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UNITED STATES 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**

For the fiscal year ended December 31, 2005

OR

o **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

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)

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

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 if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act.
Yes ☑ No o

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Exchange Act.
Yes o No ☑

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 o

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 this Form 10-K or any amendment to this Form 10-K. ☑

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer. See definition of "accelerated filer and large accelerated filer" in Rule 12b-2 of the Exchange Act.
Large accelerated filer ☑ Accelerated filer o Non-accelerated filer o

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).
Yes o No ☑

As of June 30, 2005, the aggregate market value of the registrant's common stock held by non-affiliates of the registrant was $1,927,214,346.24 based on the closing sale price as reported on the New York Stock Exchange.

Indicate the number of shares outstanding of each of the issuer's classes of common stock on the latest practicable date.

Class	Outstanding at February 21, 2006
Common Stock, $.01 par value per share	**45,771,571 shares**

DOCUMENTS INCORPORATED BY REFERENCE

Document	Parts Into Which Incorporated

Annual Report to Shareholders for the Fiscal Year Ended December 31, 2005 (Annual Report)	Parts I, II, and IV
Proxy Statement for the Annual Meeting of Shareholders to be held May 23, 2006 (Proxy Statement)	Part III

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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 infrastructure, commercial, and residential. The Company also manufactures and markets magnesia-based chemical products used in industrial, agricultural, and environmental applications, and dolomitic lime sold primarily to the steel industry, and is developing structural composite products for use in a wide variety of industries. In 2005, the Company’s Aggregates segment accounted for 93% of the Company’s total net sales, and the Company’s Specialty Products segment accounted for 7% of the Company’s total net sales.

The Company was formed in 1993 as a North Carolina corporation to serve as successor to the operations of the materials group of the organization that is now Lockheed Martin Corporation. An initial public offering of a portion of the Company’s Common Stock was completed in 1994, followed by a tax-free exchange transaction in 1996 that resulted in 100% of the Company’s Common Stock being publicly traded.

Initially, the Company’s operations were predominantly in the Southeast, with additional operations in the Midwest. In 1995, the Company started its geographic expansion with the purchase of an aggregates business that included an extensive waterborne distribution system along the East and Gulf Coasts and the Mississippi River. Smaller acquisitions that year, including the acquisition of the Company’s granite operations on the Strait of Canso in Nova Scotia, complemented the Company’s new coastal distribution network.

Subsequent acquisitions in 1997 and 1998 expanded the Company’s aggregates business in the middle of the country and added a leading producer of aggregates products in Texas, providing the Company with access to an extensive rail network in Texas. These two transactions set the stage for numerous additional expansion acquisitions in Ohio, Indiana, and the Southwest, with the Company completing 29 smaller acquisitions between 1997 and 1999, which allowed the Company to enhance and expand its presence in the aggregates marketplace.

In 1998, the Company made an initial investment in an aggregates business that would later serve as the Company’s platform for further expansion in the southwestern and western United States. In 2001, the Company completed the purchase of all of the remaining interests of this business, which increased its ability to use rail as a mode of transportation.

Effective January 1, 2005, the Company formed a joint venture with Hunt Midwest Enterprises to operate substantially all of the aggregates facilities of both companies in Kansas City and surrounding areas. The joint venture was formed by the parties contributing a total of 15 active quarry operations with production of approximately 7.5 million tons annually.

Between 2002 and 2005 the Company sold a number of underperforming operations, including aggregates, asphalt, ready mixed concrete, trucking, and road paving operations of its Aggregates segment and the refractories business of its Magnesia Specialties business. In 2005, the Company divested underperforming facilities involved with its asphalt and road paving operations in Arkansas and Texas and shut down underperforming aggregates facilities in North Carolina and Ohio. In some of its divestitures, the Company concurrently enters into supply agreements to provide aggregates at market rates to certain of these divested businesses. The Company will continue to evaluate opportunities to divest underperforming assets during 2006 in an effort to redeploy capital for other opportunities.

Business Segment Information

The Company operates in two reportable business segments: Aggregates and Specialty Products. The Specialty Products segment includes the Magnesia Specialties business and the Structural Composite Products business. Information concerning the Company's total revenues, net sales, earnings from operations, assets employed, and certain additional information attributable to each reportable industry segment for each year in the three-year period ended December 31, 2005 is included in "Note O: Business Segments" of the "Notes to Financial Statements" on pages 33 and 34 of the Company's 2005 Annual Report to Shareholders (the "2005 Annual Report"), which information is incorporated herein by reference.

Aggregates

The Company's Aggregates segment processes and sells granite, limestone, sand, gravel, and other aggregates products for use in all sectors of the public infrastructure, commercial, and residential construction industries. The Aggregates segment also includes the operation of its other construction materials businesses. These businesses, acquired through continued selective vertical integration by the Company, include primarily asphalt, ready mixed concrete, and road paving operations.

The Company is the United States' second largest producer of aggregates. In 2005, the Company's Aggregates segment shipped 203.2 million tons of aggregates primarily to customers in 31 states, Canada, the Bahamas, and the Caribbean Islands, generating net sales and earnings from operations of $1.6 billion and $299.2 million, respectively.

The Aggregates segment markets its products primarily to the construction industry, with approximately 45% 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, demographic and population shifts, and changes in the level of infrastructure spending funded by the public sector. The Company's Aggregates business covers a wide geographic area, with aggregates, asphalt products, and ready mixed concrete sold and shipped from a network of approximately 325 quarries, distribution facilities, and plants in 28 states, Canada, the Bahamas, and the Caribbean Islands, although the Company's five largest revenue-generating states (Texas, North Carolina, Georgia, Iowa, and Florida) account for approximately 55% of total 2005 net sales by state of destination. The Company's business is accordingly affected by the

economies in these regions and has been adversely affected in part by recessions and weaknesses in these economies from time to time.

The Company's aggregates business is also highly seasonal, due primarily to the effect of weather conditions on construction activity within its markets. The Aggregates segment's operations that are concentrated in the northern region of the United States and Canada experience more severe winter weather conditions than the segment's operations in the Southeast and Southwest. Due to these factors, the Company's second and third quarters are 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 segment's operations in the southeastern and Gulf Coast regions of the United States and the Bahamas are at risk for hurricane activity and have experienced weather-related losses in recent years. During 2005, aggregates shipments in the Company's southeastern and Gulf Coast markets were adversely affected by Hurricanes Katrina and Rita and several other storms during the 2005 record-setting hurricane season.

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 river barge and ocean vessel network, where the per mile unit cost of transporting aggregates is much lower. In addition, 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 74% by truck, 16% by rail, and 10% by water in 2005. The Company has an extensive network of aggregates quarries and distribution centers along the Mississippi River system throughout the central and southern United States and in the Bahamas and Canada, 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 Ohio River system, and a Canadian quarry on the Strait of Canso in Nova Scotia. In addition, the Company's acquisitions have expanded its ability to ship by rail. Accordingly, the Company has enhanced its reach through its ability to provide cost-effective coverage of coastal markets on the east and gulf coasts, as well as geographic areas which can be accessed economically by the Company's expanded distribution system. In 2002 and 2004, the Company completed major projects to modernize and expand the plant capacity at its Bahamas and Nova Scotia locations, respectively, which provided the opportunity for the Company to capture future potential market growth and reduce costs (although there can be no assurance of such growth and cost reductions). In 2005 the Company began a major project to modernize and expand the plant capacity at its Three Rivers location, which, when completed in 2006, will allow the consolidation of the Company's two large quarries on the Ohio River system.

As the Company continues to move more aggregates by rail and water, embedded freight costs have consequently reduced 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 Company's expansion of its rail-based distribution network, coupled with the extensive use of rail service in the Southwest and Southeast, increases the Company's dependence on and exposure to railroad performance, including track congestion, crew availability, and power availability, and the ability to renegotiate favorable railroad shipping contracts. The waterborne distribution network also increases the Company's exposure to certain risks, including the ability to negotiate favorable shipping contracts, demurrage costs, fuel costs, barge or ship availability, and weather disruptions.

The Company experienced rail transportation shortages in Texas and parts of the Southeast in 2004 and, to a lesser extent, in 2005. These shortages resulted from the downsizing in personnel and equipment made by certain railroads. In response to these issues, rail transportation providers have focused on increasing the number of cars per unit train under transportation contracts and are generally requiring customers, through the freight rate structure, to accommodate larger unit train movements. A unit train is a freight train moving great tonnages of a single bulk product between two points without intermediate yarding and switching. Certain of the Company's sales yards in the Southwest have the system capabilities to meet the unit train requirement. During 2005, the Company added property and capital improvements to a number of its sales yards in the Southwest in order to better accommodate unit train unloadings. The Company also addressed certain of its railcar needs in 2005 by entering into a purchase agreement for the construction of 780 railcars, which the Company is in the process of converting into two master lease agreements.

In 2005, following Hurricanes Katrina and Rita, the Company experienced delays and shortages relating to its transportation of barges along the Mississippi River system. As the Gulf Coast started to recover, the Company's barge traffic improved. By the end of 2005, the Company's barge distribution system substantially resumed normal operations, although the Company continues to experience shortages of barges from time to time.

The Company's management expects the multiple transportation modes that have been developed with various rail carriers and via barges and deepwater ships should provide the Company with the flexibility to effectively serve customers in the Southwest and Southeast.

The Company's management believes the overall long-term trend for the construction aggregates industry continues to be one of consolidation, although the consolidation trend has slowed as the number of suitable acquisition targets shrinks. The Company's Board of Directors and management continue to review and monitor the Company's strategic long-term plans, which include assessing business combinations and arrangements with other companies engaged in similar businesses, increasing market share in the Company's core businesses, and pursuing new opportunities related to the Company's existing markets.

The Company became more vertically integrated with an acquisition in 1998 and subsequent acquisitions, particularly in the Southwest, pursuant to which the Company acquired asphaltic concrete, ready mixed concrete, paving construction, trucking, and other businesses, which establish vertical integration that complement the Company's aggregates business. These vertically integrated operations accounted for approximately 6% of revenues in 2005. These operations have lower gross margins than aggregates products, and are affected by volatile factors, including fuel costs, operating

efficiencies, and weather, to an even greater extent than the Company's aggregates operations. The road paving and trucking businesses were acquired as supplemental operations that were part of larger acquisitions. As such, they do not represent core businesses of the Company. These operations have typically resulted in losses that are insignificant to the Company as a whole. In 2005, the Company continued disposing of some of these operations. The Company continues to review carefully these operations to determine if they represent opportunities to divest underperforming assets in an effort to redeploy capital for other opportunities.

Environmental and zoning regulations have made it increasingly difficult for the 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 segment's raw materials, or aggregates 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 current production in its aggregates segment. The Company's aggregates reserves on the average exceed 50 years of production, based on current levels of activity. However, certain locations may be subject to more limited reserves and may not be able to expand. Moreover, as noted above, environmental and zoning regulations will likely make it harder for the Company to expand its existing quarries or develop new quarry operations.

The Company uses various drilling methods, depending on the type of aggregate, to estimate reserves that are economically mineable. The extent of drilling varies and depends on whether the location is a potential new site (greensite), an existing location, or a potential acquisition. More extensive drilling is performed for potential greensites and acquisitions, and in rare cases the Company may rely on existing geological data or results of prior drilling by third parties. Subsequent to drilling, selected core samples are tested for soundness, abrasion resistance, and other physical properties relevant to the aggregates industry. If the reserves meet the Company's standards and are economically mineable, then they are either leased or purchased.

The Company estimates proven and probable reserves based on the results of drilling. Proven reserves are reserves of deposits designated using closely spaced drill data, and based on that data the reserves are believed to be relatively homogenous. Proven reserves have a certainty of 85% to 90%. Probable reserves are reserves that are inferred utilizing fewer drill holes and/or assumptions about the economically mineable reserves based on local geology or drill results from adjacent properties. The degree of certainty for probable reserves is 70% to 75%. In determining the amount of reserves, the Company's policy is to not include calculations that exceed certain depths, so for deposits, such as granite, that typically continue to depths well below the ground, there may be additional deposits that are not included in the reserve calculation. The Company also deducts loss factors, such as property boundaries and plant configurations, as deemed appropriate when estimating reserves. For additional information on the Company's assessment of reserves, see "Management's Discussion and Analysis of Financial Condition and Results of Operations — Application of Critical Accounting Policies — Property, Plant and Equipment" on pages 64 and 65 of the 2005 Annual Report for discussion of reserves evaluation by the Company.

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.

Less than 1% of the Aggregates segment's revenues are from foreign jurisdictions, principally Canada and the Bahamas, with revenues from customers in foreign countries totaling $16.4 million, $15.4 million, and $14.6 million during 2005, 2004, and 2003, respectively.

Specialty Products

The Company's Specialty Products segment consists of the Magnesia Specialties business and the Structural Composite Products business.

Magnesia Specialties Business. The Company manufactures and markets, through Magnesia Specialties, dolomitic lime and magnesia-based chemicals products for industrial, agricultural, and environmental uses. Given the high fixed costs associated with the operations of this business, excess capacity negatively affects its results of operations. A significant portion of the costs related to the production of dolomitic lime and magnesia-based products is of a fixed or semi-fixed nature. In addition, the production of dolomitic lime and certain magnesia-based products requires the use of natural gas, coal, and petroleum coke to fuel kilns. Year-over-year increases in natural gas and other fuel prices directly affect operating results.

Magnesia Specialties' dolomitic lime products are sold primarily to the steel industry. Accordingly, the profitability of the Magnesia Specialties business is dependent on steel production capacity utilization and the related marketplace. Magnesia Specialties' products used in the steel industry accounted for approximately 48% of the revenues of the business in 2005, attributable primarily to the sale of dolomitic lime products. However, Magnesia Specialties' management has shifted the strategic focus of its magnesia-based business to specialty chemicals that can be produced at volume levels that support efficient operations. Moreover, in 2005, the chemicals group portion of the Magnesia Specialties business continued to diversify in chemicals used as flame retardants, in wastewater treatment, in pulp and paper production, and in other environmental applications, and that business is not as dependent on the steel industry as is the dolomitic lime portion of the Magnesia Specialties business.

