisition at \$77,326,000, of the Corporation's common stock, plus the assumption of certain liabilities. These transactions strategically expanded the Corporation's aggregates, asphalt and ready mixed businesses throughout the system. These acquisitions were accounted for under the purchase method of accounting, and the operating results of the businesses acquired were included with those of the Corporation from the acquisition dates forward, with most acquisitions occurring in the first half of 2001. The Corporation recognized \$58,054,000 in goodwill related to eight acquisitions completed prior to June 30, 2001, which was amortized based on a 10-to-20 year period through December 31, 2001. Four of the 2001 acquisitions were completed after June 30, 2001. Goodwill of \$11,246,000 recognized for these four acquisitions was not amortized, in accordance with the provisions of FAS 142.

Management expects that the preliminary purchase price allocations will be adjusted during the one-year allocation period for these acquisitions.

On May 1, 2001, the Corporation completed the sale of certain of its assets related to the Magnesia Specialties refractories business to a subsidiary of Minerals Technologies Inc. ("Minteq") for \$34,000,000. The Corporation retained certain current assets, including accounts receivable, and certain liabilities of the refractories business. The Corporation recognized a gain of \$8,936,000 on the sale of assets after the write-down of certain retained refractories assets, including assets at the Magnesia Specialties division's Manistee, Michigan, operating facility, as the facility was repositioned to focus on production of chemicals products. Magnesia Specialties supplied Minteq with certain refractories products during 2001 under a supply agreement. While the supply agreement continues through 2002, the Corporation does not anticipate refractories sales in 2002 under this agreement to exceed \$5,000,000. The refractories business contributed \$26,774,000 in 2001 and \$57,333,000 in 2000 to Magnesia Specialties' net sales.

NOTE C: ACCOUNTS RECEIVABLE, NET

December 31 (add 000)	2001	2000
Customer receivables	\$ 215,846	\$181,326
Other current receivables	6,705	4,728
	222,551	186,054
Less allowances	(7,367)	(5,139)
Total	\$ 215,184	\$180,915

NOTE D: INVENTORIES, NET

December 31 (add 000)	2001	2000
Finished products	\$ 207,696	\$177,066
Products in process and raw materials	5,659	9,548
Supplies and expendable parts	23,668	26,692
	237,023	213,306
Less allowances	(6,020)	(5,772)
Total	\$ 231,003	\$207,534

NOTE E: PROPERTY, PLANT AND EQUIPMENT, NET

December 31 (add 000)	2001	2000
Land and improvements	\$ 226,943	\$ 193,205
Mineral deposits	192,858	161,560
Buildings	75,212	72,687
Machinery and equipment	1,402,965	1,279,605
Construction in progress	176,444	106,544
	2,074,422	1,813,601
Less allowances for depreciation and depletion	(992,233)	(899,529)
Total	\$1,082,189	\$ 914,072

NOTE F: LONG-TERM DEBT

December 31 (add 000)	2001	2000
6.875% Notes, due 2011	\$ 249,728	\$ --
5.875% Notes, due 2008	199,229	199,141
6.9% Notes, due 2007	124,965	124,961
7% Debentures, due 2025	124,238	124,226
Commercial Paper and Line of Credit, interest rates ranging from 2.20% to 7.61%	95,000	192,518
Acquisition notes, interest rates ranging from 5.60% to 9.00%	7,080	4,930
Other notes	1,635	959

Total	801,875	646,735
Less current maturities	(4,490)	(45,155)
Long-term debt	\$ 797,385	\$601,580

The 6.875% Notes were offered and sold by the Corporation, through a private offering, in March 2001, at 99.85% of their principal amount of \$250,000,000. In July 2001, the Corporation exchanged \$249,650,000 of the Notes for publicly registered notes with substantially the same terms. The effective interest rate on these securities is 6.98%. The Notes are not redeemable prior to their maturity on April 1, 2011.

The 5.875% Notes were offered and sold by the Corporation, through a private placement, in December 1998, at 99.5% of their principal amount of \$200,000,000. The Corporation exchanged the Notes for publicly registered notes with substantially identical terms. The effective interest rate on these securities is 6.03%. The Notes are not redeemable prior to their maturity on December 1, 2008.

During August 1997, the Corporation offered and sold the 6.9% Notes at 99.7% of their principal amount of \$125,000,000. The entire amount of these long-term fixed rate debt securities was registered under a shelf registration statement. The effective interest rate on these securities is 7.00%. The Notes are not redeemable prior to their maturity on August 15, 2007.

The 7% Debentures were sold at 99.3% of their principal amount of \$125,000,000 in December 1995. The entire amount of these long-term fixed rate debt securities was registered under a shelf registration statement. The effective interest rate on these securities is 7.12%. The Debentures are not redeemable prior to their maturity on December 1, 2025.

These Notes and Debentures are carried net of original issue discount, which is being amortized by the effective interest method over the life of the issue.

The Corporation entered into revolving credit agreements, syndicated with a group of domestic and foreign commercial banks, which provide for borrowings of up to

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

\$225,000,000 for general corporate purposes through August 2002 and \$225,000,000 for general corporate purposes through August 2006 (collectively, the "Agreements"). Borrowings under these credit agreements are unsecured and bear interest, at the Corporation's option, at rates based upon: (i) the Euro-Dollar rate (as defined on the basis of a LIBOR) plus basis points related to a pricing grid; (ii) a bank base rate (as defined on the basis of a published prime rate or the Federal Funds Rate plus 1/2 of 1%); or (iii) a competitively determined rate (as defined on the basis of a bidding process). These Agreements contain restrictive covenants relating to leverage, requirements for limitations on encumbrances and provisions that relate to certain changes in control. The Corporation pays an annual loan commitment fee to the bank group.

No borrowings were outstanding under the revolving credit agreements at December 31, 2001. However, the Agreements support a commercial paper program of \$450,000,000 of which borrowings of \$95,000,000 and \$190,000,000 were outstanding at December 31, 2001 and 2000, respectively. Of these amounts, \$95,000,000 and \$150,000,000 at December 31, 2001 and 2000, respectively, were classified as long-term debt on the Corporation's consolidated balance sheet based on management's ability and intention to maintain this debt outstanding for at least one year. The remaining \$40,000,000 at December 31, 2000, was classified as a current liability.

Excluding commercial paper, the Corporation's long-term debt maturities for the five years following December 31, 2001, are:

(add 000)

2002	\$ 4,490
2003	1,647
2004	273
2005	123
2006	300
Thereafter	700,042

Total	\$706,875
=====	

Total interest paid was \$47,478,000, \$42,661,000 and \$37,108,000 for the years ended December 31, 2001, 2000 and 1999, respectively.

Amounts reflected in acquisitions, net, in the consolidated statement of cash flows include assumed or incurred indebtedness of \$5,140,000, \$950,000 and \$9,208,000 for the years ended December 31, 2001, 2000 and 1999, respectively. In addition, for 2001 and 1999, the amounts reflected in acquisitions, net, exclude the effect of the issuance of 1,684,400 and 311,100 shares, respectively, of the Corporation's common stock.

NOTE G: FINANCIAL INSTRUMENTS

In addition to its publicly registered long-term notes and debentures, the Corporation's financial instruments also include temporary cash investments, customer accounts and notes receivable, commercial paper and other borrowings.

Temporary investments are placed with creditworthy financial institutions, primarily in Euro-time deposits. The Corporation's cash equivalents generally have maturities of less than three months. Due to the short maturity of these investments, they are carried on the consolidated balance sheet at cost, which approximates market value.

Customer receivables are due from a large number of customers who are dispersed across wide geographic and economic regions. However, customer receivables are more heavily concentrated in the Corporation's five largest states (see Note A: Accounting Policies - Organization). At December 31, 2001 and 2000, the Corporation had no significant concentrations of credit risk. The estimated fair values of customer receivables approximate their carrying amounts.

The estimated fair values of the Corporation's publicly registered long-term notes and debentures at December 31, 2001, was approximately \$698,275,000 compared with a carrying amount of \$698,160,000 on the consolidated balance sheet. The fair values of this long-term debt were estimated based on quoted market prices for those instruments publicly traded. The estimated fair value of commercial paper and other borrowings approximates their carrying amount.

NOTE H: INCOME TAXES

The components of the Corporation's tax expense (benefit) on income are as follow:

years ended December 31			
(add 000)	2001	2000	1999

Federal income taxes:			

Current	\$36,793	\$44,302	\$ 61,349
Deferred	7,366	2,656	(4,081)

Total federal income taxes	44,159	46,958	57,268

State income taxes:			
Current	7,109	9,409	12,128
Deferred	1,809	427	(864)

Total state income taxes	8,918	9,836	11,264

Total provision	\$53,077	\$56,794	\$68,532
=====			

The Corporation's effective income tax rate varied from the statutory United States income tax rate because of the following permanent tax differences:

years ended December 31	2001	2000	1999
Statutory tax rate	35.0%	35.0%	35.0%
Increase (reduction) resulting from:			
Effect of statutory depletion	(7.4)	(7.7)	(6.4)
State income taxes	3.7	3.8	3.8
Goodwill amortization	3.2	2.7	2.1
Partnership interest	(2.6)	--	--
Other items	1.6	(0.2)	0.8
Effective tax rate	33.5%	33.6%	35.3%

The effective tax rate in 2001 included the recognition of a one-time, tax benefit. The tax benefit related to a wholly owned partnership which elected to be treated as a corporation for federal income tax purposes subsequent to the 2001 purchase of the remaining partnership interest by the Corporation. As a result of this election, the Corporation looks to the inside tax basis to calculate its deferred taxes under Statement of Financial Accounting Standards No. 109, Accounting for Income Taxes.

The principal components of the Corporation's deferred tax assets and liabilities at December 31 are as follow:

(add 000)	DEFERRED ASSETS (LIABILITIES)	
	2001	2000
Property, plant and equipment	\$(133,850)	\$(116,748)
Goodwill and other intangibles	4,200	4,759
Employee benefits	32,339	31,233
Financial reserves	6,461	10,192
Other items, net	7,882	751
Total	\$ (82,968)	\$ (69,813)

Deferred income taxes on the consolidated balance sheet reflect the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes. The Corporation does not believe a valuation allowance is required at December 31, 2001 or 2000.

The Corporation's total income tax payments were \$42,126,000, \$59,915,000 and \$71,644,000, respectively, during the years ended December 31, 2001, 2000 and 1999.

NOTE I: RETIREMENT PLANS, POSTRETIREMENT AND POSTEMPLOYMENT BENEFITS

DEFINED BENEFIT PLANS. The Corporation sponsors a number of noncontributory defined benefit retirement plans, covering substantially all employees. The assets of the Corporation's retirement plans are held in the Corporation's Master Retirement Trust and are invested principally in commingled funds. The underlying investments are invested in listed stocks and bonds and cash equivalents. Defined benefit plans for salaried employees provide benefits based on each employee's years of service and average compensation for a specified period of time before retirement. Defined retirement plans for hourly employees generally provide benefits of stated amounts for specified periods of service.

The Corporation sponsors a Supplemental Excess Retirement Plan ("SERP") that generally provides for the payment of retirement benefits in excess of allowable Internal Revenue Code limits. The SERP provides for a lump sum payment of vested benefits provided by the SERP unless the participant chooses to receive the benefits in the same manner that benefits are paid under the Corporation's defined benefit retirement plans.

The Corporation's defined benefit pension plans comply with two principal standards: the Employee Retirement Income Security Act of 1974, as amended ("ERISA"), which, in conjunction with the Internal Revenue Code, determines legal minimum and maximum deductible funding requirements, and Statement of Financial Accounting Standards No. 87, Employers Accounting for Pensions ("FAS 87") and Statement of Financial Accounting Standards No.132, Employers Disclosures About Pensions and Other Postretirement Benefits, which establish rules for financial accounting and reporting. When any funded plan exceeds the full-funding limits of ERISA, no contribution is made to that plan. FAS 87 specifies that certain key actuarial assumptions be adjusted annually to reflect current, rather than long-term, trends in the economy.

The net periodic retirement benefit cost of defined benefit plans included the following components:

years ended December 31

(add 000)	2001	2000	1999

Components of net periodic benefit cost:			
Service cost	\$ 8,284	\$ 6,764	\$ 7,578
Interest cost	11,950	10,973	10,071
Expected return on assets	(14,114)	(14,886)	(12,946)
Amortization of:			
Prior service cost	617	571	531
Actuarial gain	(1,006)	(3,005)	(485)
Transition asset	(357)	(357)	(357)

Net periodic benefit cost	5,374	60	4,392
Curtailment gain	(1,472)	--	--

Total net periodic benefit cost	\$ 3,902	\$ 60	\$ 4,392
=====			

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

Weighted-average assumptions used as of December 31 are as follow:

	2001	2000
Discount rate	7.25%	7.50%
Rate of increase in future compensation levels	5.00%	5.00%
Expected long-term rate of return on assets	9.00%	9.00%

The following tables set forth the defined benefit plans' change in benefit obligation, change in plan assets, funded status and amounts recognized in the Corporation's consolidated balance sheets as of:

years ended December 31 (add 000)	2001	2000
Change in benefit obligation:		
Net benefit obligation at beginning of year	\$ 154,015	\$ 130,669
Service cost	8,284	6,764
Interest cost	11,950	10,973
Actuarial loss	9,714	11,697
Plan amendments	850	611
Curtailment	(1,600)	--
Gross benefits paid	(8,586)	(6,699)
Net benefit obligation at end of year	\$174,627	\$ 154,015

years ended December 31 (add 000)	2001	2000
Change in plan assets:		
Fair value of plan assets at beginning of year	\$ 160,602	\$ 168,943
Actual return on plan assets, net	(5,184)	(2,372)
Employer contributions	262	730
Gross benefits paid	(8,586)	(6,699)
Fair value of plan assets at end of year	\$ 147,094	\$ 160,602

December 31 (add 000)	2001	2000
Funded status of the plan at end of year	\$ (27,533)	\$ 6,587
Unrecognized net actuarial gain	(1,025)	(31,043)
Unrecognized prior service cost	4,275	4,170
Unrecognized net transition asset	(33)	(391)
Accrued benefit cost	\$ (24,316)	\$ (20,677)

December 31 (add 000)	2001	2000
Amounts recognized in the consolidated balance sheet consist of:		
Prepaid benefit cost	\$ 157	\$ 134
Accrued benefit cost	(24,473)	(20,811)
Net amount recognized at end of year	\$ (24,316)	\$ (20,677)

The projected benefit obligation, accumulated benefit obligation and fair value of plan assets for pension plans with accumulated benefit obligations in excess of plan assets were \$21,477,000, \$19,145,000 and \$13,015,000, respectively, at December 31, 2001, and \$5,272,000, \$3,350,000 and \$0, respectively, as of December 31, 2000.

The Corporation realized a \$1,600,000 reduction in the year-ended December 31, 2001, net benefit obligation, as a result of the elimination of future service related to the refractories employees of Magnesia Specialties. After immediate recognition of unrecognized prior service costs related to these employees, a curtailment gain of \$1,472,000 reduced 2001 net periodic benefit cost. However, the curtailment gain was recorded through other income and expenses, net, as a part of the gain on the sale of the refractories business (see Note B).

POSTRETIREMENT BENEFITS. The Corporation provides other postretirement benefits for certain employees including medical benefits for retirees and their spouses (and Medicare Part B reimbursement for certain retirees) and retiree life insurance. The net periodic postretirement benefit cost of postretirement plans included the following components:

years ended December 31 (add 000)	2001	2000	1999

Components of net periodic benefit cost:			
Service cost	\$ 791	\$ 1,144	\$ 2,738
Interest cost	4,203	3,886	3,782
Expected return on assets	--	--	(35)
Amortization of:			
Prior service cost	(483)	(394)	(35)
Actuarial gain	(112)	(482)	(419)

Net periodic benefit cost	4,399	4,154	6,031
Curtailment charge	115	--	--
Settlement gain	(471)	--	--

Total net periodic benefit cost	\$ 4,043	\$ 4,154	\$ 6,031
=====			

The postretirement health care plans' change in benefit obligation, change in plan assets, funded status and amounts recognized in the Corporation's consolidated balance sheets are as follow:

years ended December 31 (add 000)	2001	2000
Change in benefit obligation:		
Net benefit obligation at beginning of year	\$ 55,279	\$ 46,435
Service cost	791	1,144
Interest cost	4,203	3,886
Participants' contribution	300	249
Plan amendments	(2,156)	--
Settlement	(386)	--
Actuarial loss	4,023	7,315
Gross benefits paid	(3,405)	(3,750)
Net benefit obligation at end of year	\$ 58,649	\$ 55,279

years ended December 31 (add 000)	2001	2000
Change in plan assets:		
Fair value of plan assets at beginning of year	\$ 0	\$ 0
Employer contributions	3,105	3,501
Participants' contributions	300	249
Gross benefits paid	(3,405)	(3,750)
Fair value of plan assets at end of year	\$ 0	\$ 0

December 31 (add 000)	2001	2000
Funded status of the plan		
at end of year	\$ (58,649)	\$ (55,279)
Unrecognized net actuarial loss (gain)	1,550	(2,672)
Unrecognized prior service cost	(7,314)	(5,524)
Accrued benefit cost	\$ (64,413)	\$ (63,475)

December 31 (add 000)	2001	2000
Amounts recognized in the consolidated balance sheet consist of:		
Accrued benefit cost	\$ (64,413)	\$ (63,475)
Net amount recognized at end of year	\$ (64,413)	\$ (63,475)

The weighted-average discount rate assumption was 7.25% and 7.50% at December 31, 2001 and 2000, respectively.

The assumed trend rate for health care inflation used in measuring the net periodic benefit cost and benefit obligation is 8% for 2001, declining to 4.5% in 2006 and remaining at that level thereafter. The assumed health care trend rate has a significant impact on the amounts reported. A one-percentage point change in the assumed health care trend rate would have the following effects at December 31, 2001:

	ONE PERCENTAGE POINT	
(add 000)	INCREASE	(DECREASE)

Total service and interest cost components	\$ 487	\$ (404)
Postretirement benefit obligation	\$ 5,383	\$ (4,523)

In June 2001, the Corporation amended its postretirement medical benefits for certain employees to realign the maximum annual medical benefits available to retirees and further limit additional benefits. The amendment reduced the net postretirement benefit obligation by \$2,156,000.

The Corporation realized a \$386,000 reduction in the year-ended December 31, 2001, net benefit obligation, as a result of the irrevocable settlement of future benefits related to the refractories employees of Magnesia Specialties. After immediate recognition of unrecognized actuarial gains related to these employees, a settlement gain of \$471,000 reduced 2001 net periodic benefit cost. In addition, a curtailment charge of \$115,000 resulted from the immediate recognition of prior service costs related to these employees. The settlement gain and curtailment charge were recorded through other income and expenses, net, as a part of the gain on the sale of the refractories business (see Note B).

DEFINED CONTRIBUTION PLANS. The Corporation maintains two defined contribution plans, which cover substantially all employees. These plans, intended to be qualified under Section 401(a) of the Internal Revenue Code, are retirement savings and investment plans for the Corporation's salaried and hourly employees. The employees of the former Redland Stone Products Company participate in a separate defined contribution plan which was established prior to the Corporation's acquisition of Redland Stone. The Corporation will continue to support the existing plan in the near-term. Under certain provisions of these plans, the Corporation, at established rates, matches employees' eligible contributions. The Corporation's matching obligations were \$4,846,000 in 2001, \$3,695,000 in 2000, and \$3,144,000 in 1999.

POSTEMPLOYMENT BENEFITS. The Corporation provides certain benefits to former or inactive employees after employment but before retirement, such as workers' compensation and disability benefits. The Corporation has accrued postemployment benefits of \$1,577,000 at each of December 31, 2001 and 2000.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NOTE J: STOCK OPTIONS AND AWARD PLANS

The shareholders approved, on May 8, 1998, the Martin Marietta Materials, Inc. Stock-Based Award Plan (the "Plan"), as amended from time to time (along with the Amended Omnibus Securities Award Plan, originally approved in 1994, the "Plans"). In connection with the Plans, the Corporation is authorized to repurchase up to 6,000,000 shares of the Corporation's common stock for issuance under the Plans.

Under the Plans, the Corporation grants options to employees to purchase its common stock at a price equal to the market value at the date of grant. These options become exercisable in three equal annual installments beginning one year after the date of grant and expire ten years from such date. The Plans allow the Corporation to provide for financing of purchases, subject to certain conditions, by interest-bearing notes payable to the Corporation. However, the Corporation has provided no such financing.

Additionally, an incentive stock plan has been adopted under the Plans whereby certain participants elect to use up to 50% of their annual incentive compensation to acquire shares of the Corporation's common stock at a 20% discount to the market value on the date of the incentive compensation award. Certain executive officers are required to participate in the incentive stock plan at certain minimum levels. Stock unit awards, representing 38,452 shares for 2001, 38,222 shares for 2000 and 32,648 shares for 1999, of the Corporation's common stock, were awarded under the incentive stock plan. Such awards are granted in the subsequent year. Participants earn the right to acquire their respective shares at the discounted value generally at the end of a three-year period of additional employment from the date of award or at retirement. All rights of ownership of the common stock convey to the participants upon the issuance of their respective shares at the end of the ownership-vesting period.

In 2001, the Corporation granted restricted stock awards under the Plans to a group of executive officers and key personnel. This plan replaces the Shareholder Value Achievement Plan which was terminated for awards effective January 1, 2001. The restricted stock awards which, in most cases, are based on certain common stock performance criteria over a specified period of time, promote long-term growth and performance and generally vest if the executive is continuously employed on December 1 in the year that is immediately preceding three or five years from the date of grant. At that date, shares of the Corporation's common stock are issued to the participants. In 2001, 58,104 restricted stock awards were granted.

The Plans provide that each nonemployee director receives 2,000 non-qualified stock options annually. The Corporation grants the nonemployee directors options to purchase its common stock at a price equal to the market value at the date of grant. These options vest immediately upon grant and expire ten years from such date.

The following table includes summary information for the Plans and includes awards under the option plan for employees, incentive stock plan for certain participants, restricted stock awards for executive officers and key personnel and nonemployee director awards.

	NUMBER OF SHARES		WEIGHTED-AVERAGE EXERCISE PRICE
	AVAILABLE FOR GRANT	AWARDS OUTSTANDING	
December 31, 1998	4,657,535	1,173,823	\$32.78
Granted	(433,155)	433,155	\$48.20
Exercised	--	(124,938)	\$22.53
Terminated	7,912	(7,912)	\$37.56
December 31, 1999	4,232,292	1,474,128	\$38.15
Granted	(507,898)	507,898	\$45.50
Exercised	--	(74,202)	\$28.04
Terminated	17,931	(17,931)	\$45.98
December 31, 2000	3,742,325	1,889,893	\$40.44
GRANTED	(624,326)	624,326	\$38.81
EXERCISED	--	(89,107)	\$29.54
TERMINATED	10,289	(10,289)	\$44.35
DECEMBER 31, 2001	3,128,288	2,414,823	\$40.41

Approximately 1,347,000, 997,000 and 712,000 outstanding awards were exercisable at December 31, 2001, 2000 and 1999, respectively. Exercise prices for awards outstanding as of December 31, 2001, ranged from \$0.00 to \$63.44. The weighted-average remaining contractual life of those awards is 7.1 years. The weighted-average exercise price of outstanding exercisable awards at December 31, 2001, is \$39.29.

The following table summarizes information for awards outstanding and exercisable at December 31, 2001.

AWARDS OUTSTANDING

RANGE OF PRICES	NUMBER OF SHARES	WEIGHTED- AVERAGE REMAINING LIFE	WEIGHTED- AVERAGE EXERCISE PRICE
\$0.00	58,104	2.9	\$00.00
\$20.00-\$24.25	329,919	3.7	\$22.24
\$32.37-\$48.75	2,002,800	7.8	\$44.37
\$51.50-\$63.44	24,000	7.8	\$57.47

AWARDS EXERCISABLE

RANGE OF PRICES	NUMBER OF SHARES	WEIGHTED- AVERAGE REMAINING LIFE	WEIGHTED- AVERAGE EXERCISE PRICE
\$20.00-\$24.25	329,919	3.7	\$22.24
\$32.37-\$48.75	992,706	7.0	\$44.51
\$51.50-\$63.44	24,000	7.8	\$57.47

In 1996, the Corporation adopted the Shareholder Value Achievement Plan to award shares of the Corporation's common stock to key senior employees based on certain common stock performance criteria over a long-term period. Under the terms of this plan, 250,000 shares of common stock are reserved for grant. Stock units potentially representing 50,804 and 16,791 shares of the Corporation's common stock were granted under this plan in 2000 and 1999, respectively. Due to the December 2001, price of the Corporation's common stock relative to the performance criteria, the Corporation issued no shares of common stock to key senior employees in January 2002 representing stock unit awards granted in 1999.

Also, the Corporation adopted the Amended and Restated Common Stock Purchase Plan for Directors, which provides nonemployee directors the election to receive all or a portion of their total fees in the form of the Corporation's common stock. Under the terms of this plan, 50,000 shares of common stock are reserved for issuance. Currently, directors are required to defer at least 50% of their retainer in the form of the Corporation's common stock at a 20% discount to market value. Directors elected to defer portions of their fees representing 9,731, 4,699 and 3,551 shares of the Corporation's common stock under this plan during 2001, 2000 and 1999, respectively.

Pro forma information regarding net income and earnings per share is required by FAS 123, which also requires that the information be determined as if the Corporation had accounted for its employee stock options and other stock-based awards and grants subsequent to December 31, 1994, under the fair value method prescribed by FAS 123. The fair value for these stock-based plans was estimated as of the date of grant using a Black-Scholes valuation model with the following weighted-average assumptions as of December 31:

	2001	2000	1999
Risk-free interest rate	4.90%	6.10%	6.20%
Dividend yield	1.20%	1.20%	1.40%
Volatility factor	34.40%	34.10%	27.70%
Expected life	7 YEARS	7 years	7 years

Based on these assumptions, the weighted-average fair value of each option award granted was \$17.45, \$19.44 and \$17.86 for 2001, 2000 and 1999, respectively.

The Black-Scholes valuation model was developed for use in estimating the fair value of traded awards which have no vesting restrictions and are fully transferable. In addition, valuation models require the input of highly subjective assumptions, including the expected stock price volatility factor. Because changes in the subjective input assumptions can materially affect the fair value estimate, in management's opinion, the existing models do not necessarily provide a reliable single measure of the fair value of its stock-based plans.

For purposes of pro forma disclosure, the estimated fair value of the stock-based plans is amortized hypothetically over the vesting period of the related grant or award. The Corporation's pro forma information for the years ended December 31 is as follows:

(add 000, except per share)	2001	2000	1999
Basic earnings per common share:			
Net earnings	\$99,077	\$108,082	\$122,791
Earnings per share	\$ 2.07	\$ 2.31	\$ 2.63
Diluted earnings per common share:			
Net earnings	\$99,077	\$108,082	\$122,791
Earnings per share	\$ 2.06	\$ 2.30	\$ 2.62

NOTE K: LEASES

Total lease expense was \$43,803,000, \$31,109,000 and \$26,761,000 for the years ended December 31, 2001, 2000 and 1999, respectively. The Corporation's operating leases generally contain renewal and/or purchase options with varying terms. Total mineral royalties for all leased properties were \$29,087,000, \$22,460,000 and \$23,482,000 for the years ended December 31, 2001, 2000 and 1999, respectively. Future minimum rental and royalty commitments for all noncancelable agreements as of December 31, 2001, are as follow:

(add 000)	
2002	\$ 16,436
2003	14,387
2004	11,965
2005	10,444
2006	8,384
Thereafter	48,364

Total \$109,980
=====

NOTE L: SHAREHOLDERS' EQUITY

The authorized capital structure of Martin Marietta Materials, Inc., includes 10,000,000 shares of preferred stock with par value of \$0.01 a share, none of which is issued currently; however, 100,000 shares of Class A Preferred Stock have been reserved in connection with the Corporation's Shareholders Rights Plan. In addition, the capital structure includes 100,000,000 shares of common stock, with a par value of \$0.01 a share. As of December 31, 2001 and 2000, there were

NOTES TO FINANCIAL STATEMENTS

approximately 48,549,000 and 46,783,000 shares, respectively, of the Corporation's common stock issued and outstanding. Approximately 8,307,000 common shares have been reserved for issuance under benefit and stock-based incentive plans.