The principal raw materials used in Magnesia Specialties' products are dolomitic limestone and alkali-rich brine. Management believes that its reserves of dolomitic limestone and brine are sufficient to permit production at the current operational levels for the foreseeable future.

After the brine is used in the production process, the Magnesia Specialties business must dispose of the processed brine. In the past, the business did this by reinjecting the processed brine back into its underground brine reserve network around its facility in Manistee, Michigan. The business has also sold a portion of this processed brine to third parties. In 2003, Magnesia Specialties entered into a long-term processed brine supply agreement with The Dow Chemical Company ("Dow") pursuant to which Dow purchases processed brine from Magnesia Specialties, at market rates, for use in Dow's production of calcium chloride products. Magnesia Specialties also entered into a

venture with Dow to construct, own, and operate a processed brine supply pipeline between the Magnesia Specialties facility in Manistee, Michigan, and Dow's facility in Ludington, Michigan. Construction of such pipeline was completed in 2003, and Dow began purchasing processed brine from Magnesia Specialties through the pipeline.

Magnesia Specialties generally delivers its products upon receipt of orders or requests from customers. Accordingly, there is no significant backlog information. Inventory for the Magnesia Specialties products is generally maintained in sufficient quantities to meet rapid delivery requirements of customers.

Approximately 17% of the revenues of the Magnesia Specialties business are from foreign jurisdictions, principally Canada, Mexico, Europe, South America, and the Pacific Rim, but no single country accounts for 10% or more of the revenues of the business. Revenues from customers in foreign countries totaled $19.6 million, $16.1 million, and $12.5 million 2005, 2004, and 2003, respectively. As a result of these foreign revenues, the financial results of the Magnesia Specialties business could be affected by changes in foreign currency exchange rates or weak economic conditions in the foreign markets. To mitigate the short-term effects of changes in currency exchange rates, the Magnesia Specialties business principally uses the U.S. dollar as the functional currency in foreign transactions.

Structural Composite Products Business. The Company manufactures and markets, through Martin Marietta Composites ("MMC"), structural composite products for use in a wide variety of industries. Pursuant to various agreements, MMC has rights to commercialize certain proprietary technologies related to the Company's business. One of the agreements gives MMC the opportunity to pursue the use of certain fiber-reinforced polymer composites technologies 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. MMC continued its research and product development activities during 2005 on these structural composites technologies and initiated or continued manufacturing and marketing of selected products.

MMC is targeting several industries and the military for its fiber-reinforced polymer composite materials: infrastructure, which includes pedestrian and vehicular bridge decks; transportation, which includes specialty trucks, railcar components, and truck and trailer components; construction, which includes wall panels, temporary structures, and industrial mats; and military, which includes ballistic absorption panels, including orders received for approximately $9 million. MMC has completed 30 successful installations of bridge decks in 13 states and 2 foreign countries utilizing these composite materials technologies. MMC has a licensing agreement with a third party relating to a proprietary composite sandwich technology, which MMC expects will play an important role in the product line related to flat panel applications. In connection with this agreement, MMC is obligated to complete the purchase of an additional flat panel machine in 2006.

MMC intends to continue to ramp up its Structural Composite Products business during 2006. Product trials and commercialization continue to be the near-term focus of MMC. Improved performance in 2006 is essential to continued investment in this business. MMC will continue to evaluate a variety of military and commercial uses for composite materials. There can be no assurance that these technologies will become profitable.

Patents and Trademarks

As of February 21, 2006, the Company owns, has the right to use, or has pending applications for approximately 92 patents pending or granted by the United States and various countries and approximately 60 trademarks related to 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 in the Aggregates segment 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 3,900 companies in the United States that produce aggregates. The largest five producers account for approximately 27% of the total market. The Company in its Aggregates segment 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 have 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 business of the Company's Specialty Products segment competes with various companies in different geographic and product areas principally on the basis of quality, price, and technical support for its products. The Magnesia Specialties business also competes for sales to customers located outside the United States, with revenues from foreign jurisdictions accounting for approximately 13% of revenues for the Magnesia Specialties business in 2005, principally in Canada, Mexico, Europe, South America, and the Pacific Rim. Certain of the Company's competitors in the Magnesia Specialties business have greater financial resources than the Company.

The Structural Composite Products business of the Company's Specialty Products segment is a start-up business that competes or will compete with various companies in different geographic and product areas principally on the basis of technological advances, quality, price, and technical support.

The Structural Composite Products business competes or will compete for sales to customers located outside the United States. Certain of the Company's competitors in the Structural Composite Products business have greater financial resources than the Company.

Research and Development

The Company conducts research and development activities principally for its Magnesia Specialties business, at its plant in Manistee, Michigan, and for its Structural Composite Products business, at its headquarters in Raleigh, North Carolina, and its plant in Sparta, North Carolina. In general, the Company's research and development efforts in 2005 were directed to applied technological development for the use of its chemicals products and for its proprietary technologies, including composite materials. The Company spent approximately $0.7 million in 2005, $0.9 million in 2004, and $0.6 million in 2003 on research and development activities.

Environmental and Governmental 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 records an accrual for environmental remediation liabilities in the period in which it is probable that a liability has been incurred and the amounts can be reasonably estimated. Such accruals are adjusted as further information develops or circumstances change. The accruals are not discounted to their present value or offset for potential insurance or other claims or potential gains from future alternative uses for a site.

The Company regularly monitors and reviews its operations, procedures, and policies for compliance with existing laws and regulations, changes in interpretations of existing laws and enforcement policies, new laws that are adopted, and new laws that the Company anticipates will be adopted that could affect its operations. The Company has a full time staff of environmental engineers and managers that perform these responsibilities. The direct costs of ongoing environmental compliance were $3.5 million in 2005 and $5.3 million in 2004 and are related to the Company's environmental staff and ongoing monitoring costs for various matters (including those matters disclosed in this Annual Report on Form 10-K). Capitalized costs related to environmental control facilities were less than $3 million in 2005 and are expected to be at or below that amount in 2006 and 2007. The Company's capital expenditures for environmental matters were not material to its results of operations or financial condition in 2005 and 2004. 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.

Many of the requirements of the environmental laws are satisfied by procedures that the Company adopts as best business practices in the ordinary course of its operations. For example, plant equipment that is used to crush aggregates products may, as an ordinary course of operations, have an

attached water spray bar that is used to clean the stone. The water spray bar also suffices as a dust control mechanism that complies with applicable environmental laws. The Company does not break out the portion of the cost, depreciation, and other financial information relating to the water spray bar that is only attributable to environmental purposes, as it would be derived from an arbitrary allocation methodology. The incremental portion of such operating costs that is attributable to environmental compliance rather than best operating practices is impractical to quantify. Accordingly, the Company expenses costs in that category when incurred as operating expenses.

The environmental accruals recorded by the Company are based on internal studies of the required remediation costs and estimates of potential costs that arise from time to time under federal, state, and/or local environmental protection laws. Many of these laws and the regulations promulgated under them are complex, and are subject to challenges and new interpretations by regulators and the courts from time to time. In addition, new laws are adopted from time to time. It is often difficult to accurately and fully quantify the costs to comply with new rules until it is determined the type of operations to which they will apply and the manner in which they will be implemented is more accurately defined. This process often takes years to finalize and changes significantly from the time the rules are proposed to the time they are final. The Company typically has several appropriate alternatives available to satisfy compliance requirements, which could range from nominal costs to some alternatives that may be satisfied in conjunction with equipment replacement or expansion that also benefits operating efficiencies or capacities and carry significantly higher costs.

Management believes that its current accrual for environmental costs is reasonable, although those amounts may increase or decrease depending on the impact of applicable rules as they are finalized from time to time and changes in facts and circumstances. The Company believes that any additional costs for ongoing environmental compliance would not have a material adverse effect on the Company’s obligations or financial condition.

With respect to reclamation costs effective January 1, 2003, the Company adopted Statement of Financial Accounting Standards No. 143, *Accounting for Asset Retirement Obligations* (“FAS 143”). See “Note N: Commitments and Contingencies” of the “Notes to Financial Statements” on pages 32 and 33 of the 2005 Annual Report. Under FAS 143, future reclamation costs are estimated using statutory reclamation requirements and management’s experience and knowledge in the industry, and are discounted to their present value using a credit-adjusted, risk-free rate of interest. The future reclamation costs are not offset by potential recoveries. 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 performs activities on an ongoing basis that may reduce the ultimate reclamation obligation. These activities are performed as an integral part of the normal quarrying process. For example, the perimeter and interior walls of an open pit quarry are sloped and benched as they are developed to prevent erosion and provide stabilization. This sloping and benching meets dual objectives — safety regulations required by the Mine Safety and Health Administration for ongoing operations and final reclamation requirements. Therefore, these types of activities are included in normal operating costs and are not a part of the asset retirement obligation. Historically, the Company has not incurred 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.

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 pages 26 and 27 of this Form 10-K and "Note N: Commitments and Contingencies" of the "Notes to Financial Statements" on pages 32 and 33 and "Management's Discussion and Analysis of Financial Condition and Results of Operations — Environmental Regulation and Litigation" on pages 54 and 55 of the 2005 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 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 air quality, water quality, and noise 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 has established policies designed to minimize disturbances to surrounding property owners from its operations.

As is the case with other companies in the same industry, some of the Company's products contain varying amounts of crystalline silica, a mineral commonly called quartz. Excessive, prolonged inhalation of very small-sized particles of crystalline silica has been associated with 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 (MSHA) and the Occupational Safety and Health Administration (OSHA) both listed the development of a crystalline silica standard as one of their priorities in the 2005 regulatory agenda. OSHA identified occupational overexposure to crystalline silica among its top five health priorities and developed a draft regulation in 2003. The issue remains in the prerule status, and OSHA is preparing a detailed risk assessment and plans to complete an external peer review of a draft assessment by April 2006. MSHA lists the development of a respirable crystalline silica standard as a long-term action and is considering several options to reduce miners' exposure to crystalline silica. No deadlines for action have been established by the agency. 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 Clean Air Act Amendments of 1990 required 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 in the targeted industries to install feasible control equipment for certain hazardous air pollutants, thereby significantly reducing air emissions. The Company and other lime manufacturers through the National Lime Association, the leading industry trade association ("NLA"), worked 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 received comments on its proposed technology-based standards for the industry in November 2000, and a proposed rule for the national emission standards for lime manufacturing plants was released on December 20, 2002. The proposed rules favorably addressed many of the issues raised by NLA in the negotiation process. NLA and the Company submitted comments on the proposed rules in February 2003. The EPA published the final rule in the Federal Register on January 5, 2004, and facilities must be in compliance within three years after the date of publication. The Company believes that there are several alternatives for achieving compliance with the new technology-based standard, and that any costs associated with the upgrade and/or replacement of equipment required to comply with the new regulations will 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 operations of the Magnesia Specialties business.

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 source of the release was either from an asphalt plant and associated GDOT testing laboratory 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 submitted a corrective action plan to GDNR for approval on December 9, 2002. GDNR requested additional information which was duly submitted. GDNR approved the plan on June 28, 2005, and the Company is implementing it. 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 former asphalt plant operators are responsible parties for investigation and remediation of groundwater contamination 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 operated a testing laboratory at the site. The two other parties were designated because both entities operated asphalt plants 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. The Company and GDOT submitted a corrective action plan to GDNR for approval on May 20, 2002. GDNR requested additional information in

connection with its consideration of the submitted plan and subsequently approved the plan on July 19, 2004. GDOT filed an amendment to the plan, which was approved on June 28, 2005. GDOT has been proceeding with remediation activities which will occur over a number of years. Under Georgia law, responsible parties are jointly and severally liable, and therefore, the Company is potentially liable for the full cost of funding 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 facility in Manistee, Michigan, facility, there is an underground plume of material originating from adjacent property which formerly was used by Packaging Corporation of America ("PCA") as a part of its operations. Magnesia Specialties 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 ("EPA") on May 2, 1994, pursuant to which PCA's successor, Pactiv Corporation ("Pactiv"), is required to conduct annual monitoring. The EPA has not required remediation of the groundwater contamination. On January 10, 2002, the Michigan Department of Environmental Quality ("MDEQ") issued Notice of Demand letters to Magnesia Specialties, PCA and Pactiv indicating that it believes that Magnesia Specialties' chloride contamination is commingling with the PCA plume which originates upgradient from the Magnesia Specialties property. The MDEQ is concerned about possible effects of these plumes, and designated Magnesia Specialties, PCA and Pactiv as parties responsible for investigation and remediation under Michigan state law. The MDEQ held separate meetings with Magnesia Specialties, PCA, and Pactiv to discuss remediation and reimbursement for past investigation costs totaling approximately $700,000. Magnesia Specialties entered into an Administrative Order with the MDEQ to pay for a portion of MDEQ's past investigation costs and thereby limit its liability for past costs in the amount of $20,000. Michigan law provides that responsible parties are jointly and severally liable, and, therefore, Magnesia Specialties is potentially liable for the full cost of funding future investigative activities 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 most likely will be apportioned and that any such costs attributed to Magnesia Specialties' brine contamination will not have a material adverse effect on the Company's operations or its financial condition, but can 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 operations of the Magnesia Specialties business.

Employees

As of February 21, 2006, the Company has approximately 5,754 employees, of which 4,304 are hourly employees and 1,450 are salaried employees. Included among these employees are 848 hourly employees represented by labor unions (14.7% of the Company's employees). Of such amount, 14.6% of the Company's Aggregates segment's hourly employees are members of a labor union, while 98.2% of the Specialty Products segment's hourly employees are represented by labor unions. The Company's principal union contracts cover employees of the Magnesia Specialties business at the Manistee, Michigan, magnesia-based chemicals plant and the Woodville, Ohio, lime plant. The Manistee collective bargaining agreement expires in August 2007. The Woodville collective

bargaining agreement expires in June 2006. There can be no assurance that a successor agreement will be reached at the Woodville location this year.