In 1999, the Corporation repurchased 322,300 shares of its common stock at public market prices at various purchase dates. The repurchase of shares was authorized under the Corporation's stock-based award plans' authorizations (see Note J). There were no shares repurchased in 2001 or 2000. Under the North Carolina Business Corporation Act, shares of common stock reacquired by a corporation constitute unissued shares. For financial reporting purposes, reacquired shares are recorded as reductions to issued common stock and to additional paid-in capital.

Further, during 2001 and 1999 the Corporation issued 1,684,400 and 311,100, respectively, shares of common stock for acquisitions.

NOTE M: COMMITMENTS AND CONTINGENCIES

The Corporation is engaged in certain legal and administrative proceedings incidental to its normal business activities. While it is not possible to determine the ultimate outcome of those actions at this time, in the opinion of management and counsel, it is unlikely that the outcome of such litigation and other proceedings, including those pertaining to environmental matters (see Note A and Management's Discussion and Analysis of Financial Condition and Results of Operations on page 41), will have a material adverse effect on the results of the Corporation's operations or on its financial position.

ENVIRONMENTAL MATTERS. The Corporation's operations are subject to and affected by federal, state and local laws and regulations relating to the environment, health and safety and other regulatory matters. Certain of the Corporation's operations may, from time to time, involve the use of substances that are classified as toxic or hazardous within the meaning of these laws and regulations. Environmental operating permits are, or may be, required for certain of the Corporation's operations, and such permits are subject to modification, renewal and revocation. The Corporation regularly monitors and reviews its operations, procedures and policies for compliance with these laws and regulations. Despite these compliance efforts, risk of environmental liability is inherent in the operation of the Corporation's businesses, as it is with other companies engaged in similar businesses, and there can be no assurance that environmental liabilities will not have a material adverse effect on the Corporation in the future.

The Corporation currently has no material provisions for estimated costs in connection with expected remediation costs or other environmental-related expenditures because it is impossible to quantify the impact of all actions regarding environmental matters, particularly the extent and cost of future remediation and other compliance efforts. However, in the opinion of management, it is unlikely that any additional liability the Corporation may incur for known environmental issues or compliance with present environmental protection laws would have a material adverse effect on the Corporation's consolidated financial position or on its results of operations (see Note A and Management's Discussion and Analysis of Financial Condition and Results of Operations on page 41).

LETTERS OF CREDIT. The Corporation has entered into standby letter of credit agreements relating to workers' compensation and auto and general liability self-insurance. At December 31, 2001, the Corporation had contingent liabilities under these outstanding letters of credit of approximately \$13,836,000.

PERFORMANCE BONDS. In the normal course of business, the Corporation is currently contingently liable for performance under \$84,943,000 in performance bonds required by certain states and municipalities, and their related agencies. The bonds are principally for certain construction contracts, reclamation obligations and mining permits. The Corporation has indemnified the underwriting insurance company against any exposure under the performance bonds. In the Corporation's past experience, no material claims have been made against these financial instruments.

Two of these bonds totaling \$35,545,000, or 42% of all outstanding performance bonds, relate to specific performance for road construction projects currently underway.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL
CONDITION AND RESULTS OF OPERATIONS

Martin Marietta Materials, Inc. ("Martin Marietta Materials" or the "Corporation"), is the nation's second largest producer of construction aggregates and a leading producer of magnesia-based chemicals used in a wide variety of industries. The discussion and analysis that follows reflects management's assessment of the financial condition and results of operations of Martin Marietta Materials and should be read in conjunction with the audited consolidated financial statements on pages 10 through 24.

BUSINESS COMBINATIONS, DIVESTITURES AND CAPACITY EXPANSION

As of April 3, 2001, the Corporation completed the purchase of the remaining interest of Meridian Aggregates Company ("Meridian") under the purchase option terms of the original October 1998, investment agreement. The purchase consideration consisted of \$238 million, including the original October 1998, investment of \$42 million, the retirement of debt, the forgiveness of related party obligations, and amounts estimated for certain other assumed liabilities and transaction costs; plus the assumption of normal balance sheet liabilities. The purchase consideration is subject to normal post-closing adjustments and appropriate accruals. This acquisition was accounted for under the purchase method of accounting, and the operating results of Meridian were included with those of the Corporation from April 3, 2001, forward. The Corporation recognized \$149 million in goodwill in this acquisition. Goodwill was amortized based on a 30-year period through December 31, 2001. Effective January 1, 2002, the goodwill related to the Meridian acquisition was no longer amortized in accordance with Financial Accounting Standards Board Statement No. 142, Goodwill and Other Intangible Assets ("FAS 142"). Management expects that the preliminary purchase price allocation will be adjusted during the one-year allocation period.

AGGREGATES CAPACITY
(IN MILLIONS OF DOLLARS)

1997	165.8
1998	197.6
1999	208.7
2000	216.8
2001	269.2

After focusing more on initiating internal growth and capacity expansion projects during 2000, the Corporation, in 2001, completed twelve acquisitions in addition to Meridian, for a combined \$40.1 million in cash and 1,684,400 shares, valued at the time of the acquisitions at \$77.3 million, of the Corporation's common stock, plus the assumption of certain liabilities. These transactions strategically expanded the Corporation's aggregates, asphalt, and ready mixed businesses throughout the system. Expansion, through contiguous acquisitions, occurred in the Southwest Division - Texas and Oklahoma; the MidAmerica Division - Indiana and Ohio; the Midwest Division - Missouri, Kansas and Nebraska; the Central Division - Arkansas and Mississippi; the newly acquired Meridian Division - Nevada and California; and the Southeast Division - Tennessee. These acquisitions were accounted for under the purchase method of accounting, and the operating results of the businesses acquired were included with those of the Corporation from the acquisition dates forward. The Corporation recognized \$58.1 million in goodwill related to eight acquisitions completed prior to June 30, 2001, which was amortized based on a 10-or-20 year period through December 31, 2001. Four of the 2001 acquisitions were completed after June 30, 2001. Goodwill of \$11.2 million recognized for these four acquisitions was not amortized, in accordance with the provisions of FAS 142. If the goodwill related to these four acquisitions had been amortized, pretax earnings would have been reduced by \$225,000 in amortization expense. Additional information regarding all thirteen acquisitions, and the related financing, is contained in Note A and Note B to the audited consolidated financial statements on pages 14 through 17 and under "Business Environment" on pages 30 through 36 and "Liquidity and Cash Flows" and "Capital Structure and Resources" on pages 38 through 41.

During 2001, the Corporation finalized the purchase price allocations of the five transactions completed in 2000. The post-closing adjustments relating to working capital and other fair value adjustments were finalized without a significant impact on the preliminary purchase price allocations.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL
CONDITION AND RESULTS OF OPERATIONS (CONTINUED)

Goodwill represents the excess of the purchase price paid for acquired businesses over the estimated fair value of identifiable assets and liabilities. The carrying value of goodwill is reviewed if the facts and circumstances indicate potential impairment. If this review indicates that the carrying value of goodwill will not be recoverable, goodwill will be reduced. Goodwill is as follows at December 31:

	Goodwill (in millions)	% of Total Assets	% of Shareholders' Equity
2001	\$ 571.2	25.7%	55.9%
2000	\$ 375.0	20.4%	43.4%

As of May 1, 2001, the Corporation completed the sale of certain of its assets related to the Magnesia Specialties refractories business to a subsidiary of Minerals Technologies Inc. ("Minteq") for \$34 million. The Corporation retained certain current assets, including accounts receivable, and certain liabilities of the refractories business. The reduction in working capital related to this business yielded an additional \$13 million in cash during the year. The Corporation recognized a gain of \$8.9 million on the sale of these assets after the write-down of certain retained refractories assets, including assets at the Magnesia Specialties division's Manistee, Michigan, operating facility, as the facility was repositioned to focus on production of chemicals products. Magnesia Specialties supplied Minteq with certain refractories products during 2001 under a supply agreement. While the supply agreement continues through 2002, the Corporation does not anticipate refractories sales under the agreement to exceed \$5.0 million in 2002. The refractories business contributed \$26.8 million in 2001 and \$57.3 million in 2000 to Magnesia Specialties net sales. Additional information regarding this transaction, is contained in Note B to the audited consolidated financial statements on pages 16 and 17 and in the "Business Environment" discussion on pages 30 through 36.

The Corporation also transferred the operating responsibility for its Woodville, Ohio, dolomitic lime facility to the MidAmerica Division of the Aggregates segment. However, the dolomitic lime operations will continue to be reported within the magnesia-based products segment.

Management believes that under Magnesia Specialties' current operating structure, which carries a lower invested asset base, the dolomitic lime and magnesia chemicals businesses provide an opportunity to generate attractive earnings and cash flows in 2002 and beyond.

In addition to completing thirteen acquisitions, the Corporation continued to focus on internal expansion during 2001. Several projects were completed during the year, including the largest single plant modernization project in the Corporation's history at the Bahama Rock quarry, making 2001 a record internal expansion year. New plant construction and revitalization projects in Texas, North Carolina, Arkansas, West Virginia, as well as the Bahamas, increased annual aggregates production capacity by more than 12 million tons.

CRITICAL ACCOUNTING POLICIES

The Corporation has identified the accounting policies below as critical to its business operations and the understanding of its results of operations. The impact and any associated risks related to these policies on the Corporation's business operations is discussed throughout this Management's Discussion and Analysis of Financial Condition and Results of Operations, where such policies affect reported or expected financial results. The preparation of the Corporation's financial statements in conformity with accounting principles generally accepted in the United States requires management to make certain estimates and assumptions. Such judgments affect the reported amounts in the audited consolidated financial statements and accompanying notes. Actual results could differ from those estimates. Note A to the audited consolidated financial statements on pages 14 through 16 provides detail on the application of these and other accounting policies. As such, these critical accounting policies and Note A to the audited consolidated financial statements should be read in conjunction with this Management's Discussion and Analysis of Financial Condition and Results of Operations.

Business Combinations - Purchase Price Allocation. The Corporation has accounted for all of its acquisitions under the purchase method of accounting. The Corporation allocates purchase price to tangible assets based on appraisals to determine estimated fair value. Typically, assumed liabilities in the Corporation's business combinations are of a working capital

nature and are generally recorded at fair value. The purchase price allocation is typically finalized within a one-year allocation period as estimated values are adjusted to reflect final valuation results. In the recent past, adjustments from preliminary to final purchase price allocations have not been material to the Corporation's financial position or results of operations.

The excess of the purchase price over the value of the tangible net assets acquired is generally allocated to other identifiable intangible assets, namely noncompete, consulting, supply, materials handling and name agreements, or to goodwill. The other identifiable intangible assets are amortized over contractually-specified periods. Goodwill was amortized over a 10-to-30 year period on a straight-line basis prior to adoption of the nonamortization provision of FAS 142.

Intangible Assets. The carrying value of intangible assets, including goodwill, is reviewed if the facts and circumstances indicate potential, other than temporary, impairment. Such facts and circumstances include, among other things, a significant decrease in the market value of the underlying asset, a significant adverse change in the business climate, or a history of operating or cash flow losses combined with a forecast of continuing losses. The Corporation has not recognized significant impairment losses in the past.

Retirement and Postretirement Benefits. The selection of retirement and postretirement benefits as a critical accounting policy results from the direct influence of long-term interest rates and investment returns, and the volatility that changes in these factors can have on the related retirement and postretirement expense recorded in the consolidated statement of earnings. Note I in the audited consolidated financial statements on pages 19 through 21 and the "Capital Structure and Resources" discussion which follows on pages 39 through 41 discuss the sensitivity and volatility of these factors.

Net Sales
(in millions)

	AGGREGATES -----	MAGNESIA SPECIALTIES -----	TOTAL -----
1997	\$ 761	\$ 140	\$ 901
1998	\$ 921	\$ 137	\$ 1,058
1999	\$ 1,126	\$ 133	\$ 1,259
2000	\$ 1,203	\$ 130	\$ 1,333
2001	\$ 1,406	\$ 100	\$ 1,506

RESULTS OF OPERATIONS

The Corporation's Aggregates division's business is characterized by a high level of dependence on construction-sector spending, and the Magnesia Specialties' product lines, particularly dolomitic lime products, are used principally within the steel industry. Therefore, the Corporation's businesses are dependent upon activity within the construction and steel-related marketplaces, both of which are subject to interest rate fluctuations and economic cycles within the public and private business sectors. Factors, such as seasonal and other weather-related conditions, also affect the Aggregates division's production schedules and levels of profitability. Accordingly, the financial results for a particular year, or year-to-year comparisons of reported results, may not be indicative of future operating results. The Corporation's Aggregates division generated over 93% of net sales and over 98% of the operating earnings during 2001. The following comparative analysis and discussion should be read in that context. The comparative analysis in this Management's Discussion and Analysis of Financial Condition and Results of Operations is based on net sales and cost of sales, which exclude freight and delivery revenues and costs billed to customers, and is consistent with the basis by which management reviews the Corporation's operating results.

The Corporation's consolidated net sales of \$1.506 billion in 2001 represent an increase of \$172.7 million, or 13%, over 2000 net sales of \$1.333 billion. The 1999 consolidated net sales were \$1.259 billion. Consolidated earnings from operations were \$197.2 million in 2001 and \$202.5 million in 2000, reflecting a decrease of \$5.3 million, or 3%, in 2001 and a decrease of \$12.8 million, or 6%, in 2000, both as compared to the prior year. The Corporation's 1999 operating earnings were \$215.3 million. The Corporation's 2001 net earnings of \$105.4 million, or \$2.19 per diluted share, decreased 6% compared with 2000 net earnings of \$112.0 million, or \$2.39 per diluted share. The 2000 net earnings were 11% lower than 1999 net earnings of \$125.8 million, or \$2.68 per diluted share.

In 2001, aggregates shipments increased 16% to 191.7 million tons, due primarily to the acquisition of Meridian and 17 other businesses completed in 2000 and 2001. Heritage aggregates shipments (which exclude acquisitions that have not been included in prior-year operations for a full year) increased 1% in 2001, compared to the prior year.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL
CONDITION AND RESULTS OF OPERATIONS (CONTINUED)

Shipments (thousands of tons)	2001	2000
Heritage Aggregates Operations	164,497	162,921
Acquisitions (2000 and 2001)	27,229	1,994
Aggregates Division	191,726	164,915

While United States' public-works construction spending put in place in 2001 exceeded 2000 spending by \$5.7 billion, or 11%, leading to increased aggregates demand, expected declines in commercial construction and residential construction, as measured by start-up of new housing developments, materialized and largely offset public-works construction demand growth. The decline in commercial construction, and the related aggregates demand, resulted from reduced economic activity, workforce reductions and increased vacancy rates for commercial building space. The declines were greater in the southeastern region of the United States.

Average selling prices continued to increase for heritage aggregates operations with a 2.6% increase in 2001. Pricing increases for heritage aggregates operations are lower than the 3.7% average pricing increase in 2000 as a result of 2001's recessionary economic environment and changes in mix. The Aggregates division's average selling price, which includes all acquisitions from the date of acquisition, increased 1.0% during 2001. The pricing structure in acquired operations reflects lower overall average net selling prices, principally because of differences in product groups, production costs, demand and competitive conditions, when compared with product sales from the Corporation's heritage aggregates operations.

Compared with prior year, full-year 2001 earnings were negatively affected by higher health and welfare costs, which are expected to further increase in 2002, and inventory control measures that better matched production with forecasted volumes in response to a slowing economy. However, operating results demonstrated improvement in second-half 2001 when compared to second-half 2000.

First-half 2001 earnings were negatively affected by certain weather-related events, plant project delays, high energy costs, a slowdown in the steel industry, as well as a weaker economy. Tropical Storm Allison significantly affected the Houston, Texas, area during May 2001, and deferred major highway work at the Texas Department of Transportation. Heavy rainfall from the storm also reduced sales and production across the Southeast. Unexpected delays in certain previously mentioned internal expansion projects also contributed to lower than anticipated results. Most notably, expansion at the Bahama Rock quarry was delayed from its planned mid-year completion to a late 2001 completion. Further, energy-related costs, including diesel fuel, liquid asphalt, natural gas and barge freight costs, were higher during the first half of 2001, when compared to the first six months of 2000.

Second-half 2001 operating earnings were up 18% over the comparable period in the prior year, based on stronger volume, favorable fourth-quarter weather as compared to the 2000 fourth quarter, moderating energy costs, and despite unusual expenses associated with consolidation, shutdown, relocation and start-up of certain facilities.

The Corporation consolidated or shut down 11 aggregates operations during the year. The operations were principally located in historically profitable rural markets that are now declining and can no longer generate expected financial returns. The consolidation of these operations with other existing operations allows the Corporation to maintain most of the aggregates tonnage in a more cost efficient and profitable manner. Further, the Corporation will maintain control of the available reserves in these consolidated locations to provide future flexibility. The relocation and start-up of certain facilities negatively affected operating earnings during 2001. For example, at the Corporation's largest quarry, Beckmann, in San Antonio, Texas, the main crushing plant and the primary haul road were relocated in 2001 to provide access to high quality, mineable reserves. Also, at the Bahama Rock quarry, two crushing plants were operational during most of the year, as the previously mentioned expansion project was completed. While some of these costs were unusual and nonrecurring, normal start-up costs and continued relocation costs, most notably at the Bahama Rock quarry and Beckmann, will continue to affect 2002 operating results. The costs associated with these consolidations, shutdowns, start-ups and relocation were included in 2001's cost of sales.

The Corporation, as part of its ongoing strategy, will continue to review its portfolio of assets for opportunities to consolidate, close or sell certain nonstrategic, underperforming assets with a goal of redeploying capital to enhance financial returns. However, there are no assurances that these financial returns will be enhanced.

The Corporation's Magnesiaspecialties' division contributed \$3.2 million to 2001 operating earnings, a \$5.0 million decrease when compared to the prior year's. The expected decline in operating earnings resulted principally from higher energy-related costs for natural gas, underabsorption of fixed costs as the division repositioned its Manistee, Michigan, operating facility to focus on the production of chemicals products and an overall market decline.

The Corporation's operating margin of 13.1% in 2001 declined from 15.2% in 2000, primarily as a result of previously mentioned cost factors, lower margins from Meridian and other recently acquired operations and embedded freight. Discussion regarding the impact of recently acquired operations and embedded freight is included in the "Business Environment" discussion beginning on page 30.

Other income and expenses, net, for the year-ended December 31, 2001, was \$8.0 million in income, compared to income of \$8.2 million and \$18.4 million in 2000 and 1999, respectively. In addition to other offsetting amounts, other income and expenses, net, is comprised generally of interest income, gains and losses associated with the disposition of certain assets, gains and losses related to certain amounts receivable, costs associated with the commercialization of certain new technologies and net equity earnings from nonconsolidated investments. In 2001, other income includes an \$8.9 million nonrecurring gain on the sale of certain Magnesiaspecialties refractories-related assets. In addition the Corporation also divested of the Dallas/Fort Worth asphalt business, acquired in 1999 with the acquisition of Marock, Inc. The divestiture of this asphalt business enables the Corporation to focus on supplying aggregates to the Dallas/Fort Worth area. In 2000, other income included a nonrecurring insurance settlement related to Hurricane Floyd. Other income in 1999 included nonrecurring settlements from antitrust claims and a higher-than-normal level of planned property sales, both principally relating to the Aggregates division.

Interest expense for the year ended December 31, 2001, was \$46.8 million. This represents an increase of \$4.9 million, or 12%, over 2000. Interest expense was \$41.9 million in 2000, an increase of \$2.5 million, or 6%, over 1999 interest expense of \$39.4 million. The 2001 increase in interest expense relates primarily to the acquisition of Meridian. The increase in interest expense was somewhat mitigated by declining interest rates on the Corporation's variable rate commercial paper program and an increased level of capitalized interest. The increased interest expense in 2000 compared with 1999, results primarily from the impact of higher balances of outstanding debt throughout the year and increased interest rates on the Corporation's variable rate commercial paper program.

The Corporation's effective income tax rate for 2001 was 33.5%, compared with 33.6% in 2000 and 35.3% in 1999. The variance in the effective income tax rates for these years, when compared to the federal corporate tax rate of 35%, is due to several factors. The Corporation's effective tax rate for these years includes state taxes and the differences in financial and tax accounting arising from the net permanent benefit associated with the depletion allowances for mineral reserves, nondeductible amortization of certain goodwill balances, foreign operating earnings and earnings from nonconsolidated investments. The effective tax rate in 2001 included the recognition of a one-time, deferred tax benefit. The deferred tax benefit related to a wholly owned partnership which elected to be treated as a corporation for federal income tax purposes subsequent to the 2001 purchase of the remaining partnership interest by the Corporation. As a result of this election, the Corporation looks to the inside tax basis to calculate its deferred taxes under Statement of Financial Accounting Standards No. 109, "Accounting for Income Taxes." Additional information regarding the Corporation's income taxes is contained in Note H to the audited consolidated financial statements on pages 18 and 19.

The Corporation's debt-to-capitalization ratio was 44% at December 31, 2001, as compared to 43% at December 31, 2000. Total debt, including commercial paper obligations, increased from \$646.7 million to \$801.9 million, and shareholders' equity increased from \$863.3 million to \$1.022 billion. During 2001, the Corporation paid common stock dividends of \$26.9 million, or \$0.56 per common share. Net debt peaked at \$916 million during the year as a result of the Meridian acquisition, yielding a debt-to-capitalization ratio of 51%. Additional information regarding the Corporation's debt and capital structure is contained in Note F to the audited consolidated financial statements on pages 17 and 18 and under "Liquidity and Cash Flows" and "Capital Structure and Resources" on pages 38 through 41.

BUSINESS ENVIRONMENT

The Corporation's principal lines of business include Martin Marietta Aggregates, which primarily serves commercial customers in the construction aggregates-related markets, and Martin Marietta Magnesia Specialties, which manufactures and markets magnesia-based chemicals products for wideranging environmental and industrial applications and dolomitic lime, principally for use in the steel industry. These businesses are strongly affected by activity within the construction and steel-related marketplaces, respectively, both of which represent industries that are cyclical in nature.

The Aggregates division markets its products primarily to the construction industry, with 44% of its aggregates shipments made to contractors in connection with highway and other public infrastructure projects and with the balance of its shipments made primarily to contractors in connection with commercial and residential construction projects. Accordingly, the Corporation's profitability is sensitive to national, as well as regional and local, economic conditions and particularly to cyclical swings in construction spending. The cyclical swings in construction spending are affected by fluctuations in interest rates, changes in the levels of infrastructure funding by the public sector and demographic and population shifts. Due to the high level of fixed costs associated with aggregates production, the Corporation's operating leverage can be substantial.

AGGREGATES DIVISION MARKETS

44% Infrastructure
30% Commercial
17% Residential
9% Chemical, Railroad Ballast & Other

The Corporation's asphalt, ready mixed and road paving operations generally follow these construction industry trends. These vertically integrated operations accounted for about 14% of 2001 Aggregates division net sales, with no single operation contributing more than 10%. As the Corporation continues its expansion strategy westward, where vertically integrated operations, including asphalt, ready mixed, road paving and trucking businesses, are the norm, profit margins are generally adversely affected. Gross margin percentages for these businesses typically range from 5% to 15%, with the highest margin contribution from asphalt operations and with trucking operations generating the lowest margins. The Corporation became more vertically integrated with the acquisition of the Redland Stone Products Company in December 1998.

While construction spending in the public and private market sectors is affected by changes in economic cycles, there has been a tendency for the level of spending for infrastructure projects in the public-sector portion of this market to be more stable than spending for projects in the private sector. Governmental appropriations and expenditures are less interest-rate sensitive than private-sector spending, and generally improved levels of funding have enabled highway and other infrastructure projects to register improvement over the past few years. In 2001, the total value of the United States construction put in place on highways, streets and bridges was \$5.2 billion, or 11%, more than in 2000, according to the U.S. Census Bureau. The Corporation believes public-works projects consumed more than 50% of the total annual aggregates produced in the United States during 2001, which has consistently been the case for each year since 1990. Additionally, since public sector-related shipments account for approximately 44% of the Corporation's 2001 aggregates shipments, the Aggregates division also enjoys the benefit of the high level of public-works construction projects. Accordingly, the Corporation's management believes the Corporation's exposure to fluctuations in commercial and residential, or private sector, construction spending is lessened somewhat by the division's broad mix of public sector-related shipments.

Public-sector construction projects are funded through a combination of federal, state and local sources, with The Transportation Equity Act for the 21st Century ("TEA-21") providing the principal source of federal funding. Congress passed TEA-21 legislation on June 9, 1998. TEA-21 provides federal transportation funding authorization of \$218 billion (\$168 bil-

lion for highway construction and \$50 billion for other programs) over a six-year period ending in 2003. TEA-21 increases funding by approximately 40% over the prior federal funding level and increases funding for highway construction alone by an average of 44%, both based on the original TEA-21 bill.

In a change from previous legislation, TEA-21 provides a minimum funding guarantee firewall for the Highway Account of the Highway Trust Fund and minimum percentage of funding guarantees for each state. TEA-21 requires that 100% of the federal gasoline tax revenues collected be directed into the Highway Trust Fund as a minimum funding guarantee. Further, TEA-21 includes a highway funding distribution formula that guarantees that each state will receive a minimum percentage of highway funding, equal to 90.5% of the state's share of total gasoline tax contributions. Many states in the South are expected to experience an increase in funding in excess of the national average, as a result of the revised highway funding distribution formula. Highway construction spending is expected to increase further as state departments of transportation match, as required, the federal funds received under TEA-21. Annual highway funds under all TEA-21 programs are designated by state departments of transportation during the year of appropriation. Once designated, TEA-21 funds are available until expended. Undesignated highway funds are carried over into the following year. Designated funds are generally spent over a period of years following designation.

FEDERAL FUNDING FOR HIGHWAYS
(IN BILLIONS)

FISCAL YEAR 1999	\$21.4
FISCAL YEAR 1999	\$26.8
FISCAL YEAR 2000	\$28.8
FISCAL YEAR 2001	\$32.2
FISCAL YEAR 2002	\$31.8
FISCAL YEAR 2003	\$23.2

NOTE: FISCAL YEAR 2000, 2001 AND 2002 INCLUDE RABA FUNDING OF \$1.5 BILLION, \$3.1 BILLION AND \$4.5 BILLION, RESPECTIVELY. FISCAL YEAR 2003 INCLUDES A NEGATIVE RABA ADJUSTMENT OF \$5.0 BILLION. FISCAL YEAR 2001 INCLUDES \$1.4 BILLION FOR SPECIAL PROJECTS.

SOURCE: AMERICAN ROAD AND TRANSPORTATION BUILDERS ASSOCIATION. THIS CHART DEPICTS ESTIMATED FUNDING UNDER TEA-21, AS ORIGINALLY PASSED IN 1998, COMPARED TO ACTUAL FUNDING AUTHORIZATIONS THROUGH FISCAL 2002. FISCAL 2003 NEGATIVE RABA ADJUSTMENT IS PROPOSED IN THE BUSH ADMINISTRATION TRANSPORTATION BUDGET.

The federal transportation appropriation bill for fiscal 2002 fully funded the guaranteed highway funding level authorized under TEA-21 of \$27.3 billion. Further, the fiscal 2002 transportation appropriations bill includes an additional \$4.5 billion for guaranteed highway funding under the revenue aligned budget authority ("RABA") provisions of TEA-21, providing a record \$31.8 billion in guaranteed highway funding. The additional \$4.5 billion of guaranteed funding results from the adjustment of TEA-21 Federal-Aid Highways authorizations as gasoline tax receipt projections were amended to reflect actual receipts.

The outlook for TEA-21 appropriations for fiscal 2003 under President Bush's proposed federal transportation budget indicates an \$8.6 billion reduction in federal transportation authorization to \$23.2 billion when compared to the fiscal 2002 authorization of \$31.8 billion. The RABA provisions of TEA-21 have aligned fiscal 2003 authorization to projected shortfalls in fiscal 2001 highway account revenues coupled with reduced fiscal 2003 revenue forecasts. The shortfall in fiscal 2001 highway account revenues results from higher energy prices, which have curbed demand thereby reducing gas excise tax collection. Further, the fiscal 2003 revenue forecast reflects a continued recessionary economy.