Available Information

The Company maintains an Internet address at www.martinmarietta.com. The Company makes available free of charge through its Internet web site its annual report on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K, and amendments to those reports, if any, filed or furnished pursuant to Section 13(a) or 15(d) of the Exchange Act. These reports and any amendments are accessed via the Company's web site through a link with the Electronic Data Gathering, Analysis, and Retrieval ("EDGAR") system maintained by the Securities and Exchange Commission (the "SEC") at www.sec.gov. Accordingly, the Company's referenced reports and any amendments are made available as soon as reasonably practicable after the Company electronically files such material with, or furnishes it to, the SEC, once EDGAR places such material in its database.

The Company has adopted a *Code of Ethics and Standards of Conduct* that applies to all of its directors, officers, and employees. The Company's code of ethics is available on the Company's Internet address at www.martinmarietta.com. The Company intends to disclose on its Internet web site any waivers of or amendments to its code of ethics as it applies to its directors and executive officers.

The Company has adopted a set of *Corporate Governance Guidelines* to address issues of fundamental importance relating to the corporate governance of the Company, including director qualifications and responsibilities, responsibilities of key board committees, director compensation, and similar issues. Each of the Audit Committee, the Management Development and Compensation Committee, and the Nominating and Corporate Governance Committee of the Board of Directors of the Company has adopted a written charter addressing various issues of importance relating to each committee, including the committee's purposes and responsibilities, an annual performance evaluation of each committee, and similar issues. These *Corporate Governance Guidelines*, and the charters of each of these committees, are available on the Company's Internet address at www.martinmarietta.com.

The Company will make paper copies of its filings with the SEC, its *Code of Ethics and Standards of Conduct*, its *Corporate Governance Guidelines*, and the charters of its key committees, available to its shareholders free of charge upon request by writing to: Martin Marietta Materials, Inc., Attn: Corporate Secretary, 2710 Wycliff Road, Raleigh, North Carolina 27607-3033.

The Company's Chief Executive Officer and Chief Financial Officer are required to file with the SEC each quarter and each year certifications regarding the quality of the Company's public disclosure of its financial condition. The annual certifications are included as Exhibits to this Annual Report on Form 10-K. The Company's Chief Executive Officer is also required to certify to the New York Stock Exchange each year that he is not aware of any violation by the Company of the New York Stock Exchange corporate governance listing standards. The filing of these certifications with the SEC and with the New York Stock Exchange is also disclosed in the Company's 2005 Annual Report.

ITEM 1A. RISK FACTORS AND FORWARD-LOOKING STATEMENTS

An investment in our common stock or debt securities involves risks and uncertainties. You should consider the following factors carefully, in addition to the other information contained in this Form 10-K, before deciding to purchase or otherwise trade our securities.

This Form 10-K and other written reports and oral statements made from time to time by the Company contain statements which, to the extent they are not recitations of historical fact, constitute forward-looking statements within the meaning of federal securities law. 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. Investors can identify these statements by the fact that they do not relate only to historic or current facts. The words “anticipate,” “believe,” “estimate,” “expect,” “forecast,” “intend,” “outlook,” “plan,” “project,” “scheduled,” and similar expressions in connection with future events or future operating or financial performance are intended to identify forward-looking statements. Any or all of the Company’s forward-looking statements in this Form 10-K and in other publications may turn out to be wrong.

Statements and assumptions on future revenues, income and cash flows, performance, economic trends, the outcome of litigation, regulatory compliance, and environmental remediation cost estimates are examples of forward-looking statements. Numerous factors, including potentially the risk factors described in this section, could affect our forward-looking statements and actual performance.

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, those set out below. In addition to the risk factors described below, we urge you to read our Management’s Discussion and Analysis of Financial Condition and Results of Operations in our 2005 Annual Report to Shareholders.

Our aggregates business is cyclical and depends on activity within the construction industry.

We sell most of our aggregate products to the construction industry, so our results depend on the strength of the construction industry. Since our business depends on construction spending, which can be cyclical, our profits are sensitive to national, regional, and local economic conditions. Construction spending is affected by economic conditions, changes in interest rates, demographic and population shifts, and changes in construction spending by federal, state, and local governments. If economic conditions change, a recession in the construction industry may occur and affect the demand for our aggregate products. Construction spending can also be disrupted by terrorist activity and armed conflicts.

While our aggregate operations cover a wide geographic area, our earnings depend on the strength of the local economies in which we operate because of the high cost to transport our products relative to their price. If economic conditions and construction spending decline significantly in one or more areas, particularly in our top five revenue-generating states of Texas, North Carolina, Georgia, Iowa and Florida, our profitability will decrease.

***Our aggregates business is seasonal and subject to the weather*.**

The construction aggregates business is conducted outdoors. Seasonal changes and other weather conditions affect our business. Adverse weather conditions, including hurricanes and tropical storms, cold weather, snow, and heavy or sustained rainfall, reduce construction activity and the demand for our products. Adverse weather conditions also increase our costs and reduce our production output as a result of power loss, needed plant and equipment repairs, time required to remove water from flooded operations, and similar events. The construction aggregates business production and shipment levels follow activity in the construction industry, which typically occur in the spring, summer and fall. Because of the weather's effect on the construction industry's activity, the aggregates business production and shipment levels vary by quarter. The second and third quarters are generally the most profitable and the first quarter is generally the least profitable.

Our aggregates business depends on the availability of aggregate products and our ability to mine them economically.

Our challenge is to find aggregate deposits that we can mine economically, with appropriate permits, near growing markets. As communities have grown, they have taken up attractive quarrying locations and have imposed restrictions on mining. We try to meet this challenge by identifying and permitting sites prior to economic expansion, buying more land around our existing quarries to increase our mineral reserves, and developing a distribution network that transports aggregates products by various transportation methods, including rail and water, that allows us to transport our products longer distances than would normally be considered economical.

Our aggregates business is a capital-intensive business.

It is expensive to acquire property and machinery and produce our products. Therefore, we must have access to large amounts of cash to operate our businesses. We believe we have adequate cash to run our businesses. Because the business is capital intensive, a significant portion of our operating costs is fixed in nature. Therefore, our financial results are sensitive to product volume changes.

Our businesses face many competitors.

Our businesses have many competitors, some of whom are bigger and have more resources than we do. Some of our competitors also operate on a worldwide basis. Our results are affected by the number of competitors in a market, the production capacity that a particular market can accommodate, the pricing practices of other competitors, and the entry of new competitors in a market. We also face competition for some of our products from alternative products. For example, our magnesia specialties business may compete with other chemical products that could be used instead of our magnesia-based products.

Our future growth may depend in part on acquiring other businesses in our industry.

We expect to continue to grow, in part, by buying other businesses. While the pace of acquisitions has slowed considerably over the last few years, we will continue to look for strategic businesses to acquire. In the past, we have made acquisitions to strengthen our existing locations,

expand our operations, and enter new geographic markets. We will continue to make selective acquisitions, joint ventures, or other business arrangements we believe will help our company. However, the continued success of our acquisition program will depend on our ability to find and buy other attractive businesses at a reasonable price and our ability to integrate acquired businesses into our existing operations. We cannot assume there will continue to be attractive acquisition opportunities for sale at reasonable prices that we can successfully integrate into our operations.

We may need to pay all or part of the purchase price of any future acquisition with shares of our common stock. We may also use our stock to make strategic investments in other companies to complement and expand our operations. If we use our common stock in this way, the ownership interests of our shareholders will be diluted and the price of our stock may fall. We operate our businesses with the objective of maximizing the long-term shareholder return.

We acquired 62 companies from 1995 through 2002. Some of these acquisitions were more easily integrated into our existing operations and have performed as well or better than we expected, while others have not. We have sold underperforming and other non-strategic assets, particularly lower margin businesses like our asphalt plants in Houston and our road paving business in Shreveport, Louisiana, and Texarkana, Arkansas.

Short supplies and high costs of fuel and energy affect our businesses.

Our businesses require a continued supply of diesel fuel, natural gas, coal, petroleum coke and other energy. The financial results of these businesses have been affected at times by the short supply or high costs of these fuels and energy. While we can contract for some fuels and energy, significant increases in costs or fluctuations in supplies of these items have and may in the future reduce our financial results.

Changes in legal requirements and governmental policies concerning zoning, land use, the environment, and other areas of the law, and litigation relating to these matters, affect our businesses. Our operations expose us to the risk of material environmental liabilities.

Many federal, state, and local laws and regulations relating to zoning, land use, the environment, health, safety, and other regulatory matters govern our operations. We take great pride in our operations and try to remain in strict compliance at all times with all applicable laws and regulations. Despite our extensive compliance efforts, risk of liabilities, particularly environmental liabilities, is inherent in the operation of our businesses, as it is with our competitors. We cannot assume that these liabilities will not negatively affect us in the future.

We are also subject to future events, including changes in existing laws or regulations or enforcement policies, or further investigation or evaluation of the potential health hazards of some of our products or business activities, which may result in additional compliance and other costs. We could be forced to invest in preventive or remedial action, like pollution control facilities, which could be substantial.

Our operations are subject to manufacturing, operating, and handling risks associated with the products we produce and the products we use in our operations, including the related storage and transportation of raw materials, products, hazardous substances, and wastes. We are exposed to

hazards including storage tank leaks, explosions, discharges or releases of hazardous substances, exposure to dust, and the operation of mobile equipment and manufacturing machinery.

These risks can subject us to potentially significant liabilities relating to personal injury or death, or property damage, and may result in civil or criminal penalties, which could hurt our productivity or profitability. For example, from time to time we investigate and remediate environmental contamination relating to our prior or current operations, as well as operations we have acquired from others, and in some cases we have been or could be named as a defendant in litigation brought by governmental agencies or private parties.

We are involved from time to time in litigation and claims arising from our operations. While we do not believe the outcome of pending or threatened litigation will have a material adverse effect on our operations or our financial condition, we cannot assume that an adverse outcome in a pending or future legal action would not negatively affect us.

Labor disputes could disrupt operations of our businesses.

Labor unions represent 14.6% of the hourly employees of our aggregates business and 98.2% of the hourly employees of our specialty products business. Our collective bargaining agreements for employees of our magnesia specialties business at the Woodville, Ohio lime plant and the Manistee, Michigan magnesia chemicals plant expire in June 2006 and August 2007, respectively.

Disputes with our trade unions, or the inability to renew our labor agreements, could lead to strikes or other actions that could disrupt our businesses, raise costs, and reduce revenues and earnings from the affected locations. We believe we have good relations with all of our employees, including our unionized employees.

Delays or interruptions in shipping products of our businesses could affect our operations.

Transportation logistics play an important role in allowing us to supply products to our customers, whether by truck, rail, barge, or ship. Any significant delays, disruptions, or the non-availability of our transportation support system could negatively affect our operations. For example, in 2004 and partially in 2005, we experienced rail transportation shortages in Texas and parts of the Southeast. In 2005, following Hurricanes Katrina and Rita, we experienced significant barge transportation problems along the Mississippi River system.

Our earnings are affected by the application of accounting standards and our critical accounting policies, which involve subjective judgments and estimates by our management. Our estimates and assumptions could be wrong.

The accounting standards we use in preparing our financial statements are often complex and require that we make significant estimates and assumptions in interpreting and applying those standards. We make critical estimates and assumptions involving accounting matters like our treatment of goodwill, our expenses and cash requirements for our pension plans, our estimated income taxes, and how we account for our property, plant and equipment, and inventory. These estimates and assumptions involve matters that are inherently uncertain and require our subjective and complex

judgments. If we used different estimates and assumptions or used different ways to determine these estimates, our financial results could differ.

While we believe our estimates and assumptions are correct, we could be wrong, and our financial results could be different, either higher or lower, if our estimates and assumptions are wrong. We urge you to read about our critical accounting policies in our Management's Discussion and Analysis of Financial Condition and Results of Operations in our 2005 Annual Report to Shareholders.

The adoption of new accounting standards may affect our financial results.

The accounting standards we apply in preparing our financial statements are reviewed by regulatory bodies and are changed from time to time. New or revised accounting standards could change our financial results either positively or negatively. For example, beginning in 2006, we are required under new accounting standards to expense the fair value of stock options we award our management and key employees as part of their compensation. This will result in a reduction in our earnings and will make comparisons between financial periods more difficult. We urge you to read about our accounting changes in Note A of our 2005 financial statements.

We depend on the recruitment and retention of qualified personnel, and our failure to attract and retain such personnel could affect our business.

Our success depends to a significant degree upon the continued services of our key personnel and executive officers. Our prospects depend upon our ability to attract and retain qualified personnel for our operations. Competition for personnel is intense, and we may not be successful in attracting or retaining qualified personnel, which could negatively affect our business.

Our magnesia specialties business depends in part on the steel industry and the supply of reasonably priced fuels.

Our magnesia specialties business sells some of its products to companies in the steel industry. While we have reduced this risk over the last few years, this business is still dependent, in part, on the strength of the highly-cyclical steel industry. The magnesia specialties business also requires significant amounts of natural gas, coal, and petroleum coke and financial results are negatively affected by high fuel prices or shortages.

Our structural composite products business is a start-up business that has not generated any profits since its inception.

Our structural composite products business faces many challenges before it becomes break-even or generates a profit. While it received its first significant orders in 2005, we cannot ensure the future profitability of this business.

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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. Other factors besides those listed may also adversely affect the Company and

may be material to the Company. 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 under the heading "Risk Factors and Forward-Looking Statements" on pages 18-23 of this Form 10-K, the discussion of "Competition" on pages 11 and 12 of this Annual Report on Form 10-K, "Management's Discussion and Analysis of Financial Condition and Results of Operations" on pages 36-71 of the 2005 Annual Report and "Note A: Accounting Policies" and "Note N: Commitments and Contingencies" of the "Notes to Financial Statements" on pages 17-21 and pages 32 and 33, respectively, of the Audited Consolidated Financial Statements included in the 2005 Annual Report.

ITEM 1B. UNRESOLVED STAFF COMMENTS

None.