While it is possible that there will be a reduction in fiscal 2003 highway funding, management believes it is unlikely that Congress will accept the proposed budget without some increase from currently proposed levels in highway funding to lessen the sharp decline between fiscal 2002 and 2003, and to bridge to the anticipated level of the next highway funding bill. TEA-21 expires in October 2003. Many arguments are being proposed to support an adjustment to the impact of the RABA provisions on the fiscal 2003 transportation spending authorizations. One such argument supports spending part of the unobligated \$19 billion surplus currently in the Highway Trust Fund to cover projected RABA shortfalls; while another supports maintaining fiscal 2003 spending as a source of economic stimulus since highway construction creates jobs throughout all socioeconomic strata. The final determination of fiscal 2003 highway funding under TEA-21 will be resolved as Congress approves the budget, which should coincide with the October 1 fiscal year.

However, funding for federal transportation appropriations continues to be subject to balanced budget and other proposals that may impact the additional funding available for the Highway Fund. Congress must also annually appropriate highway funding levels, and there is no assurance that

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL
CONDITION AND RESULTS OF OPERATIONS (CONTINUED)

Congress will continue to follow the TEA-21 legislated minimum funding guarantee firewall or the highway funding distribution formula.

Federal highway funding reauthorization hearings began in January 2002 with the Bush Administration indicating that its reauthorization plan should be completed by January 2003. The Administration included, as one of its core principles for reauthorization, assuring adequate and predictable funding sources for investment in the nation's transportation system. However, there is no assurance that a successor bill to TEA-21 will be authorized.

The American Road and Transportation Builders Association ("ARTBA") forecasts a 3% to 6% growth in the 2002 highway construction market supported by the full funding of the 2002 federal highway obligation authority under TEA-21 and additional RABA funding. ARTBA further indicated that states increased their obligation of federal highway funds for projects during 2001. The 9% increase in state obligation over 2000 levels should mean additional highway construction work during 2002. However, the increase in the obligation of federal highway funds by the states has led to declines in state funds available for local construction projects. There is a continued, near-term risk that the states will be unable to fund federal and local highway construction projects, as the recession continues to affect the states' economic well-being, and that states may delay, or put on hold, long-term highway construction projects due to the projected decline in fiscal 2003 federal highway funding. The degree to which the Corporation could be affected varies by state. However, the state economies of the Corporation's five largest revenue-generating states, namely Texas, North Carolina, Ohio, Georgia and Iowa, may disproportionately affect performance.

The Aviation Investment and Reform Act for the 21st Century ("AIR-21") provides funding for airport improvements throughout the United States. Congress approved \$3.3 billion for the Aviation Improvement Program under AIR-21 for fiscal year 2002, which represents a \$100 million increase over fiscal year 2001 funding.

The Corporation's capital expansion and acquisition program is focused on taking advantage of construction growth, through investment in both permanent and portable quarrying operations. However, there is no guarantee that the Corporation will fully benefit from its acquisition and expansion program.

The aggregates industry expansion and growth is subject to increasing challenges from environmental and political advocates who want to control the pace of future development and preserve open space. Rail and other transportation alternatives are being supported by these groups as solutions to mitigate traffic congestion and overcrowding.

The Clean Air Act, originally passed in 1963 and periodically updated by amendments, is the United States' national air pollution control program that granted the Environmental Protection Agency ("EPA") the authority to set limits on the level of various air pollutants. Recently, environmental groups have been successful in lawsuits against the federal and certain state departments of transportation, asserting that highway construction should be delayed until the municipal area is in compliance with the Clean Air Act. The EPA lists several major metropolitan areas in the Corporation's markets, including Atlanta, Georgia, and Houston/Galveston and Dallas/Fort Worth, Texas, as nonattainment areas with deadlines to reduce air pollutants or face fines or control by the EPA. Federal transportation funding through TEA-21 is directly tied to compliance with the Clean Air Act. As such, more stringent federal air quality standards could negatively affect public-works construction spending in the Corporation's markets. In fact, the EPA has proposed new, more stringent air quality standards that could increase the current non-attainment areas in the United States from 29 areas to 81 areas. Some of these possible non-attainment areas include metropolitan areas in the Corporation's markets. Implementation is typically phased in over a number of years, and implementation details for the proposed new standards are being determined by the U.S. Court of Appeals. There are no current indications of an implementation timetable for the proposed new standards.

Other environmental groups have published lists of targeted municipal areas, including areas within the Corporation's marketplace, for environmental and suburban growth control. The effect of these initiatives on the Corporation's growth is typically localized, and further challenges are expected as these initiatives gain momentum across the United States.

As anticipated, the general economy continued to soften in 2001, and, in fact, entered into a recessionary state, which many economists believe began as early as March 2001. Many corporations reduced capital investment during 2001 to better match capacity with weakening demand. As demand continued to slow, inventories began to build, and excess capacity led to employee layoffs and increasing vacancy rates. Residential construction, as measured by housing starts, held relatively steady during the year, buoyed by consumer confidence and low mortgage rates. However, commercial construction declined throughout the year. An already weak economy, absorbed an unexpected shock from the September 11, 2001, terrorist attacks and continued its recessionary decline. The Corporation experienced a period of slower sales volume in the weeks immediately following the attacks.

During 2001, the Federal Reserve Open Market Committee decreased the federal funds rate eleven times, reducing the rate 475 basis points to a 40-year low of 1.75%. The current federal funds rate is anticipated to have an impact on the level of construction spending. However, as discussed previously, public-works construction spending is principally driven by the level of gasoline tax revenues and the appropriation guidelines under TEA-21. As such, the sensitivity of public-works construction spending to interest-rate changes is somewhat mitigated.

While the Aggregates division's operations cover a wide geographic area, because of the high cost of transportation relative to the price of the product, the division's -- and, consequently, the Corporation's -- operating performance and financial results depend on the strength of local regional economies. Until recently, economic growth in the United States has been generally strong in the areas served by the Corporation. However, weakening regional economies, particularly in the southeast and central areas of the United States, have adversely affected results. If federal appropriation levels are reduced, if a reduction occurs in state and local spending, or if the specific regional economies decline, the Aggregates division could be adversely affected. The Aggregates division's top five revenue-generating states, namely Texas, North Carolina, Ohio, Georgia and Iowa, accounted for approximately 56% of its 2001 net sales by state of destination. Further, some of the Corporation's market areas are more profitable than others due to, among other things, the maturity of the underlying aggregates operations.

While the level of state public-works spending is varied across the nation and dependent upon individual state economies, North Carolina, one of the Corporation's leading states, passed new funding in 2001 which is projected to lead to an increase in road spending over the next year. Special contract lettings were held in October and November 2001 to assure quick release of \$170 million of new spending, primarily for asphalt resurfacing. However, North Carolina has also experienced a greater than expected reduction in 2002 federal highway RABA funds. As state economies deal with the recessionary environment, the level of state spending on public works is at risk.

Houston, Texas, and the surrounding area, is one of the Corporation's largest metropolitan markets, contributing \$102 million to 2001 net sales. The bankruptcy of Enron Corporation could adversely affect growth in Houston's construction market because of Enron's size and influence. Additionally, the Aggregates division is further exposed to potential losses in customer accounts receivable as the recessionary economy increases the risk of nonpayment and bankruptcy.

Seasonal changes and other weather-related conditions can also significantly affect the aggregates industry. Consequently, the Aggregates division's production and shipment levels coincide with general construction activity levels, most of which occur in the division's markets, typically in the spring, summer and fall. The division's operations that are concentrated in the northern region of the United States generally experience more severe winter weather conditions than the division's operations in the Southeast and Southwest. Meridian, which was acquired in April 2001, typically experiences operating losses, during the first quarter of the fiscal year, that result from winter weather conditions at its operations in western and upper midwestern states. Therefore, first quarter 2002 operating results will be adversely affected by Meridian's winter losses. North Carolina, one of the Corporation's largest revenue generating states, is at risk for Atlantic Ocean hurricane activity and has experienced hurricane-related losses in recent years. The southeastern and Gulf Coast regions of the United States are also at risk for hurricane activity. Texas, the Corporation's largest revenue generating state, has also experienced significant adverse weather during the past year.

A growing percentage of the Corporation's aggregates shipments are being moved by rail or water through a distribution yard network. The Corporation's acquisition of Dravo

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL
CONDITION AND RESULTS OF OPERATIONS (CONTINUED)

Corporation in 1995 established its waterborne capabilities, both by barge and oceangoing ship, which was enhanced by the 1995 acquisition of a deep-water quarry in Nova Scotia, while the 1998 acquisition of Redland Stone and the 2001 acquisition of Meridian increased its rail-based distribution network. As the Corporation continues to move more aggregates by rail and water, embedded freight costs have eroded profit margins. The freight costs for aggregates products often equal or exceed the selling price of the underlying aggregates products. The Corporation handles freight costs principally in two ways:

Option 1: The customer supplies transportation.

Option 2: The Corporation will arrange for a third party carrier to deliver the aggregates material and specifically pass through the freight costs to the customer. These freight and delivery revenues and costs are presented in the consolidated statement of earnings as required by Emerging Issues Task Force Issue No.00-10, Accounting For Shipping and Handling Fees and Costs.

When the Corporation transports, either by rail or water, aggregates from a production location to a distribution terminal, the selling price includes the freight component. Subsequent transportation from the distribution location is accounted for as described above in options 1 and 2.

2001 TRANSPORT MODE (% OF 2001 SHIPMENTS OF 191.7 MILLION TONS)	1994 TRANSPORT MODE (% OF 1994 SHIPMENTS OF 71.2 MILLION TONS)
77% TRUCK	93% TRUCK
15% RAIL	7% RAIL
8% WATER	

When products are transported to a distribution terminal, margins are negatively affected because the customer does not generally pay the Corporation a profit associated with the transportation component of the selling price. For example, a truck customer will pick up the material from the quarry and pay \$6.50 for one ton of aggregate. Assuming a \$1.50 gross profit per ton, the Corporation would recognize a 23% gross margin. However, if that same customer drove to a local distribution terminal and picked up one ton of aggregate the selling price may be \$12.50 per ton, assuming \$6.00 cost of internal freight. With the same \$1.50 gross profit per ton and no profit associated with the transportation component, the gross margin would be reduced to 12% as a result of the embedded freight.

In 1994, 93% of the Corporation's aggregates shipments were moved by truck while the balance was moved by rail. In contrast, the Corporation's aggregates shipments moved 77% by truck, 15% by rail and 8% by water in 2001. Further, the acquisition of Meridian and its rail-based distribution network, coupled with the extensive use of rail service in the Southwest Division, increases the Corporation's dependence on and exposure to railroad performance, including track congestion, crew availability and power failures, and the ability to renegotiate favorable railroad shipping contracts. The waterborne distribution network increases the Corporation's exposure to certain risks, including among other items, the ability to negotiate favorable shipping contracts, demurrage costs and barge or ship availability.

Currently, management expects to operate during 2002 in a recessionary economy with a significant decline in commercial building construction, as corporate layoffs continue, office vacancy rates increase and businesses control the expenditure of both maintenance and expansion capital. Further, residential construction could decline depending on weakening consumer confidence, continued unemployment and the duration of the recession. However, man-

agement expects the aggregates business to perform better than the general economy in 2002, buoyed by the level of public-works construction spending. Therefore, based on current economic conditions and forecasts, management expects a 3% to 6% volume growth in aggregates shipments, supported by \$31.8 billion in fiscal 2002 federal transportation spending, offset somewhat by declining commercial and residential construction. Management further expects a 2% to 3% increase in average selling prices. The Corporation's net earnings for the year are expected to range from \$2.40 to \$2.70 per diluted share, inclusive of \$0.23 from the elimination of the recognition of goodwill amortization charges and adjustments to the 2002 estimated tax rate. For the first quarter 2002, the favorable effect of the new amortization provisions will be largely offset by the winter losses expected to be incurred at Meridian and other newly acquired operations, as well as normal start-up costs associated with new plant operation. Management has begun its evaluation of impairment as required by FAS 142. While the evaluation is not completed, the Corporation may recognize a goodwill impairment loss as it reevaluates the long-term expected returns in certain markets.

Over the next five years, management expects that the Aggregates division's business and financial results will continue to grow as a result of increased infrastructure construction spending generated by the anticipated authorization of a new federal highway funding bill, coupled with moderate growth in residential and commercial construction. Strong backlog of contractors' existing construction work is expected to somewhat offset a temporary decline, if any, in fiscal 2003 federal highway spending. Further, the Aggregates division will generally follow national, regional and local general economic, construction and industry trends.

The Corporation's management believes the overall long-term trend for the construction aggregates industry continues to be one of consolidation. The Corporation's Board of Directors and management continue to review and monitor the Corporation's strategic long-term plans. These plans include assessing business combinations and arrangements with other companies engaged in similar businesses, increasing market share in the Corporation's core businesses and pursuing new technological opportunities that are related to the Corporation's existing markets.

During 2001, the Corporation expanded its market opportunities by consummating 13 transactions for the acquisition of aggregates and other operations, internally expanding aggregates annual production capacity and either opened, or began the process of opening, two new locations.

The Corporation's aggregates reserves, including the reserves of its 2001 acquisitions, exceed 55 years of production, based on current levels of activity.

Through its Magnesiaspecialties division, the Corporation manufactures and markets magnesia-based chemicals products for industrial, agricultural and environmental applications, including wastewater treatment and acid neutralization, and dolomitic lime for use primarily in the steel industry. Magnesiaspecialties' products used within the steel industry accounted for approximately 65% of the division's net sales for 2001. Accordingly, the division's profitability is dependent on the production of steel and the related marketplace, and a significant portion of the division's product pricing structure is affected by current business economic trends within the steel industry. The United States' steel industry continues to be weak as the slowdown in demand and continued high levels of steel imports have led to rapidly deteriorating performance. The division's performance will continue to be directly tied to the steel industry, and with the absence of federal restrictions on foreign steel imports, the prospects for significant, long-term improvement is weak. The Magnesiaspecialties division is further exposed to potential losses in customer accounts receivable, if the steel industry continues to deteriorate and customers declare bankruptcy. At December 31, 2001, management believes that the allowance for uncollectible accounts receivable is appropriate.

The May 1, 2001, sale of Magnesiaspecialties' refractories products line lessens the Magnesiaspecialties' division's dependence on the steel industry. Excluding the refractories products line, Magnesiaspecialties' sales to the steel industry would account for 52% of the division's 2001 net sales, as compared to 65% including refractories. However, earnings have been negatively affected as the division realigns fixed costs associated with the refractories business and converts the Manistee, Michigan, plant to a magnesia chemicals facility. As the division continues to lower its production rates during 2002, underabsorption of fixed costs will continue to impact results. There can be no assurance that management's strategy will be successful.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL
CONDITION AND RESULTS OF OPERATIONS (CONTINUED)

Continued high natural gas costs negatively affected earnings from operations in 2001. Further, due to the high levels of fixed costs associated with the Magnesia Specialties production facilities, operating leverage can be substantial.

Approximately 12% of the Magnesia Specialties division's products are sold in foreign jurisdictions, with no single country accounting for 10% or more of the division's sales. While the division's products are manufactured and sold principally in the United States, the division also markets its products in Canada, Mexico, Europe (principally England and Germany), Central and South America (principally Brazil, Columbia and Chile) and the Pacific Rim (primarily Korea). As a result of these foreign market sales, the division's financial results could be affected by factors such as changes in foreign currency exchange rates or weak economic conditions in the foreign markets in which the division distributes its products. To mitigate the short-term effects of changes in currency exchange rates on the division's operations, the division principally uses the U.S. dollar as the functional currency in foreign transactions.

The Corporation continued research and development activities during 2001 in several technological product areas. Composite materials have been used for bridge deck installation and replacement, and research is continuing on a variety of other construction-related and commercial uses. Management believes that additional funds for innovative technologies in roadways, from the TEA-21 program, offer opportunities to put new bridge decks in service and to focus more attention on the long-life and low-maintenance costs expected from the composite materials. The Corporation had limited revenue in 2001 from SC27(TM) soil inoculant, a microbial soil enhancer, used to enhance plant growth. Further, as expected, the technological areas did not generate profits in 2001.

The Corporation will continue to pursue opportunities that provide proprietary technology in high growth-rate markets that it understands, that require limited research and development with minimal capital investment relative to revenue and profit generation potential, and that have the potential to provide above-average returns while minimizing risk. Commercial viability of these technological product areas is not assured. There can be no assurance that these technologies can achieve profitability.

Generally, the impact of inflation on the Corporation's businesses has become less significant with the benefit of continued moderate inflation rates. However, energy sector inflation affects, among other things, the costs of operating mobile equipment used in quarry operations, waterborne transportation of aggregates materials, asphalt production and fuel for kiln operations. Wage inflation and the resulting increase in labor costs may be somewhat mitigated by increases in productivity. However, rising health care costs have increased total labor costs in recent years and will continue to affect labor costs in the near term. Generally, when the Corporation incurs higher capital costs to replace productive facilities and equipment, increased capacity and productivity, and various other offsetting factors, counterbalance increased depreciation costs. The recently completed, large expansion projects may take time to increase shipments and absorb increased depreciation costs.

The Corporation is replacing its existing information systems with an enterprise-wide information solution through J. D. Edwards World Solutions Company. Management successfully completed the system design and implementation phase of the accounting, financial reporting and human resources packages in 2001. The capital requirements for this project, which exclude systems replacement for acquisitions not currently on the Corporation's Raleigh-based systems, principally Redland Stone and Meridian, are expected to be \$26.3 million, with \$13.0 million expended in 2001 and \$4.0 million in 2000. Current expectation is that full system implementation will take an additional two years. The Corporation believes it has deployed sufficient personnel and capital to successfully complete the project.

DISCUSSION OF BUSINESS SEGMENTS

The Corporation conducts its operations through two reportable business segments: Aggregates and Magnesia Specialties. The Aggregates division is the second largest producer of construction aggregates in the United States. The Corporation's sales and earnings are predominantly derived from its Aggregates segment, which processes and sells granite, limestone, sand, gravel and other aggregates products for use primarily by commercial customers. The division's products are used principally in domestic construction of highways and other infrastructure projects and for commercial and residential buildings. The Aggregates

division also includes the operations of its other construction materials businesses. These businesses, acquired through continued selective vertical integration by the Corporation, include primarily asphalt, ready mixed concrete and road paving operations. The Corporation's Magnesia Specialties division produces dolomitic lime used in domestic basic steel production and chemicals products used in domestic and foreign industrial, agricultural and environmental applications. The magnesia-based products segment generally derives a significant portion of its sales and earnings from the products used in the steel industry.

The Corporation's evaluation of performance and allocation of resources is based primarily on earnings from operations. Earnings from operations is total revenues less operating expenses; selling, general and administrative expenses; and research and development; and excludes interest expense and other income (expense). The accounting policies of the reportable segments are the same as those described in Note A to the audited consolidated financial statements on pages 14 through 16. Assets employed by segment include assets directly identified with those operations. Corporate headquarters' assets consist primarily of cash and cash equivalents, and property, plant and equipment for corporate operations. All debt, and the related interest expense, is held at corporate headquarters. Property additions include property, plant and equipment that has been purchased through acquisitions in the amount of \$118,365,000 in 2001; \$15,325,000 in 2000; and \$44,747,000 in 1999.

The following tables display selected financial data for the Corporation's reportable business segments for each of the three years in the period ended December 31, 2001.

SELECTED FINANCIAL DATA BY BUSINESS SEGMENT

years ended December 31
(add 000)

NET SALES	2001	2000	1999
Aggregates	\$ 1,406,179	\$ 1,202,581	\$ 1,125,636
Magnesia Specialties	99,512	130,419	133,191
Total	\$ 1,505,691	\$ 1,333,000	\$ 1,258,827

Gross profit	2001	2000	1999
Aggregates	\$ 289,805	\$ 276,640	\$ 283,998
Magnesia Specialties	13,945	26,931	26,701
Total	\$ 303,750	\$ 303,571	\$ 310,699

SELLING, GENERAL AND ADMINISTRATIVE EXPENSES	2001	2000	1999
Aggregates	\$ 95,988	\$ 82,088	\$ 75,568
Magnesia Specialties	9,961	16,680	17,053
Total	\$ 105,949	\$ 98,768	\$ 92,621

EARNINGS FROM OPERATIONS	2001	2000	1999
Aggregates	\$ 194,027	\$ 194,232	\$ 208,011
Magnesia Specialties	3,218	8,245	7,278
Total	\$ 197,245	\$ 202,477	\$ 215,289

ASSETS EMPLOYED	2001	2000	1999
Aggregates	\$ 2,088,170	\$ 1,703,752	\$ 1,598,948
Magnesia Specialties	61,253	99,913	105,362
Corporate headquarters	75,157	37,774	38,264
Total	\$ 2,224,580	\$ 1,841,439	\$ 1,742,574

DEPRECIATION, DEPLETION
AND AMORTIZATION

Aggregates	\$ 145,488	\$ 125,697	\$ 114,457
Magnesia Specialties	6,390	8,532	8,468
Corporate headquarters	2,757	2,144	1,829
Total	\$ 154,635	\$ 136,373	\$ 124,754

PROPERTY ADDITIONS

Aggregates	\$ 287,954	\$ 174,797	\$ 177,318
Magnesia Specialties	2,315	6,817	3,942
Corporate headquarters	22,482	4,516	1,307
Total	\$ 312,751	\$ 186,130	\$ 182,567

AGGREGATES. The Aggregates division's net sales increased 17% to \$1.406 billion for the year ended December 31, 2001, compared with the prior year's net sales. The division's operating earnings for 2001 were \$194.0 million compared to \$194.2 million in the prior year. The "Results of Operations" section of this Management's Discussion and Analysis includes a discussion of the factors affecting the performance of the Aggregates business segment.

For the year ended December 31, 2000, the Aggregates division had net sales of \$1.203 billion, which were \$77 million, or 7%, higher than the 1999 net sales of \$1.126 billion. The increase in net sales reflects a slight decrease in total aggregates tons shipped during 2000 to 164.9 million tons, offset by increases in volumes in asphalt and other construction-related operations, and average selling price. The division's operating earnings for 2000 decreased 7% to \$194.2 million from the prior year's earnings from operations of \$208.0 million. Operating earnings decreased, principally as a result of higher-than-expected energy-related costs, a slowdown of construction activity and weather-related events.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL
CONDITION AND RESULTS OF OPERATIONS (CONTINUED)

Operating results in 1999 reflected record volume and 3.6% price increases, both compared with the prior year, and growth from acquisitions.

MAGNESIA SPECIALTIES. For the year ended December 31, 2001, the Magnesia Specialties division had net sales of \$99.5 million, a decrease of \$30.9 million, or 24%, from 2000 net sales of \$130.4 million. The division's earnings from operations for 2001 of \$3.2 million decreased \$5.0 million, or 61%, when compared to 2000 earnings from operations of \$8.2 million. As expected, net sales for the division decreased, primarily due to the divestiture of the refractories business. In 2000, the refractories business contributed \$57.3 million to net sales compared with \$26.8 million in 2001. The decline in operating earnings results principally from higher energy-related costs for natural gas and underabsorption of fixed costs as the division repositioned its Manistee, Michigan, operating facility to focus on production of chemicals products.

Magnesia Specialties division's 2000 net sales of \$130.4 million were 2% below the prior year's. The division's operating earnings for 2000 of \$8.2 million were 13% above the 1999 operating earnings. The division's improvement in 2000 was the result of stronger performance in the steel industry in the first half of 2000. This improvement was significantly offset by higher-than-expected natural gas prices and deteriorating performance in the steel industry during the second half of 2000. Balanced inventory and production levels in 2000, along with effective cost controls, also provided a favorable year-over-year comparison between 2000 and 1999. The Magnesia Specialties division's 1999 net sales of \$133.2 million were 3% below the prior year, and operating earnings for 1999 of \$7.3 million were 39% below 1998 operating earnings.

CONSOLIDATED OPERATING CASH FLOW
(IN MILLIONS)

1997	\$195.6
1998	\$222.6
1999	\$223.7
2000	\$212.9
2001	\$252.9

LIQUIDITY AND CASH FLOWS

A primary source of the Corporation's liquidity during the past three years has been cash generated from its operating activities. Cash provided by its operations was \$252.9 million in 2001, as compared to \$212.9 million in 2000, and \$223.7 million in 1999. These cash flows were derived, substantially, from net earnings before deduction of certain noncash charges for depreciation, depletion and amortization of its properties and intangible assets. Depreciation, depletion and amortization were as follows:

years ended December 31 (in thousands)	2001	2000	1999
Depreciation	\$ 119,606	\$ 108,540	\$ 98,559
Depletion	6,036	4,681	5,369
Amortization	28,993	23,152	20,826
Total	\$ 154,635	\$ 136,373	\$ 124,754

Changes in working capital for 2001 included increases in accounts receivable from higher sales, particularly in the fourth quarter, as compared with the prior-year period, and in inventories due to a slight increase in heritage aggregates inventory levels, as well as changes in mix and valuation; partially offset by increases in accounts payable. Increases in receivables and inventories were partially offset due to reductions caused by the divestiture of the refractories business. The 2000 working capital increases were due primarily to increases in the value of the Aggregates division's inventories because of increases in inventory quantity and valuation and changes in mix, off-set by a reduction in receivables, primarily as a result of reduced shipping levels in the fourth quarter. The 1999 working capital increases were due primarily to increases in Aggregates division inventories, as a result of expected increases in demand in 2000 and an increase in accounts receivable balances, primarily associated with the increased level of sales. Other assets and liabilities, net, include changes to both current and noncurrent balance sheet accounts. In addition to other somewhat offsetting amounts, other assets and liabilities, net, included in 2001 increases in accrued interest; in 2000, increases in receivables from affiliates and suppliers and payment of certain obligations accrued in the previous year; and in 1999, an increase in certain postretirement benefits accruals.

Net cash used for investing activities was \$370.2 million in 2001, an increase of \$168.4 million from \$201.8 million reported in 2000. Of that amount, the Corporation used \$221.8 million for the purchase of Meridian and twelve other

Aggregates division-related acquisitions, compared with \$39.3 million in 2000 for the purchase of five Aggregates division-related acquisitions, and \$77.1 million in 1999 used to finance the purchase of ten Aggregates division-related acquisitions. Additions to property, plant and equipment, excluding acquisitions, of \$194.4 million, were 14% higher in 2001, compared with 2000. Comparable full-year capital expenditures were \$170.8 million in 2000 and \$137.8 million in 1999. The Corporation's acquisitions and capital expenditures reflect planned strategic growth and capital spending activities that are consistent with management's strategy for investment and expansion within the consolidating aggregates industry. For the three years ended 2001, the Corporation's management had anticipated a more significant increase in property, plant and equipment additions. However, as planned net sales growth in the heritage operations was delayed, due to weather-related conditions and softening building construction demand, management scaled back capacity expansion to better match the timing of market expansion. Spending for property, plant and equipment, exclusive of acquisitions and property and equipment acquired under operating leases, is expected to be \$125 million in 2002. Other investing activities included, among other things, proceeds from the sale of surplus land and equipment; in 2001, the sale of the refractories business; in 2000, the Corporation's additional investment in Industrial Microwave Systems ("IMS"); and in 1999, the Corporation's initial 19% investment in IMS and loans to Meridian.

Approximately \$123.4 million of cash was provided by financing activities during 2001, compared with \$19.3 million and \$20.3 million of cash used for financing activities in 2000 and 1999, respectively. The Corporation incurred net indebtedness of \$149.9 million in 2001, excluding \$5.1 million reflected in acquisitions, net, principally in connection with the acquisition of Meridian and twelve other acquisitions completed during the year; \$4.0 million in 2000, excluding \$1.0 million reflected in acquisitions, net, principally in connection with the five acquisitions completed during the year; and \$14.7 million in 1999, excluding \$9.2 million reflected in acquisitions, net, principally in connection with the ten acquisitions completed. During 2001, \$2.2 million of cash was used in connection with the issuance of the 6.875% Notes issued March 2001.