ITEM 2. PROPERTIES

Aggregates

As of December 31, 2005, the Company processed or shipped aggregates from 310 quarries and distribution yards in 28 states and in Canada and the Bahamas, of which 98 are located on land owned by the Company free of major encumbrances, 62 are on land owned in part and leased in part, 139 are on leased land, and 11 are on facilities neither owned nor leased, where raw materials are removed under an agreement. The Company's aggregates reserves on the average exceed 50 years of production, based on current levels of activity. However, certain locations may be subject to more limited reserves and may not be able to expand. In addition, as of December 31, 2005, the Company processed and shipped ready mixed concrete and/or asphalt products from 15 properties in 3 states, of which 12 are located on land owned by the Company free of major encumbrances, 1 is on land owned in part and leased in part, and 2 are on leased land.

Set forth in the tables below are the Company's estimates of reserves of recoverable aggregates of suitable quality for economic extraction, shown on a state-by-state basis, and the Company's total annual production for the last 3 years, along with the Company's estimate of years of production available, shown on a region-by-region basis. In determining the amount of reserves, the Company's policy is to not include calculations that exceed certain depths, so for deposits, such as granite, that typically continue to depths well below the ground, there may be additional deposits that are not included in the reserves calculations.

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State	Number of Producing Quarries	Tonnage of reserves for each general type of aggregate at 12/31/05 (add 000)		Percentage of aggregate reserves located at an existing quarry, and reserves not located at an existing quarry		Percent of aggregate reserves on land that has not been zoned for quarrying	Percent of reserves owned and percent leased	
	2005	Hard Rock	S & G	At Quarry	Not at Quarry		Owned	Leased
Alabama	8	50,479	12,080	100%		0%	42%	58%
Arkansas	3	307,927	0	73%	27%	0%	25%	75%
California	1	35,755	0	100%	—	0%	30%	70%
Florida	2	132,062	0	100%	—	0%	0%	100%
Georgia	9	724,395	0	84%	16%	0%	62%	38%
Illinois	3	1,293,814	0	72%	28%	0%	9%	91%
Indiana	15	552,463	56,030	90%	10%	15%	43%	57%
Iowa	27	724,867	45,982	99%	1%	1%	13%	87%
Kansas	25	211,683	0	100%	—	0%	35%	65%
Kentucky	3	626,403	0	100%	—	0%	15%	85%
Louisiana	1	0	2,500	100%	—	0%	0%	100%
Maryland	2	100,575	0	100%	—	0%	100%	0%
Minnesota	2	367,532	0	100%	—	0%	84%	16%
Mississippi	2	0	32,139	100%	—	0%	100%	0%
Missouri	10	517,313	0	78%	12%	0%	40%	60%
Nebraska	3	95,070	0	100%	—	0%	24%	76%
Nevada	3	17,307	0	100%	—	0%	0%	100%
North Carolina	42	2,445,628	2,000	86%	14%	3%	68%	32%
Ohio	19	185,367	217,666	72%	28%	3%	97%	3%
Oklahoma	10	540,841	5,685	100%	—	0%	45%	55%
South Carolina	5	332,799	0	100%	—	19%	76%	24%
Tennessee	1	0	14,760	100%	—	0%	0%	100%
Texas	18	1,566,461	194,286	63%	37%	33%	60%	40%
Virginia	4	365,594	0	84%	16%	1%	69%	31%
Washington	4	34,232	0	85%	15%	0%	7%	93%
West Virginia	2	101,139	0	100%	—	0%	20%	80%
Wisconsin	1	4,296	0	100%	—	0%	0%	100%
Wyoming	1	101,317	0	100%	—	0%	0%	100%
U.S. Total	226	11,435,321	583,128			9%	48%	52%
Non-U.S.	2	943,947	0	100%	—	0%	97%	3%
Grand Total	228	12,379,266	583,128	80%	20%	8%	52%	48%

Region	Total Annual Production (in tons) For year ended December 31 (add 000) 2005	2004	2003	Number of years of production available at December 31, 2005
Mideast	70,367	67,986	64,122	75.6
Northwest	35,927	29,824	30,434	60.0
Southeast	51,037	50,242	44,569	56.3
Southwest	42,276	38,811	39,305	61.9
Total	**199,607**	**186,863**	**178,430**	**64.9**

Specialty Products

The Magnesia Specialties business currently operates major manufacturing facilities in Manistee, Michigan, and Woodville, Ohio, and a smaller processing plant in Bridgeport, Connecticut. All of these facilities are owned.

The Structural Composite Products business leases a 185,000 square foot facility in Sparta, North Carolina, which serves as the assembly and manufacturing hub for the Structural Composite Products business of Martin Marietta Composites.

Other Properties

The Company’s principal corporate office, which it owns, is located in Raleigh, North Carolina. The Company owns and leases various administrative offices for its two reportable business segments.

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. During 2005, the principal properties were believed to be utilized at average productive capacities of approximately 80% and were 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.

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The Company was not required to pay any penalties in 2005 for failure to disclose certain “reportable transactions” under Section 6707A of the Internal Revenue Code.

See also “Note N: Commitments and Contingencies” of the “Notes to Financial Statements” on pages 32 and 33 of the 2005 Annual Report and “Management’s Discussion and Analysis of Financial Condition and Results of Operations — Environmental Regulation and Litigation” on pages 54 and 55 of the 2005 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 2005.

EXECUTIVE OFFICERS OF THE REGISTRANT

The following sets forth certain information regarding the executive officers of Martin Marietta Materials, Inc. as of February 21, 2006:

Name	*Age*	*Present Position*	*Year Assumed Present Position*	*Other Positions and Other Business Experience Within the Last Five Years*
Stephen P. Zelnak, Jr.	61	Chairman of the Board of Directors;	1997	
		President and Chief Executive Officer;	1993	
		President of Aggregates Segment;	1993	
		Chairman of Magnesia Specialties Business	2005	
Philip J. Sipling	58	Executive Vice President;	1997	Chairman of Magnesia Specialties Business (1997-2005)
		Executive Vice President of Aggregates Segment	1993	
Daniel G. Shephard	47	Executive Vice President;	2005	Vice President-Business Development and Capital Planning (2002-2005); Senior Vice President (2004-2005); Regional Vice President and General Manager-MidAmerica Region (2003-2005); President of Magnesia Specialties Business (1999-2005); Vice President-Marketing (2002-2004); Vice President and Treasurer (2000-2002)
		Chief Executive Officer of Magnesia Specialties Business	2005	
Roselyn R. Bar	47	Senior Vice President;	2005	Vice President (2001-2005);
		General Counsel;	2001	Deputy General Counsel (2001);
		Corporate Secretary	1997	Associate General Counsel (1998-2001)
Janice K. Henry	54	Senior Vice President;	1998	Chief Financial Officer (1994-2005)
		Treasurer	2002	
Anne H. Lloyd	44	Senior Vice President and Chief Financial Officer;	2005	Vice President and Controller (1998-2005)
		Chief Accounting Officer	1999	

Name	Age	Present Position	Year Assumed Present Position	Other Positions and Other Business Experience Within the Last Five Years
Donald M. Moe	60	Senior Vice President;	2001	Vice President (1999-2001)
		Senior Vice President of Aggregates Segment;	1999	
		President-Mideast Division of Aggregates Segment	1996	
Jonathan T. Stewart	57	Senior Vice President, Human Resources	2001	Vice President, Human Resources (1993-2001)
David S. Watterson	44	Vice President, Marketing;	2006	Vice President, Information Services (1999-2003)
		Vice President and Chief Information Officer	2003	

PART II

ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES

Market Information, Holders, and Dividends

The Company's Common Stock, $.01 par value, 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 72 of the 2005 Annual Report, and that information is incorporated herein by reference. There were approximately 1,024 holders of record of the Company's Common Stock as of February 21, 2006.

Recent Sales of Unregistered Securities

None.

Securities Authorized for Issuance Under Equity Compensation Plans

The information required in response to this subsection of Item 5 is included in Part III, under the heading "Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters," on page 31 of this Form 10-K.

Issuer Purchases of Equity Securities

Period	Total Number of Shares Purchased	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs(1)	Maximum Number of Shares that May Yet be Purchased Under the Plans or Programs
October 1, 2005 — October 31, 2005	0	$ —	0	2,125,198
November 1, 2005 — November 30, 2005	480,000	$ 74.33	480,000	1,645,198
December 1, 2005 — December 31, 2005	540,000	$ 76.00	540,000	1,105,198
Total	1,020,000	$ 75.21	1,020,000	1,105,198

(1) The Company's initial stock repurchase program, which authorized the repurchase of 2.5 million shares of common stock, was announced in a press release dated May 6, 1994, and has been updated as appropriate. The program does not have an expiration date. The Company announced in a press release dated February 22, 2006 that its Board of Directors had authorized the repurchase of an additional 5 million shares of common stock.

ITEM 6. SELECTED FINANCIAL DATA

The information required in response to this Item 6 is included under the caption "Five Year Summary" on page 73 of the 2005 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 36-71 of the 2005 Annual Report, and that information is incorporated herein by reference, except that the information contained under the caption "Management's Discussion and Analysis of Financial Condition and Results of Operations-Outlook 2006" on page 57 of the 2005 Annual Report is not incorporated herein by reference.

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

The information required in response to this Item 7A is included under the caption "Management's Discussion and Analysis of Financial Condition and Results of Operations- Quantitative and Qualitative Disclosures About Market Risk" on pages 69 and 70 of the 2005 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 Statements of Earnings,” “Consolidated Balance Sheets,” “Consolidated Statements of Cash Flows,” “Consolidated Statements 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 13-72 of the 2005 Annual Report, and that information is incorporated herein by reference.

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

None.

ITEM 9A. CONTROLS AND PROCEDURES

As of December 31, 2005, an evaluation was performed under the supervision and with the participation of the Company’s management, including the Chief Executive Officer (“CEO”) and Chief Financial Officer (“CFO”), of the effectiveness of the design and operation of the Company’s disclosure controls and procedures and the Company’s internal control over financial reporting. Based on that evaluation, the Company’s management, including the CEO and CFO, concluded that the Company’s disclosure controls and procedures were effective in ensuring that all material information required to be disclosed is made known to them in a timely manner as of December 31, 2005 and further concluded that the Company’s internal control over financial reporting was effective in providing reasonable assurance regarding the reliability of financial reporting and the preparation of the Company’s financial statements for external purposes in accordance with generally accepted accounting principles as of December 31, 2005.

The Company’s management, including the CEO and CFO, does not expect that the Company’s control system will prevent all error and all fraud. A control system, no matter how well conceived and operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met. Further, the design of a control system must reflect the fact that there are resource constraints, and the benefits of controls must be considered relative to their costs. Because of the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that all control issues and instances of fraud, if any, within the Company have been detected. These inherent limitations include the realities that judgments in decision-making can be faulty and that breakdowns can occur because of simple error or mistake. Additionally, controls can be circumvented by the individual acts of some persons, by collusion of two or more people, or by management override of the control. The design of any system of controls also is based in part upon certain assumptions about the likelihood of future events, and there can be no assurance that any design will succeed in achieving its stated goals under all potential future conditions. Over time, control may become inadequate because of changes in conditions, or the degree of compliance with the policies or procedures may deteriorate. Because of the inherent limitations in a cost-effective control system, misstatements due to error or fraud may occur and not be detected.

The Company’s management has issued its annual report on the Company’s internal control over financial reporting, which included management’s assessment that the Company’s internal control

over financial reporting was effective at December 31, 2005. The Company's independent registered public accounting firm has issued an attestation report agreeing with management's assessment that the Company's internal control over financial reporting was effective at December 31, 2005. Management's report on the Company's internal controls and the related attestation report of the Company's independent registered public accounting firm appear on pages 10 and 11 of the 2005 Annual Report, and those reports are hereby incorporated by reference in this Form 10-K. See also "Management's Discussion and Analysis of Financial Condition and Results of Operations — Internal Control and Accounting and Reporting Risk" on pages 56 and 57 of the 2005 Annual Report.

Included among the Exhibits to this Annual Report on Form 10-K are forms of "Certifications" of the Company's CEO and CFO as required in accordance with Section 302 of the Sarbanes-Oxley Act of 2002 (the "Section 302 Certification"). The Section 302 Certifications refer to this evaluation of the Company's disclosure policies and procedures and internal control over financial reporting. The information in this section should be read in conjunction with the Section 302 Certifications for a more complete understanding of the topics presented.

ITEM 9B. OTHER INFORMATION

None.

PART III

ITEM 10. DIRECTORS AND EXECUTIVE OFFICERS OF THE REGISTRANT

The information concerning directors of the Company, the Audit Committee of the Board of Directors, and the Audit Committee financial expert serving on the Audit Committee, all as required in response to this Item 10, is included under the captions "Corporate Governance Matters" 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, 2005 (the "2006 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, under the heading "Executive Officers of the Registrant," on pages 26 and 27 of this Form 10-K. The information concerning the Company's code of ethics required in response to this Item 10 is included in Part I, under the heading "Available Information," 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," "Corporate Governance Matters," "Report of the Management Development and Compensation Committee on Executive Compensation," "Comparison of Cumulative Total Return, Martin Marietta Materials, Inc., S&P 500, and S&P Materials Indices," and "Compensation Committee Interlocks and Insider Participation in Compensation Decisions" in the Company's 2006 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 AND RELATED STOCKHOLDER MATTERS

The information required in response to this Item 12 is included under the captions "General Information," "Security Ownership of Certain Beneficial Owners and Management," and "Securities Authorized for Issuance Under Equity Compensation Plans" in the Company's 2006 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 in Compensation Decisions" and "Independent Directors" in the Company's 2006 Proxy Statement, and that information is hereby incorporated by reference in this Form 10-K.

ITEM 14. PRINCIPAL ACCOUNTANT FEES AND SERVICES

The information required in response to this Item 14 is included under the caption "Independent Auditors" in the Company's 2006 Proxy Statement, and that information is hereby incorporated by reference in this Form 10-K.