In 2001, the Board of Directors approved total cash dividends on the Corporation's common stock of \$0.56 a share. Regular quarterly dividends were authorized and paid by the Corporation at a rate of \$0.14 a share. During 2001, the Corporation issued stock under its stock-based award plans, providing \$2.6 million in cash. Comparable cash provided by issuance of common stock was \$2.0 million in both 2000 and 1999. Further, during 2001 and 1999, the Corporation issued approximately 1,684,400 and 311,100 shares of common stock, respectively, for acquisitions. The Corporation used cash of \$12.7 million during 1999 to finance the repurchase of 322,300 shares of its common stock at public market prices at various purchase dates. The repurchase of shares was authorized under the Corporation's six million-share authorization from the Board of Directors for the Stock-Based Award Plan and the Amended Omnibus Securities Award Plan. There were no shares repurchased in 2001 or 2000.

CAPITAL STRUCTURE AND RESOURCES

Long-term debt, including current maturities of long-term debt and commercial paper, increased to \$801.9 million at the end of 2001, from \$646.7 million at the end of 2000. Total debt represented approximately 44% of total capitalization at December 31, 2001, compared with 43% at December 31, 2000. The Corporation's debt at December 31, 2001, was principally in the form of publicly issued long-term, fixed-rate notes and debentures, and United States' commercial paper. Shareholders' equity grew to \$1.022 billion at December 31, 2001, from \$863.3 million at December 31, 2000.

The Corporation has \$450 million in revolving credit facilities, syndicated through a group of commercial domestic and foreign banks, which support a United States commercial paper program of a comparable amount. The credit facilities consist of a five-year, unsecured revolving credit agreement in the amount of \$225 million (the "Long-Term Credit Agreement"), which expires in August 2006, and a 364-day unsecured revolving credit agreement in the amount of \$225 million (the "Short-Term Credit Agreement"), which expires in August 2002. During the year, the Corporation terminated its revolving credit agreements and entered into these new revolving credit agreements, which contained substantially the same terms as the prior agreements. The Corporation has the ability to extend its Short-Term Credit Agreement for an additional 364-day term at its option (see Note F to audited consolidated financial statements on pages 17 and 18).

No borrowings were outstanding under either of the revolving credit agreements at December 31, 2001. However, the

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL
CONDITION AND RESULTS OF OPERATIONS (CONTINUED)

Long- and Short-Term Credit Agreements support commercial paper borrowings of \$95 million outstanding at December 31, 2001, of which \$95 million has been classified as long-term debt on the Corporation's consolidated balance sheet, based on management's ability and intention, as appropriate, to maintain this debt outstanding for at least one year. Therefore, \$355 million was available under the revolving credit agreements at December 31, 2001.

The 6.875% Notes, due April 1, 2011, with an effective interest rate of 6.98%, were issued in March 2001 in the aggregate principal amount of \$250 million through private placement in connection with the acquisition of Meridian. The 6.875% Notes were subsequently registered with the Securities and Exchange Commission in July 2001. The initial purchasers in the private placement offering exchanged \$249,650,000 of their outstanding notes for registered notes with substantially identical terms.

In connection with normal, ongoing operations, the Corporation enters into leases for property, plant and equipment and royalty commitments associated with leased land. Future minimum lease and royalty commitments are detailed in Note K to the audited consolidated financial statements on page 23. Management anticipates that during 2002 the Corporation will enter into additional operating leases for certain mobile and other equipment, as well as for land and mineral reserves.

The Corporation's long-term commitments for debt, excluding commercial paper, and minimum lease and royalty commitments for all noncancelable operating leases and royalty agreements as of December 31, 2001, are as follow:

(add 000)	Long-term Debt	Operating Leases	Royalty Agreements	Total
2002	\$ 4,490	\$12,691	\$ 3,745	\$ 20,926
2003	1,647	10,547	3,840	16,034
2004	273	8,455	3,510	12,238
2005	123	6,959	3,485	10,567
2006	300	5,461	2,923	8,684
Thereafter	700,042	18,642	29,722	748,406
Total	\$706,875	\$62,755	\$47,225	\$816,855

Amounts due under noncancelable operating leases and royalty agreements are expensed in the period incurred. Notes F and K to the audited consolidated financial statements on pages 17 and 18 and page 23, respectively, contain additional information regarding these commitments and should be read in conjunction with this table.

The Corporation has entered into standby letter of credit agreements relating to workers' compensation and auto and general liability self-insurance. On December 31, 2001, the Corporation had contingent liabilities under these outstanding letters of credit of approximately \$13.8 million. In the normal course of business, the Corporation is currently contingently liable for performance under \$84.9 million in performance bonds required by certain states and municipalities and their related agencies. The bonds are principally for certain construction contracts, reclamation obligations and mining permits. Two of these bonds totaling \$35.5 million, or 42% of all outstanding performance bonds, relate to specific performance for road construction projects currently under way. The Corporation has indemnified the underwriting insurance company against any exposure under the performance bonds. In the Corporation's past experience, no material claims have been made against these financial instruments.

As discussed earlier, the Corporation's operations are highly dependent upon the interest rate-sensitive construction and steelmaking industries. Consequently, these marketplaces could experience lower levels of economic activity in an environment of rising interest rates or escalating costs (see "Business Environment" on pages 30 through 36). Aside from these inherent risks from within its operations, the Corporation's earnings are affected also by changes in short-term interest rates, as a result of its outstanding commercial paper obligations and temporary cash investments, including overnight investments in Eurodollars. However, management believes that the Corporation's exposure to short-term interest rate market risk is not material.

Long-term interest rates influence assumptions used to develop the costs for the Corporation's employee retirement and postretirement benefit plans. The Corporation's pension and postretirement benefit expense in 2001 increased, compared with 2000, by \$5.6 million, excluding the impact of the curtailment and settlement gains resulting from the divestiture of the refractories business, as a result of the decreased discount rate for the retirement and postretirement benefit plans, and, most significantly, from unfavorable 2000 investment returns on employee retirement plan assets. The Corporation's management anticipates another significant increase in pension and postretirement benefit expense in 2002 as a result of a continued decrease in the discount rate and investment returns experienced in

2001. There is no assurance that pension and postretirement benefit expense will continue at current levels, due to the underlying volatility of interest rates and investment returns (see Note I to the audited consolidated financial statements on pages 19 through 21).

Currently, the Board has granted management the authority to file a universal shelf registration statement with the Commission for up to \$500 million in issuance of either debt or equity securities. However, management has not determined the timing when, or the amount for which, it may file such shelf registration.

Martin Marietta Materials' internal cash flows and availability of financing resources, including its access to capital markets, both debt and equity, and its revolving credit agreements, are expected to continue to be sufficient to provide the capital resources necessary to support anticipated operating needs, to cover debt service requirements, to meet capital expenditures and discretionary investment needs and to allow for payment of dividends for the foreseeable future. The Corporation's ability to borrow or issue securities is dependent upon, among other things, prevailing economic, financial and market conditions.

The Corporation's senior unsecured debt has been rated "A-" by Standard & Poor's and "A3" by Moody's. The Corporation's \$450 million commercial paper program is rated "A-2" by Standard & Poor's, "P-2" by Moody's and "F-2" by FitchRatings. In July 2001, Standard & Poor's revised its outlook for the Corporation to negative from stable while reaffirming its ratings. The outlook revision reflects Standard & Poor's belief that the Corporation's acquisition activity could make it more difficult for the Corporation to restore credit quality measures to certain levels.

While management believes its credit ratings will remain at an investment-grade level, no assurance can be given that these ratings will remain at the above-mentioned levels.

ENVIRONMENTAL AND LITIGATION MATTERS

The Corporation's operations are subject to and affected by federal, state and local laws and regulations relating to the environment, health and safety and other regulatory matters. Certain of the Corporation's operations may, from time to time, involve the use of substances that are classified as toxic or hazardous within the meaning of these laws and regulations. Environmental operating permits are, or may be, required for certain of the Corporation's operations and such permits are subject to modification, renewal and revocation. The Corporation regularly monitors and reviews its operations, procedures and policies for compliance with these laws and regulations. Despite these compliance efforts, risk of environmental liability is inherent in the operation of the Corporation's businesses, as it is with other companies engaged in similar businesses, and there can be no assurance that environmental liabilities will not have a material adverse effect on the Corporation in the future.

The Corporation records appropriate financial statement accruals for environmental matters in the period in which liability is established and the appropriate amount can be estimated reasonably. Among the variables that management must assess in evaluating costs associated with environmental issues are the evolving environmental regulatory standards. The nature of these matters makes it difficult to estimate the amount of any costs that may be necessary for future remedial measures. The Corporation currently has no material provisions for estimated costs in connection with expected remediation or other environmental-related expenditures, because it is impossible to quantify the impact of all actions regarding environmental matters, particularly the extent and cost of future remediation and other compliance efforts. However, in the opinion of management, it is unlikely that any additional liability the Corporation may incur for known environmental issues or compliance with present environmental protection laws would have a material adverse effect on the Corporation's consolidated financial position or on its results of operations.

The Corporation is engaged in certain legal and administrative proceedings incidental to its normal business activities. While it is not possible to determine the ultimate outcome of those actions at this time, in the opinion of management and counsel, it is unlikely that the outcome of such litigation and other proceedings, including those pertaining to environmental matters, will have a material adverse effect on the results of the Corporation's operations or on its financial position.

See Notes A and M to the audited consolidated financial statements on pages 14 through 16 and page 24, respectively.

NEW ACCOUNTING STANDARDS

In June 2001, the Financial Accounting Standards Board ("FASB"), issued Statements of Financial Accounting Standards No. 141, Business Combinations, which applied to business combinations for which the date of acquisition was July 1, 2001, or later, and No. 142, Goodwill and Other Intangible Assets ("FAS 142"), effective January 1, 2002, (collectively the "Statements"). Under the new rules, goodwill and intangible assets deemed to have indefinite lives are no longer amortized but are subject to annual impairment tests in accordance with the Statements. Other intangible assets continue to be amortized over their useful lives.

The Corporation applied the new rules on accounting for goodwill and other intangible assets, beginning with four purchase business combinations completed after June 30, 2001; and began January 1, 2002 for all purchase business combinations. Application of the nonamortization provisions of FAS 142 will favorably impact 2002 earnings, versus 2001 as related to such amortization. The Corporation recognized \$22.4 million in 2001 and \$16.2 million for 2000 in goodwill amortization. (See "Business Combinations, Divestitures and Capacity Expansion" on pages 25 and 26 and "Business Environment" on pages 30 through 36).

During 2002, the Corporation will perform the first of the required impairment tests of goodwill and indefinite-lived intangible assets as of January 1, 2002. The effect that the results of the impairment tests will have on the earnings and financial position of the Corporation has not yet been determined; however, they may be material to the financial position of the Corporation.

In June 2001, the FASB issued Statement of Financial Accounting Standards No. 143, Accounting for Asset Retirement Obligations ("FAS 143"). FAS 143 requires recognition of the fair value of a liability representing an asset retirement obligation in the period in which it is identified. The asset retirement obligation is recorded at the acquisition date of a long-lived tangible asset if the fair value can be reasonably estimated. The Corporation incurs some reclamation liabilities as part of its aggregates mining process. However, certain reclamation costs are currently treated as normal, ongoing operating expenses and expensed generally in the period in which they are incurred. FAS 143 is effective the first quarter of 2003 for the Corporation. The effect of the adoption of FAS 143 on the earnings and financial position of the Corporation has not yet been determined but is not expected to have a material impact.

In August 2001, the FASB issued Statement of Financial Accounting Standards No. 144, Accounting for the Impairment or Disposal of Long-Lived Assets ("FAS 144"), which is effective the first quarter of 2002 for the Corporation. FAS 144 supercedes Statement of Financial Accounting Standards No. 121, Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to Be Disposed of and Accounting Principles Board Opinion No. 30, Reporting the Results of Operations - Reporting the Effects of Disposal of a Segment of a Business, and Extraordinary, Unusual and Infrequently Occurring Events and Transactions. FAS 144 requires, among other things, the recognition of an impairment loss for long-lived assets to be held and used, and defines classification of continuing and discontinued operations. The Corporation does not expect the impact of adoption to be material to earnings or financial position.

FORWARD-LOOKING STATEMENTS - SAFE HARBOR PROVISIONS

This Annual Report on Form 10-K contains statements which constitute forward-looking statements within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934. Investors are cautioned that all forward-looking statements involve risks and uncertainties, and are based on assumptions that the Corporation believes in good faith are reasonable, but which may be materially different from actual results.

Factors that the Corporation currently believes could cause its actual results to differ materially from those in the forward-looking statements include, but are not limited to, national and regional economic conditions in the markets the Corporation serves, the level and timing of federal and state transportation funding, levels of construction spending in the markets the Corporation serves, unfavorable weather conditions, fuel costs, transportation costs, competition from new or existing competitors, changes in environmental and other governmental regulations, ability to recog-

nize quantifiable savings from internal expansion programs, ability to successfully integrate acquisitions quickly and in a cost-effective manner, changes in capital availability or costs, and the timing and occurrence of events that may be subject to circumstances beyond the Corporation's control.

Investors are also cautioned that it is not possible to predict or identify all such factors. Consequently, the reader should not consider any such list to be a complete statement of all potential risks or uncertainties. The forward-looking statements in this document are intended to be subject to the safe harbor protection provided by Sections 27A and 21E. These forward-looking statements are made as of the date hereof based on management's current expectations, and the Corporation does not undertake an obligation to update such statements, whether as a result of new information, future events, or otherwise.

For a discussion identifying some important factors that could cause actual results to vary materially from those anticipated in the forward-looking statements, see the Corporation's Securities and Exchange Commission filings, including, but not limited to, the discussion of "Competition" of this Annual Report on Form 10-K, "Management's Discussion and Analysis of Financial Condition and Results of Operations" on pages 25 through 43 of the 2001 Annual Report and "Note A: Accounting Policies" and "Note M: Commitments and Contingencies" of the "Notes to Financial Statements" on pages 14 through 16 and page 24, respectively, of the Audited Consolidated Financial Statements included in the 2001 Annual Report.

QUARTERLY PERFORMANCE

UNAUDITED

Quarter	(add 000, except per share) Net Sales(1)		Gross Profit		Net Earnings		Basic Earnings Per Common Share(2)	
	2001	2000	2001	2000	2001(3)	2000	2001(3)	2000
First	\$ 263,658	\$ 276,131	\$ 27,164	\$ 44,358	\$ (4,652)	\$ 7,330	\$ (0.10)	\$ 0.16
Second	420,218	362,474	93,461	96,832	39,002	42,122	0.82	0.90
Third	437,014	380,305	105,882	95,426	45,917	42,051	0.95	0.90
Fourth	384,801	314,090	77,243	66,955	25,095	20,524	0.52	0.44
Totals	\$1,505,691	\$1,333,000	\$303,750	\$303,571	\$ 105,362	\$112,027	\$ 2.20	\$ 2.40

Quarter	Per Common Share							
	Diluted Earnings Per Common Share(2)		Dividends Paid		Stock Prices			
	2001(3)	2000	2001	2000	High	Low	High	Low
First	\$ (0.10)	\$ 0.16	\$ 0.14	\$ 0.13	\$ 47.45	\$ 38.00	\$ 49.38	\$ 35.50
Second	0.82	0.90	0.14	0.13	\$ 51.60	\$ 41.95	\$ 54.25	\$ 40.45
Third	0.95	0.90	0.14	0.14	\$ 50.39	\$ 34.75	\$ 46.94	\$ 35.24
Fourth	0.52	0.44	0.14	0.14	\$ 46.60	\$ 37.90	\$ 44.10	\$ 32.25
Totals	\$ 2.19	\$ 2.39	\$ 0.56	\$ 0.54				

(1) Net sales exclude freight and delivery revenues; such revenues are included in total revenues in accordance with EITF 00-10, "Accounting for Shipping and Handling Fees and Costs" on the Consolidated Statement of Earnings on page 10.

(2) The sum of per-share earnings by quarter may not equal earnings per share for the year due to changes in average share calculations. This is in accordance with prescribed reporting requirements.

(3) Net earnings and basic and diluted earnings per common share in the second quarter include recognition of a gain on the divestiture of certain refractories - related assets of Magnesia Specialties (see Note B: Business Combinations and Divestitures in the consolidated audited financial statements, on pages 16 and 17).

FIVE YEAR SUMMARY

(add 000, except per share)	2001	2000	1999	1998	1997
CONSOLIDATED OPERATING RESULTS					
Net sales	\$1,505,691	\$1,333,000	\$1,258,827	\$1,057,691	\$ 900,863
Freight and delivery revenues	212,359	184,517	175,292	143,805	128,326
Total revenues	1,718,050	1,517,517	1,434,119	1,201,496	1,029,189
Cost of sales, other costs and expenses	1,308,446	1,130,523	1,043,538	861,137	738,093
Freight and delivery costs	212,359	184,517	175,292	143,805	128,326
Cost of operations	1,520,805	1,315,040	1,218,830	1,004,942	866,419
EARNINGS FROM OPERATIONS					
Interest expense on debt	197,245	202,477	215,289	196,554	162,770
Other income and (expenses), net	46,792	41,895	39,411	23,759	16,899
	7,986	8,239	18,435	1,347	5,341
Earnings before taxes on income	158,439	168,821	194,313	174,142	151,212
Taxes on income	53,077	56,794	68,532	58,529	52,683
NET EARNINGS	\$ 105,362	\$ 112,027	\$ 125,781	\$ 115,613	\$ 98,529
BASIC EARNINGS PER COMMON SHARE	\$ 2.20	\$ 2.40	\$ 2.70	\$ 2.49	\$ 2.14
DILUTED EARNINGS PER COMMON SHARE	\$ 2.19	\$ 2.39	\$ 2.68	\$ 2.48	\$ 2.13
CASH DIVIDENDS PER COMMON SHARE	\$ 0.56	\$ 0.54	\$ 0.52	\$ 0.50	\$ 0.48
CONDENSED CONSOLIDATED BALANCE SHEET DATA					
Current deferred income tax benefits	\$ 19,696	\$ 16,750	\$ 21,899	\$ 18,978	\$ 16,873
Current assets - other	476,536	408,251	381,466	350,410	305,139
Property, plant and equipment, net	1,082,189	914,072	846,993	777,528	591,420
Goodwill, net	571,186	374,994	375,327	348,026	148,481
Other intangibles, net	35,782	34,462	31,497	27,952	26,415
Other noncurrent assets	39,191	92,910	85,392	65,695	17,385
TOTAL	\$2,224,580	\$1,841,439	\$1,742,574	\$1,588,589	\$1,105,713
Current liabilities - other	\$ 187,547	\$ 143,958	\$ 142,974	\$ 136,576	\$ 106,804
Current maturities of long-term debt and commercial paper	4,490	45,155	39,722	15,657	1,431
Long-term debt and commercial paper	797,385	601,580	602,011	602,113	310,675
Pension and postretirement benefits	81,650	84,950	85,839	76,209	63,070
Noncurrent deferred income taxes	102,664	86,563	81,857	75,623	50,008
Other noncurrent liabilities	28,632	15,947	16,165	14,712	11,889
Shareholders' equity	1,022,212	863,286	774,006	667,699	561,836
TOTAL	\$2,224,580	\$1,841,439	\$1,742,574	\$1,588,589	\$1,105,713

SUBSIDIARIES OF MARTIN MARIETTA MATERIALS, INC.
AS OF MARCH 22, 2002

NAME OF SUBSIDIARY -----	PERCENT OWNED -----
Alamo Gulf Coast Railroad Company, a Texas corporation	99.5%(1)
Alamo North Texas Railroad Company	99.5%(2)
American Aggregates Corporation, a Delaware corporation	100%
American Stone Company, a North Carolina corporation	50%(3)
B&B Materials and Hauling, Inc., a Texas corporation	100%(4)
Bahama Rock Limited, a Bahamas corporation	100%
Bayou Mining, Inc., a Louisiana corporation	100%
Central Rock Company, a North Carolina corporation	100%
City Wide Rock & Excavating Co., a Nebraska Corporation	100%
Fredonia Valley Railroad, Inc., a Delaware corporation	100%
Granite Canyon JV, a Wyoming Joint Venture	51%(5)
Harding Street Corporation, a Delaware corporation	100%
J.W. Jones Materials, LLC, a Delaware limited liability company	100%
MAC Acquisitions, Inc., a Delaware corporation	100%
MAC Overseas, Inc., a Delaware corporation	100%(6)

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- (1) Alamo Gulf Coast Railroad Company is owned by Martin Marietta Materials Southwest, Ltd. (99.5%) and certain individuals (0.5%).
- (2) Alamo North Texas Railroad Company is owned by Martin Marietta Materials Southwest, Ltd. (99.5%) and certain individuals (0.5%).
- (3) Central Rock Company, a wholly-owned subsidiary of the Company, owns a 50% interest in American Stone Company.
- (4) B&B Materials and Hauling, Inc. is a wholly-owned subsidiary of Martin Marietta Materials Southwest, Ltd.
- (5) Meridian Granite Company, an indirect wholly-owned subsidiary of the Company, owns a 51% interest in Granite Canyon JV.
- (6) MAC Overseas, Inc. is a wholly-owned subsidiary of MAC Acquisitions, Inc.

Martin Marietta Composites, Inc., a Delaware corporation	100%
Martin Marietta Equipment Company, Inc., a Delaware corporation	100%
Martin Marietta Equipment Leasing, LLC, a Delaware limited liability company	100%
Martin Marietta Exports, Inc., a Barbados corporation	100%
Martin Marietta Magnesia Specialties, LLC, a Delaware limited liability company	100%
Martin Marietta Materials Canada Limited, a Nova Scotia, Canada corporation	100%
Martin Marietta Materials of Louisiana, Inc., a Delaware corporation	100%
Martin Marietta Materials of Missouri, Inc., a Delaware corporation	100%
Martin Marietta Materials Real Estate Investments, Inc., a Delaware corporation	100%
Martin Marietta Materials Southwest, Ltd., a Texas limited partnership	100%(7)
Martin Marietta Materials of Tennessee, Inc., a Delaware corporation	100%
Martin Marietta Technologies Corp., a Delaware corporation	100%
Material Producers, Inc., an Oklahoma corporation	100%(8)
Menefee Crushed Stone Company, a Tennessee corporation	100%(9)
Meridian Aggregates Company, a Limited Partnership, a Delaware limited partnership	98%(10)
Meridian Aggregates Investments, LLC, a Delaware limited liability company	100%(11)
Meridian Granite Company, a Delaware corporation	100%(12)
Meridian Materials Company, a Delaware corporation	100%(13)
Mid-State Construction & Materials, Inc., an Arkansas corporation	100%(14)

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- (7) Martin Marietta Materials Southwest, Ltd. is owned 2% by Southwest I, LLC and 98% by Southwest II, LLC.
- (8) Material Producers, Inc. is a wholly-owned subsidiary of Martin Marietta Materials Southwest, Ltd.
- (9) Menefee Crushed Stone Company is a wholly-owned subsidiary of Martin Marietta Materials of Tennessee.
- (10) Meridian Aggregates Company, a Limited Partnership is owned 98% by Meridian Aggregates Investments, LLC. The remaining 2% is owned by Martin Marietta Materials, Inc.
- (11) Meridian Aggregates Investments, LLC is owned 88.7% by Martin Marietta Materials, Inc. and 11.3% by MAC Overseas, Inc.
- (12) Meridian Granite Company is a wholly-owned subsidiary of Meridian Aggregates Company, a Limited Partnership
- (13) Meridian Materials Company is a wholly-owned subsidiary of Meridian Aggregates Company, a Limited Partnership
- (14) Mid-State Construction & Materials, Inc. is a wholly-owned subsidiary of Martin Marietta Materials of Arkansas, Inc.

Norman Asphalt Co., an Oklahoma corporation	100%(15)
OK Sand & Gravel, LLC, a Delaware limited liability company	99%(16)
Quarry, Inc., a Texas corporation	100%(17)
R&S Sand & Gravel, LLC, a Delaware limited liability company	99%(18)
Rebco Trucking Company, Inc., a Louisiana corporation	100%(19)
Rebel Sand & Gravel Company, Inc., a Louisiana corporation	100%(20)
Redland Development Company, a Texas corporation	100%(21)
Redland Park Development Limited Partnership, a Texas limited partnership	100%(22)
Redland Stone Development Company, a Texas corporation	100%(23)
Red River Leasing Corp., a Delaware corporation	100%(24)
Red River Trucking Company, a Delaware corporation	100%(25)
Rocky Ridge, Inc., a Nevada corporation	100%
Sha-Neva, Inc., a Nevada corporation	100%

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- (15) Norman Asphalt Co. is a wholly-owned subsidiary of Martin Marietta Materials Southwest, Ltd.
- (16) Martin Marietta Materials, Inc. is the manager of and owns a 99% interest in OK Sand & Gravel, LLC.
- (17) Quarry, Inc. is a wholly-owned subsidiary of Martin Marietta Materials Southwest, Ltd.
- (18) Martin Marietta Materials, Inc. is the manager of and owns a 99% interest in R&S Sand & Gravel, Inc.
- (19) Rebco Trucking Company, Inc. is a wholly-owned subsidiary of Meridian Aggregates Company, a Limited Partnership.
- (20) Rebel Sand & Gravel Company, Inc. is a wholly-owned subsidiary of Meridian Aggregates Company, a Limited Partnership.
- (21) Redland Development Company is a wholly-owned subsidiary of Martin Marietta Materials Southwest, Ltd.
- (22) Redland Park Development Limited Partnership is owned 100% by Martin Marietta Materials Southwest, Ltd. directly and through its subsidiaries.
- (23) Redland Stone Development Company is a wholly-owned subsidiary of Martin Marietta Materials Southwest, Ltd.
- (24) Red River Leasing Corp. is a wholly-owned subsidiary of Meridian Aggregates Company, a Limited Partnership.
- (25) Red River Trucking Company is a wholly-owned subsidiary of Meridian Aggregates Company, a Limited Partnership.

Southwest I, LLC, a Delaware limited liability company	100%
Southwest II, LLC, a Delaware limited liability company	100%
Superior Stone Company, a North Carolina corporation	100%
Theodore Holding, LLC, a Delaware limited liability company	60.7%(26)
Valley Stone LLC, a Virginia limited liability company	50%(27)

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(26) Superior Stone Company, a wholly-owned subsidiary of the Company, is the manager of and owns a 60.7% interest in Theodore Holding, LLC.

(27) Martin Marietta Materials, Inc. is the manager of and owns a 50% interest in Valley Stone LLC.

CONSENT OF ERNST & YOUNG LLP, INDEPENDENT AUDITORS

We consent to the incorporation by reference in this Annual Report (Form 10-K) of Martin Marietta Materials, Inc., of our report dated January 28, 2002, included in the 2001 Annual Report to Shareholders of Martin Marietta Materials, Inc. and subsidiaries.

Our audit also included the financial statement schedule of Martin Marietta Materials, Inc. and subsidiaries listed in Item 14(a). This schedule is the responsibility of the Corporation's management. Our responsibility is to express an opinion based on our audits. In our opinion, the financial statement schedule referred to above, when considered in relation to the basic financial statements taken as a whole, presents fairly in all material respects the information set forth therein.

We also consent to the incorporation by reference in the Registration Statement (Form S-8 No. 33-83516) pertaining to the Martin Marietta Materials, Inc. Omnibus Securities Award Plan, as amended; in the Registration Statement (Form S-8 No. 333-15429) pertaining to the Martin Marietta Materials, Inc. Common Stock Purchase Plan for Directors, Martin Marietta Materials, Inc. Performance Sharing Plan and the Martin Marietta Materials, Inc. Savings and Investment Plan for Hourly Employees; in the Registration Statement (Form S-8 No. 333-79039) pertaining to the Martin Marietta Materials, Inc. Stock-Based Award Plan, as amended; and in the Registration Statement (Form S-8 No. 333-37886) pertaining to the Martin Marietta Materials, Inc. Southwest Division 401(k) Plan, of our report dated January 28, 2002, with respect to the consolidated financial statements incorporated herein by reference, and our report included in the preceding paragraph with respect to the financial statement schedule included in this Annual Report (Form 10-K) of Martin Marietta Materials, Inc., for the year ended December 31, 2001.

ERNST & YOUNG LLP

Raleigh, North Carolina
March 26, 2002