PART IV

ITEM 15. EXHIBITS AND FINANCIAL STATEMENT SCHEDULES

(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 2005 Annual Report, are incorporated by reference into Item 8 on page 30 of this Form 10-K. Page numbers refer to the 2005 Annual Report:

	Page
Consolidated Statements of Earnings— for years ended December 31, 2005, 2004 and 2003	13
Consolidated Balance Sheets— at December 31, 2005 and 2004	14
Consolidated Statements of Cash Flows— for years ended December 31, 2005, 2004 and 2003	15
Consolidated Statements of Shareholders' Equity— Balance at December 31, 2005, 2004 and 2003	16
Notes to Financial Statements—	17-35

(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 15(d). The page numbers refer to this Form 10-K.

Schedule II — Valuation and Qualifying Accounts 35-36

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 registered public accounting firm with respect to the above-referenced financial statements appears on page 12 of the 2005 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 registered public accounting firm are attached as Exhibit 23.01 to this Form 10-K.

(3) Exhibits

The list of Exhibits on the accompanying Index of Exhibits on pages 32-35 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) Index of 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) (Commission File No. 1-12744)
3.02	—	Restated Bylaws of the Company, as amended (incorporated by reference to Exhibit 3.02 to the Martin Marietta Materials, Inc. Annual Report on Form 10-K for the fiscal year ended December 31, 2003) (Commission File No. 1-12744)
4.01	—	Specimen Common Stock Certificate (incorporated by reference to Exhibit 4.01 to the Martin Marietta Materials, Inc. Annual Report on Form 10-K for the fiscal year ended December 31, 2003) (Commission File No. 1-12744)
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) (Commission File No. 1-12744)
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) (Commission File No. 1-12744)
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))

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Exhibit No.		
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. 6.875% 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	—	Amendment No. 1 to the Rights Agreement, dated as of May 3, 2004, between the Company and Wachovia Bank, N.A. (as successor to First Union National Bank of North Carolina) (incorporated by references to Exhibit 10.01 to the Martin Marietta Materials, Inc. Quarterly Report on Form 10-Q for the quarter ended March 31, 2004 (Commission File No. 1012744))
10.03	—	$250,000,000 Five-Year Credit Agreement dated as of June 30, 2005, among Martin Marietta Materials, Inc., the banks parties thereto, and JPMorgan Chase Bank, N.A., as Administrative Agent (incorporated by reference to Exhibit 10.01 to the Martin Marietta Materials, Inc. Form 8-K filed on June 30, 2005) (Commission File No. 1-12744)
10.04	—	Form of Martin Marietta Materials, Inc. Second Amended and Restated Employment Protection Agreement (incorporated by reference to Exhibit 10.05 to the Martin Marietta Materials, Inc. Annual Report on Form 10-K for the fiscal year ended December 31, 2003) (Commission File No. 1-12744)**
10.05	—	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) (Commission File No. 1-12744)**
10.06	—	Amendment No. 1 to the Amended and Restated Martin Marietta Materials, Inc. Common Stock Purchase Plan for Directors (incorporated by reference to Exhibit 10.01 to the Martin Marietta Materials, Inc. Quarterly Report on Form 10-Q for the quarter ended September 30, 2004) (Commission File No. 1-12744)**
10.07	—	Martin Marietta Materials, Inc. Amended and Restated Executive Incentive Plan (incorporated by reference to Exhibit 10.01 to the Martin Marietta Materials, Inc. Quarterly Report on Form 10-Q for the quarter ended June 30, 2003) (Commission File No. 1-12744)**
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) (Commission File No. 1-12744)**

Exhibit No.		
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) (Commission File No. 1-12744)**
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) (Commission File No. 1-12744)**
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) (Commission File No. 1-12744)**
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) (Commission File No. 1-12744)**
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) (Commission File No. 1-12744)**
10.14	—	Amendment No. 6 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, 2003) (Commission File No. 1-12744)**
*10.15	—	Amendment No. 7 to the Martin Marietta Materials, Inc. Incentive Stock Plan**
10.16	—	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) (Commission File No. 1-12744)**
10.17	—	Amendment No. 1 to the 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, 2001) (Commission File No. 1-12744)**
10.18	—	Martin Marietta Materials, Inc. Amended 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) (Commission File No. 1-12744)**
10.19	—	Martin Marietta Materials, Inc. Supplemental Excess Retirement Plan (incorporated by reference to Exhibit 10.16 to the Martin Marietta Materials, Inc. Annual Report on Form 10-K for the fiscal year ending December 31, 1999) (Commission File No. 1-12744)**
10.20	—	Form of Option Award Agreement under the Martin Marietta Materials, Inc. Amended and Restated Stock-Based Award Plan (incorporated by reference to Exhibit 10.01 to the Martin Marietta Materials, Inc. Quarterly Report on Form 10-Q for the quarter ended June 30, 2005) (Commission File No. 1-12744)**
10.21	—	Form of Restricted Stock Unit Agreement under the Martin Marietta Materials, Inc. Amended and Restated Stock-Based Award Plan (incorporated by reference to Exhibit 10.02 to the Martin Marietta Materials, Inc. Quarterly Report on Form 10-Q for the quarter ended June 30, 2005) (Commission File No. 1-12744)**
*12.01	—	Computation of ratio of earnings to fixed charges for the year ended December 31, 2005
*13.01	—	Martin Marietta Materials, Inc. 2005 Annual Report to Shareholders, portions of which are incorporated by reference in this Form 10-K. Those portions of the 2005 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 Registered Public Accounting Firm for Martin Marietta Materials, Inc. and consolidated subsidiaries
*24.01	—	Powers of Attorney (included in this Form 10-K at page 37)

Exhibit No.		
*31.01	—	Certification dated February 21, 2006 of Chief Executive Officer pursuant to Securities and Exchange Act of 1934, rule 13a-14, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
*31.02	—	Certification dated February 21, 2006 of Chief Financial Officer pursuant to Securities and Exchange Act of 1934, rule 13a-14, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
*32.01	—	Certification dated February 21, 2006 of Chief Executive Officer required by 18 U.S.C. 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
*32.02	—	Certification dated February 21, 2006 of Chief Financial Officer required by 18 U.S.C. 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

Other material incorporated by reference:

Martin Marietta Materials, Inc.'s 2006 Proxy Statement filed pursuant to Regulation 14A, portions of which are incorporated by reference in this Form 10-K. Those portions of the 2006 Proxy Statement which are not incorporated by reference shall not be deemed to be "filed" as part of this report.

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* 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

(c) Financial Statement Schedule

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

Col A	Col B	Col C Additions		Col D	Col E
Description	Balance at beginning of period	(1) Charged to costs and expenses	(2) Charged to other accounts describe	Deductions describe	Balance at end of period
			(Amounts in Thousands)		
Year ended December 31, 2005					
Allowance for doubtful accounts	$ 7,242	$ 58		$ 960(a)	$ 6,340
Inventory valuation allowance	5,463	6,638			12,101
Accumulated amortization of intangible assets	29,605	3,964		1,328(b) 2,842(c)	29,399
Year ended December 31, 2004					
Allowance for doubtful accounts and uncollectible notes receivable	$ 5,196	$ 2,103		$ 57(a)	$ 7,242
Inventory valuation allowance	5,990	945		1,393(a) 79(b)	5,463
Accumulated amortization of intangible assets	28,356	4,677		2,119(b) 1,309(c)	29,605

Col A	Col B	Col C		Col D	Col E
		Additions			
Description	Balance at beginning of period	(1) Charged to costs and expenses	(2) Charged to other accounts describe	Deductions describe	Balance at end of period
		(Amounts in Thousands)			
Year ended December 31, 2003					
Allowance for doubtful accounts	$ 8,282	$ 488		$ 3,574(d)	$ 5,196
Inventory valuation allowance	5,659	675		87(a) 191(b) 66(e)	5,990
Accumulated amortization of intangible assets	27,505	5,840		3,556(b) 1,433(c)	28,356

(a) To adjust allowance for change in estimates.

(b) Divestitures.

(c) Write off of fully amortized intangible assets.

(d) Write off of uncollectible accounts against allowance.

(e) Write off of fully reserved inventory.

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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
Senior Vice President, General Counsel
and Corporate Secretary

Dated: February 21, 2006

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.

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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:

Signature	*Title*	*Date*
/s/ Stephen P. Zelnak, Jr. Stephen P. Zelnak, Jr.	Chairman of the Board, President and Chief Executive Officer	February 21, 2006
/s/ Anne H. Lloyd Anne H. Lloyd	Senior Vice President, Chief Financial Officer, and Chief Accounting Officer	February 21, 2006
/s/ Marcus C. Bennett Marcus C. Bennett	Director	February 21, 2006
/s/ Sue W. Cole Sue W. Cole	Director	February 21, 2006
/s/ David G. Maffucci David G. Maffucci	Director	February 21, 2006
/s/ William E. McDonald William E. McDonald	Director	February 21, 2006
/s/ Frank H. Menaker, Jr. Frank H. Menaker, Jr.	Director	February 21, 2006
/s/ Laree E. Perez Laree E. Perez	Director	February 21, 2006

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Signature	*Title*	*Date*
/s/ Dennis L. Rediker Dennis L. Rediker	Director	February 21, 2006
/s/ William B. Sansom William B. Sansom	Director	February 21, 2006
/s/ Richard A. Vinroot Richard A. Vinroot	Director	February 21, 2006

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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) (Commission File No. 1-12744)
3.02	—	Restated Bylaws of the Company, as amended (incorporated by reference to Exhibit 3.02 to the Martin Marietta Materials, Inc. Annual Report on Form 10-K for the fiscal year ended December 31, 2003) (Commission File No. 1-12744)
4.01	—	Specimen Common Stock Certificate (incorporated by reference to Exhibit 4.01 to the Martin Marietta Materials, Inc. Annual Report on Form 10-K for the fiscal year ended December 31, 2003) (Commission File No. 1-12744)
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) (Commission File No. 1-12744)
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) (Commission File No. 1-12744)
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. 6.875% 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	—	Amendment No. 1 to the Rights Agreement, dated as of May 3, 2004, between the Company and Wachovia Bank, N.A. (as successor to First Union National Bank of North Carolina)

Exhibit No.		
		(incorporated by references to Exhibit 10.01 to the Martin Marietta Materials, Inc. Quarterly Report on Form 10-Q for the quarter ended March 31, 2004 (Commission File No. 1012744))
10.03	—	$250,000,000 Five-Year Credit Agreement dated as of June 30, 2005, among Martin Marietta Materials, Inc., the banks parties thereto, and JPMorgan Chase Bank, N.A., as Administrative Agent (incorporated by reference to Exhibit 10.01 to the Martin Marietta Materials, Inc. Form 8-K filed on June 30, 2005) (Commission File No. 1-12744)
10.04	—	Form of Martin Marietta Materials, Inc. Second Amended and Restated Employment Protection Agreement (incorporated by reference to Exhibit 10.05 to the Martin Marietta Materials, Inc. Annual Report on Form 10-K for the fiscal year ended December 31, 2003) (Commission File No. 1-12744)**
10.05	—	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) (Commission File No. 1-12744)**
10.06	—	Amendment No. 1 to the Amended and Restated Martin Marietta Materials, Inc. Common Stock Purchase Plan for Directors (incorporated by reference to Exhibit 10.01 to the Martin Marietta Materials, Inc. Quarterly Report on Form 10-Q for the quarter ended September 30, 2004) (Commission File No. 1-12744)**
10.07	—	Martin Marietta Materials, Inc. Amended and Restated Executive Incentive Plan (incorporated by reference to Exhibit 10.01 to the Martin Marietta Materials, Inc. Quarterly Report on Form 10-Q for the quarter ended June 30, 2003) (Commission File No. 1-12744)**
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) (Commission File No. 1-12744)**
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) (Commission File No. 1-12744)**
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) (Commission File No. 1-12744)**
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) (Commission File No. 1-12744)**
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) (Commission File No. 1-12744)**
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) (Commission File No. 1-12744)**
10.14	—	Amendment No. 6 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, 2003) (Commission File No. 1-12744)**
*10.15	—	Amendment No. 7 to the Martin Marietta Materials, Inc. Incentive Stock Plan**
10.16	—	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) (Commission File No. 1-12744)**

Exhibit No.		
10.17	—	Amendment No. 1 to the 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, 2001) (Commission File No. 1-12744)**
10.18	—	Martin Marietta Materials, Inc. Amended 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) (Commission File No. 1-12744)**
10.19	—	Martin Marietta Materials, Inc. Supplemental Excess Retirement Plan (incorporated by reference to Exhibit 10.16 to the Martin Marietta Materials, Inc. Annual Report on Form 10-K for the fiscal year ending December 31, 1999) (Commission File No. 1-12744)**
10.20	—	Form of Option Award Agreement under the Martin Marietta Materials, Inc. Amended and Restated Stock-Based Award Plan (incorporated by reference to Exhibit 10.01 to the Martin Marietta Materials, Inc. Quarterly Report on Form 10-Q for the quarter ended June 30, 2005) (Commission File No. 1-12744)**
10.21	—	Form of Restricted Stock Unit Agreement under the Martin Marietta Materials, Inc. Amended and Restated Stock-Based Award Plan (incorporated by reference to Exhibit 10.02 to the Martin Marietta Materials, Inc. Quarterly Report on Form 10-Q for the quarter ended June 30, 2005) (Commission File No. 1-12744)**
*12.01	—	Computation of ratio of earnings to fixed charges for the year ended December 31, 2005
*13.01	—	Martin Marietta Materials, Inc. 2005 Annual Report to Shareholders, portions of which are incorporated by reference in this Form 10-K. Those portions of the 2005 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 Registered Public Accounting Firm for Martin Marietta Materials, Inc. and consolidated subsidiaries
*24.01	—	Powers of Attorney (included in this Form 10-K at page 37)
*31.01	—	Certification dated February 21, 2006 of Chief Executive Officer pursuant to Securities and Exchange Act of 1934, rule 13a-14, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
*31.02	—	Certification dated February 21, 2006 of Chief Financial Officer pursuant to Securities and Exchange Act of 1934, rule 13a-14, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
*32.01	—	Certification dated February 21, 2006 of Chief Executive Officer required by 18 U.S.C. 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
*32.02	—	Certification dated February 21, 2006 of Chief Financial Officer required by 18 U.S.C. 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

Other material incorporated by reference:

Martin Marietta Materials, Inc.’s 2006 Proxy Statement filed pursuant to Regulation 14A, portions of which are incorporated by reference in this Form 10-K. Those portions of the 2006 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

EXHIBIT 10.15

AMENDMENT NO. 7 TO
INCENTIVE STOCK PLAN

This Amendment No. 7 to the Martin Marietta Materials, Inc. Incentive Stock Plan, as previously amended (the “Plan”) hereby makes the following amendments, effective as of November 16, 2005.

Section 4.01 of the Plan is amended and restated as follows:

> “4.01 Elective Crediting of Stock Units: Any Eligible Employee may elect to apply up to fifty percent (50%) of his or her Incentive Award for a Plan Year toward the crediting of Stock Units. The election must be (i) made in writing on the participation form approved for use under the Plan, (ii) signed by the Eligible Employee, and (iii) submitted to the Corporation no later than June 30 of the Plan Year for which the Incentive Award is awarded; the election shall be irrevocable after that date. If an Eligible Employee who has made an election under this Section 4.01 for a Plan Year retires or otherwise terminates Employment before the date that Incentive Awards are awarded for that Plan Year, the election shall have no effect.”

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

EXHIBIT 12.01

MARTIN MARIETTA MATERIALS, INC. AND CONSOLIDATED SUBSIDIARIES

COMPUTATION OF RATIO OF EARNINGS TO FIXED CHARGES

For the Year Ended December 31, 2005

EARNINGS:		
Earnings before income taxes	$	268,047
(Earnings) of less than 50%-owned associated companies, net		(1,746)
Interest Expense		42,597
Portion of rents representative of an interest factor		10,740
Adjusted Earnings and Fixed Charges	$	319,638
FIXED CHARGES:		
Interest Expense	$	42,597
Capitalized Interest		3,045
Portion of rents representative of an interest factor		10,740
Total Fixed Charges	$	56,382
Ratio of Earnings to Fixed Charges		5.67

STATEMENT OF FINANCIAL RESPONSIBILITY

Shareholders
Martin Marietta Materials, Inc.

The management of Martin Marietta Materials, Inc., is responsible for the consolidated financial statements, the related financial information contained in this 2005 Annual Report and the establishment and maintenance of adequate internal control over financial reporting. The consolidated balance sheets for Martin Marietta Materials, Inc., at December 31, 2005 and 2004, and the related consolidated statements of earnings, shareholders' equity and cash flows for each of the three years in the period ended December 31, 2005, include amounts based on estimates and judgments and have been prepared in accordance with accounting principles generally accepted in the United States applied on a consistent basis.

A system of internal control over financial reporting is designed to provide reasonable assurance, in a cost-effective manner, that assets are safeguarded, transactions are executed and recorded in accordance with management's authorization, accountability for assets is maintained and financial statements are prepared and presented fairly in accordance with accounting principles generally accepted in the United States. Internal control systems over financial reporting have inherent limitations and may not prevent or detect misstatements. Therefore, even those systems determined to be effective can provide only reasonable assurance with respect to financial statement preparation and presentation.

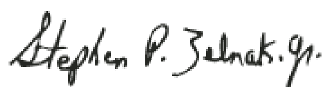
The Corporation operates in an environment that establishes an appropriate system of internal control over financial reporting and ensures that the system is maintained, assessed and monitored on a periodic basis. This internal control system includes examinations by internal audit staff and oversight by the Audit Committee of the Board of Directors.

The Corporation's management recognizes its responsibility to foster a strong ethical climate. Management has issued written policy statements that 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.

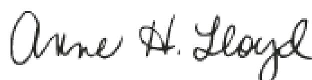
The Audit Committee of the Board of Directors, which consists of five independent, nonemployee directors, meets periodically and separately with management, the independent auditors and the internal auditors to review the activities of each. The Audit Committee meets standards established by the Securities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

Management of Martin Marietta Materials, Inc., assessed the effectiveness of the Corporation's internal control over financial reporting as of December 31, 2005. In making this assessment, management used the criteria set forth in *Internal Control — Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). Based on management's assessment under the framework in *Internal Control — Integrated Framework,* management concluded that the Corporation's internal control over financial reporting was effective as of December 31, 2005.

The consolidated financial statements and management's assertion regarding its assessment of internal control over financial reporting have been audited by Ernst & Young LLP, an independent registered public accounting firm, whose reports appear on the following pages.



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



Anne H. Lloyd
Senior Vice President,
Chief Financial Officer and Chief Accounting Officer

February 21, *2006*

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

Board of Directors and Shareholders
Martin Marietta Materials, Inc.

We have audited management's assessment, included in the accompanying Statement of Financial Responsibility, that Martin Marietta Materials, Inc., maintained effective internal control over financial reporting as of December 31, 2005, based on criteria established in *Internal Control — Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission (the COSO criteria). Martin Marietta Materials, Inc.'s management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting. Our responsibility is to express an opinion on management's assessment and an opinion on the effectiveness of the company's internal control over financial reporting based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, evaluating management's assessment, testing and evaluating the design and operating effectiveness of internal control, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, management's assessment that Martin Marietta Materials, Inc., maintained effective internal control over financial reporting as of December 31, 2005, is fairly stated, in all material respects, based on the COSO criteria. Also, in our opinion, Martin Marietta Materials, Inc., maintained, in all material respects, effective internal control over financial reporting as of December 31, 2005, based on the COSO criteria.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated balance sheets of Martin Marietta Materials, Inc., and subsidiaries as of December 31, 2005 and 2004, and the related consolidated statements of earnings, shareholders' equity and cash flows for each of the three years in the period ended December 31, 2005, of Martin Marietta Materials, Inc., and subsidiaries and our report dated February 21, 2006, expressed an unqualified opinion thereon.

Ernst & Young LLP

Raleigh, North Carolina

February 21, 2006

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

Board of Directors and Shareholders
Martin Marietta Materials, Inc.

We have audited the accompanying consolidated balance sheets of Martin Marietta Materials, Inc., and subsidiaries at December 31, 2005 and 2004, and the related consolidated statements of earnings, shareholders' equity and cash flows for each of the three years in the period ended December 31, 2005. 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 the standards of the Public Company Accounting Oversight Board (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, 2005 and 2004, and the consolidated results of their operations and their cash flows for each of the three years in the period ended December 31, 2005, in conformity with U.S. generally accepted accounting principles.

As discussed in Note N to the consolidated financial statements, in 2003, the Corporation adopted Statement of Financial Accounting Standards No. 143, *Accounting for Asset Retirement Obligations,* and changed its method of accounting for asset retirement obligations.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the effectiveness of Martin Marietta Materials, Inc.'s internal control over financial reporting as of December 31, 2005, based on criteria established in *Internal Control — Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission and our report dated February 21, 2006, expressed an unqualified opinion thereon.

Ernst & Young LLP

Raleigh, North Carolina

February 21, *2006*

CONSOLIDATED STATEMENTS OF EARNINGS *for years ended December 31*

(add 000, except per share)	**2005**	2004	2003
Net Sales	**$1,755,397**	$1,521,403	$1,423,581
Freight and delivery revenues	**248,846**	204,699	203,905
Total revenues	**2,004,243**	1,726,102	1,627,486
Cost of sales	**1,331,572**	1,174,759	1,110,144
Freight and delivery costs	**248,846**	204,699	203,905
Total cost of revenues	**1,580,418**	1,379,458	1,314,049
Gross Profit	**423,825**	346,644	313,437
Selling, general and administrative expenses	**130,704**	127,337	120,360
Research and development	**662**	891	612
Other operating (income) and expenses, net	**(16,248)**	(11,975)	(6,841)
Earnings from Operations	**308,707**	230,391	199,306
Interest expense	**42,597**	42,734	42,587
Other nonoperating (income) and expenses, net	**(1,937)**	(606)	429
Earnings from continuing operations before taxes on income and cumulative effect of change in accounting principle	**268,047**	188,263	156,290
Taxes on income	**72,534**	57,816	46,903
Earnings from Continuing Operations before Cumulative Effect of Change in Accounting Principle	**195,513**	130,447	109,387
Loss on discontinued operations, net of related tax (benefit) expense of $(1,382), $840 and $(4,398), respectively	**(2,847)**	(1,284)	(8,890)
Earnings before Cumulative Effect of Change in Accounting Principle	**192,666**	129,163	100,497
Cumulative effect of change in accounting for asset retirement obligations, net of related tax benefit of $4,498	**—**	—	(6,874)
Net Earnings	**$ 192,666**	$ 129,163	$ 93,623
Net Earnings Per Common Share			
- Basic from continuing operations before cumulative effect of change in accounting principle	**$ 4.20**	$ 2.71	$ 2.23
- Discontinued operations	**(0.06)**	(0.03)	(0.18)
- Basic before cumulative effect of change in accounting principle	**4.14**	2.68	2.05
- Cumulative effect of change in accounting principle	—	—	(0.14)
	$ 4.14	$ 2.68	$ 1.91
- Diluted from continuing operations before cumulative effect of change in accounting principle	**$ 4.14**	$ 2.69	$ 2.23
- Discontinued operations	**(0.06)**	(0.03)	(0.18)
- Diluted before cumulative effect of change in accounting principle	**4.08**	2.66	2.05
- Cumulative effect of change in accounting principle	**—**	—	(0.14)
	$ 4.08	$ 2.66	$ 1.91
Weighted-Average Common Shares Outstanding			
- Basic	**46,540**	48,142	48,905
- Diluted	**47,279**	48,534	49,136
Cash Dividends Per Common Share	**$ 0.86**	$ 0.76	$ 0.69

The notes on pages 17 to 35 are an integral part of these financial statements.

CONSOLIDATED BALANCE SHEETS *at December 31*

Assets *(add 000)*	**2005**	2004
Current Assets:		
Cash and cash equivalents	**$ 76,745**	$ 161,620
Investments	**25,000**	—
Accounts receivable, net	**225,012**	219,589
Inventories, net	**222,728**	209,309
Current portion of notes receivable	**5,081**	4,655
Current deferred income tax benefits	**14,989**	5,750
Other current assets	**32,486**	23,330
Total Current Assets	**602,041**	624,253
Property, plant and equipment, net	**1,166,351**	1,065,215
Goodwill	**569,263**	567,495
Other intangibles, net	**18,744**	18,642
Noncurrent notes receivable	**27,883**	26,501
Other noncurrent assets	**49,034**	53,746
Total Assets	**$2,433,316**	$2,355,852

Liabilities and Shareholders' Equity *(add 000, except parenthetical share data)*		
Current Liabilities:		
Bank overdraft	**$ 7,290**	$ 9,527
Accounts payable	**93,445**	89,949
Accrued salaries, benefits and payroll taxes	**24,199**	22,710
Pension and postretirement benefits	**4,200**	4,199
Accrued insurance and other taxes	**39,582**	35,904
Income taxes	**1,336**	10,697
Current maturities of long-term debt	**863**	970
Other current liabilities	**29,207**	29,857
Total Current Liabilities	**200,122**	203,813
Long-term debt	**709,159**	713,661
Pension, postretirement and postemployment benefits	**98,714**	88,241
Noncurrent deferred income taxes	**149,972**	139,179
Other noncurrent liabilities	**101,664**	57,531
Total Liabilities	**1,259,631**	1,202,425
Shareholders' Equity:		
Common stock ($0.01 par value; 100,000,000 shares authorized; 45,727,000 and 47,306,000 shares outstanding at December 31, 2005 and 2004, respectively)	**457**	472
Preferred stock ($0.01 par value; 10,000,000 shares authorized; no shares outstanding)	**—**	—
Additional paid-in capital	**240,541**	366,626
Accumulated other comprehensive loss	**(15,325)**	(8,970)
Retained earnings	**948,012**	795,299
Total Shareholders' Equity	**1,173,685**	1,153,427
Total Liabilities and Shareholders' Equity	**$2,433,316**	$2,355,852

CONSOLIDATED STATEMENTS OF CASH FLOWS *for years ended December 31*

(add 000)	**2005**	2004	2003
Cash Flows from Operating Activities:			
Net earnings	**$ 192,666**	$ 129,163	$ 93,623
Cumulative effect of change in accounting principle	**—**	—	6,874
Earnings before cumulative effect of change in accounting principle	**192,666**	129,163	100,497
Adjustments to reconcile earnings to cash provided by operating activities:			
Depreciation, depletion and amortization	**138,251**	132,859	139,606
Gains on divestitures and sales of assets	**(10,670)**	(17,126)	(4,399)
Deferred income taxes	**5,711**	38,544	16,651
Excess tax benefits from stock option exercises	**15,337**	1,045	323
Other items, net	**(3,768)**	(3,018)	(622)
Changes in operating assets and liabilities, net of effects of acquisitions and divestitures:			
Accounts receivable, net	**(5,424)**	11,926	(1,887)
Inventories, net	**(10,952)**	786	18,039
Accounts payable	**3,621**	13,374	4,047
Other assets and liabilities, net	**(6,988)**	(40,712)	4,914
Net Cash Provided by Operating Activities	**317,784**	266,841	277,169
Cash Flows from Investing Activities:			
Additions to property, plant and equipment	**(221,401)**	(163,445)	(120,638)
Acquisitions, net	**(4,650)**	(5,567)	(8,618)
Proceeds from divestitures and sales of assets	**37,582**	45,687	29,478
Purchase of investments	**(25,000)**	—	—
Other investing activities, net	**(400)**	—	—
Net Cash Used for Investing Activities	**(213,869)**	(123,325)	(99,778)
Cash Flows from Financing Activities:			
Repayments of long-term debt	**(532)**	(1,065)	(4,156)
Repayments of commercial paper and line of credit, net	**—**	—	(25,713)
Change in bank overdraft	**(2,237)**	(1,737)	(3,538)
Termination of interest rate swaps	**(467)**	—	12,581
Payments on capital leases	**(80)**	—	—
Dividends paid	**(39,953)**	(36,507)	(33,714)
Repurchases of common stock	**(178,787)**	(71,507)	(13,253)
Issuances of common stock	**33,266**	3,787	1,037
Net Cash Used for Financing Activities	**(188,790)**	(107,029)	(66,756)
Net (Decrease) Increase in Cash and Cash Equivalents	**(84,875)**	36,487	110,635
Cash and Cash Equivalents, beginning of year	**161,620**	125,133	14,498
Cash and Cash Equivalents, end of year	**$ 76,745**	$ 161,620	$ 125,133
Supplemental disclosures of cash flow information:			
Cash paid for interest	**$ 46,711**	$ 44,926	$ 46,813
Cash paid for income taxes	**$ 66,106**	$ 13,433	$ 14,832

The notes on pages 17 to 35 are an integral part of these financial statements.

CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY

(add 000)	Shares of Common Stock	Common Stock	Additional Paid-In Capital	Accumulated Other Comprehensive Loss	Retained Earnings	Total Shareholders' Equity
Balance at December 31, 2002	48,842	$ 488	$ 447,153	$ (7,365)	$642,734	$1,083,010
Net earnings	—	—	—	—	93,623	93,623
Minimum pension liability, net of tax	—	—	—	(1,329)	—	(1,329)
Comprehensive earnings						92,294
Dividends declared	—	—	—	—	(33,714)	(33,714)
Issuances of common stock for stock award plans	159	1	3,273	—	—	3,274
Repurchases of common stock	(331)	(3)	(15,014)	—	—	(15,017)
Balance at December 31, 2003	48,670	486	435,412	(8,694)	702,643	1,129,847
Net earnings	—	—	—	—	129,163	129,163
Minimum pension liability, net of tax	—	—	—	(276)	—	(276)
Comprehensive earnings						128,887
Dividends declared	—	—	—	—	(36,507)	(36,507)
Issuances of common stock for stock award plans	158	1	5,923	—	—	5,924
Repurchases of common stock	(1,522)	(15)	(74,709)	—	—	(74,724)
Balance at December 31, 2004	47,306	472	366,626	(8,970)	795,299	1,153,427
Net earnings	**—**	**—**	**—**	**—**	**192,666**	**192,666**
Minimum pension liability, net of tax	**—**	**—**	**—**	**(6,355)**	**—**	**(6,355)**
Comprehensive earnings						**186,311**
Dividends declared	**—**	**—**	**—**	**—**	**(39,953)**	**(39,953)**
Issuances of common stock for stock award plans	**1,079**	**11**	**49,459**	**—**	**—**	**49,470**
Repurchases of common stock	**(2,658)**	**(26)**	**(175,544)**	**—**	**—**	**(175,570)**
Balance at December 31, 2005	**45,727**	**$ 457**	**$ 240,541**	**$ (15,325)**	**$948,012**	**$1,173,685**

The notes on pages 17 to 35 are an integral part of these financial statements.

NOTES TO FINANCIAL STATEMENTS

Note A: Accounting Policies

Organization. Martin Marietta Materials, Inc., (the “Corporation”) is engaged principally in the construction aggregates business. The Corporation’s aggregates products, which include crushed stone, sand and gravel, are used primarily for construction of highways and other infrastructure projects, and in the domestic commercial and residential construction industries. These aggregates products, along with asphalt products and ready mixed concrete, are sold and shipped from a network of 325 quarries, distribution facilities and plants to customers in 31 states, Canada, the Bahamas and the Caribbean Islands. Texas, North Carolina, Georgia, Iowa and Florida account for approximately 55% of total 2005 net sales. In addition, the Corporation has a Specialty Products segment that produces magnesia-based chemicals products used in industrial, agricultural and environmental applications; dolomitic lime sold primarily to customers in the steel industry; and structural composite products used in a wide variety of industries.

Basis of Consolidation. The consolidated financial statements include the accounts of the Corporation and its wholly owned and majority-owned subsidiaries. Partially owned affiliates are either consolidated in accordance with Financial Accounting Standards Board Interpretation No. 46, *Consolidation of Variable Interest Entities,* or 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. Intercompany balances and transactions have been eliminated in consolidation.

The Corporation is a minority member of a limited liability company whereby the majority member is paid a preferred annual return. The Corporation has the ability to redeem the majority member’s interest after the lapse of a specified number of years. The Corporation consolidates the limited liability company in its consolidated financial statements.

Use of Estimates. The preparation of the Corporation’s consolidated 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. Revenues for product sales are recognized when finished products are shipped to unaffiliated customers. Revenues derived from the road paving business are recognized using the percentage completion method. Total revenues include sales of materials and services provided to customers, net of discounts or allowances, if any, and include freight and delivery charges billed to customers.

Cash and Cash Equivalents. Cash equivalents are comprised of highly liquid instruments with original maturities of three months or less from the date of purchase. Additionally, at December 31, 2005 and 2004, cash of $878,000 and $7,520,000, respectively, was held in an unrestricted escrow account on behalf of the Corporation. These cash balances are reported in other noncurrent assets.

Investments. Investments are comprised of variable rate demand notes. These available-for-sale securities are carried at fair value. While the contractual maturity for each of the Corporation’s variable rate demand notes exceeds ten years, these securities represent investments of cash available for current operations. Therefore, in accordance with Statement of Financial Accounting Standards No. 115, *Accounting for Certain Investments in Debt and Equity Securities,* these securities are classified as current assets in the consolidated balance sheet. The Corporation can redeem the investments at their par values prior to the contractual maturities by providing 7-day written notice to the remarketing agent.

Customer Receivables. Customer receivables are stated at cost. The Corporation does not charge interest on customer accounts receivable. The Corporation records an allowance for doubtful accounts, which includes a general reserve based on historical write offs and a specific reserve for accounts greater than $50,000 deemed at risk.

Inventories Valuation. Inventories are stated at the lower of cost or market. Cost for finished products and in process inventories is determined by the first-in, first-out method.

Notes Receivable. Notes receivable are stated at cost. The Corporation records an allowance for notes receivable deemed uncollectible. At December 31, 2005 and 2004, the allowance for uncollectible notes receivable was $795,000 and $737,000, respectively.

Properties and Depreciation. Property, plant and equipment are stated at cost. The estimated service lives for property, plant and equipment are as follow:

Class of Assets	Range of Service Lives
Buildings	1 to 50 years
Machinery & Equipment	1 to 30 years
Land Improvements	2 to 30 years

The Corporation begins capitalizing quarry development costs at a point when reserves are determined to be proven and probable, economically mineable by the Corporation's geological and operational staff and when demand supports investment in the market. Quarry development costs are included in mineral reserves.

Mineral reserves are valued at the present value of royalty payments, using a prevailing market royalty rate that would have been incurred if the Corporation had leased the reserves as opposed to fee-ownership for the life of the reserves, not to exceed twenty years.

Depreciation is computed over estimated service lives, principally by the straight-line method. Depletion of mineral deposits is calculated over proven and probable reserves by the units-of-production method on a quarry-by-quarry basis. Amortization of assets recorded under capital leases is computed using the straight-line method over the lesser of the life of the lease or the assets' useful lives.

Repair and Maintenance Costs. Repair and maintenance costs that do not substantially extend the life of the Corporation's plant 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. The carrying value of goodwill is reviewed annually, as of October 1, for impairment in accordance with the provisions of Statement of Financial Accounting Standards No. 142, *Goodwill and Other Intangible Assets* ("FAS 142"). An interim review is performed between annual tests if facts or circumstances indicate potential impairment. If an impairment review indicates that the carrying value is impaired, a charge is recorded.

The Corporation's reporting units, which represent the level at which goodwill is tested for impairment under FAS 142, are based on its geographic regions. Goodwill is allocated to the reporting units based on the location of acquisitions and divestitures at the time of consummation.

In accordance with FAS 142, leased mineral rights acquired in a business combination that have a royalty rate less than a prevailing market rate are recognized as other intangible assets. The leased mineral rights are valued at the present value of the difference between the market royalty rate and the contractual royalty rate over the lesser of the life of the lease, not to exceed thirty years, or the amount of mineable reserves.

Other intangibles represent amounts assigned principally to contractual agreements and are amortized ratably over periods based on related contractual terms. The carrying value of other intangibles is reviewed if facts and circumstances indicate potential impairment. If this review determines that the carrying value is impaired, a charge is recorded.

Derivatives. The Corporation recognizes derivative instruments at fair value. At December 31, 2005, the Corporation did not hold any derivative instruments. At December 31, 2004, the Corporation's derivatives were interest rate swaps, which represent fair value hedges. The Corporation's objective for holding these derivatives was to balance its exposure to the fixed and variable interest rate markets. In accordance with Statement of Financial Accounting Standards No. 133, *Accounting for Derivative Instruments and Hedging Activities* ("FAS 133"), these hedges were considered perfectly effective, and no net gain or loss was recorded for changes in the fair value of the interest rate swaps or the related debt. Subsequent to these hedges being terminated, the carrying amount of the related debt, including adjustments for changes in the fair value of the related debt while the swaps were in effect, is being accreted back to its par value over the remaining life of the related debt.

Stock-Based Compensation. The Corporation has stock-based compensation plans for employees and directors. The Corporation accounts for those plans under the intrinsic value method prescribed by APB Opinion No. 25, *Accounting for Stock Issued to Employees* ("APB No. 25") and related Interpretations. For options granted under those plans with an exercise price equal to the market value of the stock

on the date of grant, no compensation cost is recognized in net earnings as reported in the consolidated statements of earnings. Compensation cost is recognized in net earnings for awards granted under those plans with an exercise price less than the market value of the underlying common stock on the date of grant. Such costs are recognized ratably over the explicit vesting period under the accelerated expense attribution method. The following table illustrates the effect on net earnings and earnings per share if the Corporation had applied the fair value recognition provisions of Statement of Financial Accounting Standards No. 123, *Accounting for Stock-Based Compensation* ("FAS 123"):

years ended December 31 (add 000, except per share)	**2005**	2004	2003
Net earnings, as reported	**$192,666**	$129,163	$93,623
Add: Stock-based compensation expense included in reported net earnings, net of related tax effects	**2,147**	1,244	1,396
Deduct: Stock-based compensation expense determined under fair value for all awards, net of related tax effects	**(5,525)**	(5,185)	(5,847)
Pro forma net earnings	**$189,288**	$125,222	$89,172
Earnings per share:			
Basic-as reported	**$ 4.14**	$ 2.68	$ 1.91
Basic-pro forma	**$ 4.07**	$ 2.60	$ 1.82
Diluted-as reported	**$ 4.08**	$ 2.66	$ 1.91
Diluted-pro forma	**$ 4.00**	$ 2.58	$ 1.81

In 2004, the Corporation changed the model used for valuing stock options granted under the Corporation's stock-based compensation plans. The fair value of the 2005 and 2004 option awards was determined using a lattice valuation model as opposed to the Black-Scholes valuation model used in 2003 and prior years. The lattice model takes into account employees' exercise patterns based on changes in the Corporation's stock price and other variables and is considered to result in a better valuation of employee stock options. The Corporation assumed normative exercise rates for 2005 options. The Corporation assumed that all participants would exercise their vested options once the options reach 150% of their exercise price or at termination, retirement or death, if earlier, for 2004 options. Other key assumptions used in determining the fair value of the stock options awarded in 2005 and 2004 were:

	2005	2004
Risk-free interest rate	**3.80%**	4.00%
Dividend yield	**1.60%**	1.68%
Volatility factor	**30.80%**	26.10%

For stock options granted in 2003, the fair value was estimated as of the date of grant using a Black-Scholes valuation model with the following weighted-average assumptions: risk-free interest rate of 4.00%; dividend yield of 1.60%; volatility factor of 26.40%; and expected life of 7 years.

Based on the assumptions, the weighted-average fair value of each stock option granted was $18.72, $11.00 and $11.47 for 2005, 2004 and 2003, respectively.

Environmental Matters. The Corporation accounts for asset retirement obligations in accordance with Statement of Financial Accounting Standards No. 143, *Accounting for Asset Retirement Obligations* ("FAS 143") and related Interpretations. In accordance with FAS 143, a liability for an asset retirement obligation is recorded at fair value in the period in which it is incurred. 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.

Further, the Corporation records an accrual for other environmental remediation liabilities in the period in which it is probable that a liability has been incurred and the appropriate amounts can be estimated reasonably. Such accruals are adjusted as further information develops or circumstances change. These costs are not discounted to their present value or offset for potential insurance or other claims or potential gains from future alternative uses for a site.

Income Taxes. Deferred income tax assets and liabilities on the consolidated balance sheets 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, net of valuation allowances.

Research and Development Costs. Research and development costs are charged to operations as incurred.

Start-Up Costs. Preoperating costs and noncapital start-up costs for new facilities and products are charged to operations as incurred.

Comprehensive Earnings. Comprehensive earnings for the Corporation consist of net earnings and, in 2005, 2004 and 2003, respectively, $6,355,000, $276,000 and $1,329,000 for the increase in the minimum pension liability, which is net of income tax benefits of $4,157,000, $181,000 and $870,000, respectively.

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 is increased by the conversion, using the treasury stock method, of 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 net earnings 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)	**2005**	2004	2003
Basic Earnings per Common Share:			
Weighted-average number of shares	**46,540**	48,142	48,905
Effect of Dilutive Securities:			
Employee and Director awards	**739**	392	231
Diluted Earnings per Common Share:			
Weighted-average number of shares and assumed conversions	**47,279**	48,534	49,136

Accounting Changes. In December 2004, the Financial Accounting Standards Board ("FASB") issued Statement of Financial Accounting Standards No. 123 (revised 2004), *Share-Based Payment* ("FAS 123(R)"), which is a revision of FAS 123.
FAS 123(R) supersedes APB No. 25, amends Statement of Financial Accounting Standards No. 95, *Statement of Cash Flows,* and requires all forms of share-based payments to employees, including employee stock options, to be recognized as compensation expense. The compensation expense of the awards is measured at fair value at the grant date. FAS 123(R) requires compensation cost to be recognized over the requisite service period for all awards granted subsequent to adoption. Compensation cost is recognized over the explicit vesting period for all unvested awards as of January 1, 2006, with acceleration for any remaining unrecognized compensation cost when an employee actually retires.

FAS 123(R) was effective January 1,2006 for the Corporation. The Corporation adopted the provisions of FAS 123(R) using the modified prospective transition method, which recognizes stock option awards as compensation expense for unvested awards as of January 1, 2006 and awards subsequent to that date. The 2006 impact of the adoption of FAS 123(R) on the Corporation's results of operations will depend on the market price of the Corporation's common stock at the date of grant and the levels of share-based payments granted in 2006. Further, the potential impact will also depend on the pool of additional paid-in-capital ("APIC") credits available to offset any write offs of deferred tax assets established pursuant to FAS 123(R). Deferred tax assets will be written off when the Corporation's tax deduction related to the exercise of stock options is less than the related compensation cost recognized for financial reporting purposes. Write offs of deferred tax assets are recorded against the pool of APIC credits to the extent available, and any remainder is recorded as tax expense in the current period. The Corporation's pool of APIC credits is approximately $8,000,000 to $10,000,000 at January 1, 2006. If the Corporation had adopted FAS 123(R) in prior periods, net earnings would have been reduced by approximately $3,400,000, $3,900,000 and $4,500,000 in 2005, 2004 and 2003, respectively (see Note A - Stock-Based Compensation).

In March 2005, the FASB ratified Emerging Issues Task Force Issue 04-06, *Accounting for Stripping Costs in the Mining Industry* ("EITF 04-06"). EITF 04-06 clarifies that post-production stripping costs, which represent costs of removing overburden and waste materials to access mineral deposits, should be considered costs of the extracted minerals under a full absorption costing system and recorded as a component of inventory to be recognized in costs of sales in the same period as the revenue from the sale of the inventory. EITF 04-06 was effective January 1, 2006 for the Corporation, and, for the adoption, $8,147,000 of capitalized post-production

stripping costs and a related deferred tax liability of approximately $3,200,000 were written off, which reduced retained earnings by approximately $4,900,000 at that date.

In November 2004, the FASB issued Statement of Financial Accounting Standards No. 151, *Inventory Costs, an amendment of ARB No. 43, Chapter 4* (“FAS 151”). The amendments made by FAS 151 clarify that abnormal amounts of idle facility expense, freight, handling costs and wasted materials should be recognized as current-period charges and require the allocation of fixed production overhead to inventory to be based on the normal capacity of the underlying production facilities. FAS 151 was effective January 1, 2006 for the Corporation. The adoption of FAS 151 did not impact the Corporation’s net earnings or financial position.

In June 2005, the FASB issued Exposure Draft, *Business Combinations, a Replacement of FAS No. 141.* In its current form, the exposure draft requires recognizing the full fair value of all assets acquired, liabilities assumed and non-controlling minority interests in acquisitions of less than a 100% controlling interest; expensing all acquisition-related transaction and restructuring costs; capitalizing in-process research and development assets acquired; and recognizing contingent consideration obligations and contingent gains acquired and contingent losses assumed. The FASB has indicated that it expects to issue a final standard that would apply prospectively to all business combinations with acquisition dates on or after January 1, 2007.

In July 2005, the FASB issued an exposure draft clarifying the criteria for recognition of tax benefits in accordance with Statement of Financial Accounting Standards No. 109, *Accounting for Income Taxes* (“FAS 109”). Certain tax accounting and reporting guidelines may change as a result of new accounting guidance. The Corporation’s accounting and reporting treatment will be determined at the time of issuance of a final standard.

In December 2005, the FASB reached tentative conclusions that would affect accounting for pensions. The proposed changes include:

- A liability or asset would be recorded on the balance sheet based solely on the funded status of plans;
- All unrecognized gains or losses and unrecognized prior service cost would be recognized through other comprehensive earnings;
- Any remaining unrecognized net transition assets or obligations would be immediately recognized through an adjustment to retained earnings; and
- Early measurement dates would no longer be allowed.

The FASB plans to further deliberate these pension accounting issues in 2006.

Reclassifications. Certain 2004 and 2003 amounts have been reclassed to conform to the 2005 presentation. The reclassifications had no impact on previously reported net earnings or financial position.

Note B: Intangible Assets

The following shows the changes in goodwill, all of which relate to the Aggregates segment, for the years ended December 31:

(add 000)	**2005**	2004
Balance at beginning of period	**$567,495**	$577,586
Acquisitions	**2,685**	4,384
Adjustments to purchase price allocations	**308**	902
Amounts allocated to divestitures	**(1,225)**	(15,377)
Balance at end of period	**$569,263**	$567,495

Intangible assets subject to amortization consist of the following at December 31:

(add 000)

	2005		
	Gross Amount	**Accumulated Amortization**	**Net Balance**
Noncompetition agreements	**$26,171**	**$ (20,616)**	**$ 5,555**
Trade names	**1,800**	**(1,042)**	**758**
Supply agreements	**900**	**(789)**	**111**
Use rights and other	**19,072**	**(6,952)**	**12,120**
Total	**$47,943**	**$ (29,399)**	**$ 18,544**

	2004		
	Gross Amount	**Accumulated Amortization**	**Net Balance**
Noncompetition agreements	$26,790	$ (18,861)	$ 7,929
Trade names	4,331	(2,206)	2,125
Supply agreements	900	(706)	194
Use rights and other	16,026	(7,832)	8,194
Total	$48,047	$ (29,605)	$ 18,442

At December 31, 2005 and 2004, the Corporation had water use rights of $200,000 that are deemed to have an indefinite life and are not being amortized.

The Corporation acquired $5,396,000 of equipment use rights during 2005 and $350,000 of licensing agreements during 2004, both of which are subject to amortization.

The weighted-average amortization period is 12.8 years in 2005 for the use rights and 10.0 years in 2004 for the licensing agreements.

Total amortization expense for intangible assets for the years ended December 31, 2005, 2004 and 2003 was $3,964,000, $4,677,000 and $5,840,000, respectively.

The following presents the estimated amortization expense for intangible assets for each of the next five years and thereafter:

(add 000)	
2006	$ 3,156
2007	2,675
2008	2,043
2009	1,402
2010	1,297
Thereafter	7,971
Total	$18,544

Note C: Business Combinations and Divestitures

Effective January 1, 2005, the Corporation formed a joint venture with Hunt Midwest Enterprises (“Hunt Midwest”) to operate substantially all of the aggregates facilities of both companies in Kansas City and surrounding areas. The joint venture company, Hunt Martin Materials LLC, is 50% owned by each party and is the leading aggregates producer in the area. The joint venture, valued at $75,000,000 at inception, was formed by the parties contributing a total of 15 active quarry operations with production of approximately 7.5 million tons annually. The Corporation consolidated the financial statements of the joint venture effective January 1, 2005 and includes minority interest for the net assets attributable to Hunt Midwest in other noncurrent liabilities. In the Corporation’s consolidated financial statements, the assets contributed by Hunt Midwest were initially recorded at their fair value on the date of contribution to the joint venture, while assets contributed by the Corporation continued to be recorded at historical cost. The terms of the joint venture agreement provide that the Corporation will operate as the managing partner and receive a management fee based on tons sold. Additionally, pursuant to the joint venture agreement, the Corporation has provided a $7,000,000 revolving credit facility for working capital purposes and a term loan that provides up to $26,000,000 for a capital project. Any outstanding borrowings under these agreements are eliminated in the Corporation’s consolidated financial statements. The joint venture has a term of fifty years with certain purchase rights provided to the Corporation and Hunt Midwest.

In 2005, the Corporation disposed of various underperforming operations in its Aggregates segment in markets in Arkansas, North Carolina, Ohio and Texas. These divestitures represent discontinued operations, and, therefore, the results of their operations through the dates of disposal and any gain or loss on disposals are included in discontinued operations on the consolidated statements of earnings.

The discontinued operations included the following net sales, pretax loss on operations, pretax gain or loss on disposals, income tax expense or benefit and overall net loss:

years ended December 31 (add 000)	**2005**	2004	2003
Net sales	**$ 6,224**	$45,714	$114,288
Pretax loss on operations	**$(3,329)**	$ (7,171)	$ (15,082)
Pretax (loss) gain on disposals	**(900)**	6,727	1,794
Pretax loss	**(4,229)**	(444)	(13,288)
Income tax (benefit) expense	**(1,382)**	840	(4,398)
Net loss	**$(2,847)**	$ (1,284)	$ (8,890)

On October 29, 2004, the Corporation divested certain asphalt plants in the Houston, Texas area for consideration that included a note receivable with final payment due September 30, 2008. In connection with the divestiture, the Corporation entered into a supply agreement to sell aggregates to the buyer at market rates. The divestiture is included in continuing operations because of the Corporation’s continuing financial interest in the Houston asphalt market, as well as the related financing.

Note D: Accounts Receivable, Net

December 31 (add 000)	**2005**	2004
Customer receivables	**$225,039**	$221,954
Other current receivables	**5,518**	4,140
	230,557	226,094
Less allowances	**(5,545)**	(6,505)
Total	**$225,012**	$219,589

Bad debt expense was $1,855,000, $3,574,000 and $623,000 in 2005, 2004 and 2003, respectively, and is recorded in other operating income and expenses, net, on the consolidated statements of earnings.

Note E: Inventories, Net

December 31 (add 000)	**2005**	2004
Finished products	**$185,681**	$173,013
Products in process and raw materials	**17,990**	17,412
Supplies and expendable parts	**31,158**	24,347
	234,829	214,772
Less allowances	**(12,101)**	(5,463)
Total	**$222,728**	$209,309

During 2005, the Corporation increased its allowance for structural composites inventories, which reduced net earnings by approximately $2,877,000, or $0.06 per diluted share.

Note F: Property, Plant and Equipment, Net

December 31 (add 000)	**2005**	2004
Land and improvements	**$ 317,803**	$ 299,729
Mineral reserves	**190,914**	190,247
Buildings	**87,748**	85,075
Machinery and equipment	**1,781,990**	1,674,476
Construction in progress	**123,319**	60,010
	2,501,774	2,309,537
Less allowances for depreciation, depletion and amortization	**(1,335,423)**	(1,244,322)
Total	**$ 1,166,351**	$ 1,065,215

At December 31, 2005 and 2004, the net carrying value of mineral reserves was $139,212,000 and $143,992,000, respectively.

At December 31, 2005, the gross asset value and related accumulated amortization for machinery and equipment recorded under capital leases were $740,000 and $81,000, respectively. There were no assets under capital leases at December 31, 2004.

Depreciation, depletion and amortization expense related to property, plant and equipment was $133,593,000, $127,496,000 and $133,090,000 for the years ended December 31, 2005, 2004 and 2003, respectively.

Interest cost of $3,045,000, $1,101,000 and $1,875,000 was capitalized during 2005, 2004 and 2003, respectively.

At December 31, 2005 and 2004, $82,399,000 and $76,030,000, respectively, of the Corporation's fixed assets were located in foreign countries, principally the Bahamas and Canada.

Note G: Long-Term Debt

December 31 (add 000)	**2005**	2004
6.875% Notes, due 2011	**$249,800**	$249,773
5.875% Notes, due 2008	**206,277**	209,761
6.9% Notes, due 2007	**124,988**	124,982
7% Debentures, due 2025	**124,295**	124,279
Acquisition notes, interest rates ranging from 2.11% to 8.02%	**3,657**	4,725
Other notes	**1,005**	1,111
Total	**710,022**	714,631
Less current maturities	**(863)**	(970)
Long-term debt	**$709,159**	$713,661

All 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. None are redeemable prior to their respective maturity dates. The principal amount, effective interest rate and maturity date for the Corporation's Notes and Debentures are as follows:

	Principal Amount (add 000)	**Effective Interest Rate**	**Maturity Date**
6.875% Notes	$250,000	6.98%	April 1, 2011
5.875% Notes	$200,000	6.03%	December 1, 2008
6.9% Notes	$125,000	7.00%	August 15, 2007
7% Debentures	$125,000	7.12%	December 1, 2025

At December 31, 2004, the Corporation had interest rate swap agreements related to $100 million of the Notes due in 2008. The swaps were with four separate financial institutions, each agreement covering $25 million of the Notes. The Corporation received a 5.875% fixed annual interest rate and paid a floating annual rate equal to six-month LIBOR plus 1.50%. The terms of the swaps and the related Notes matched and other necessary conditions of FAS 133 were met. Therefore, the hedges were considered perfectly effective and qualified for the shortcut method of accounting. The Corporation is required to record the fair value of the swaps and the corresponding change in the fair value of the related Notes in its consolidated financial statements. The carrying values of the Notes due in 2008 included $10,235,000 at December 31, 2004 for the value of these interest rate swaps and previously unwound interest rate swaps. For interest rate swaps in effect at December 31, 2004, a corresponding amount was included in other noncurrent assets on the consolidated balance sheets.

In August 2005, the Corporation terminated its interest rate swap agreements and made a cash payment of $467,000,

which represented the fair value of the swaps on the date of termination. The Corporation also unwound interest rate swap agreements in 2003 and received a payment of $12,581,000. In accordance with generally accepted accounting principles, the carrying amount of the related Notes on the date of termination, which includes the discount from the original issuance and adjustments for changes in the fair value of the debt while the swaps were in effect, is accreted back to its par value over the remaining life of the Notes. At December 31, 2005, the unamortized value of terminated swaps was $6,640,000 and was included in the carrying values of the Notes due in 2008. The accretion of the unamortized value of terminated swaps will decrease annual interest expense by approximately $2,300,000 until the maturity of the Notes in 2008.

On June 30, 2005, the Corporation entered into a $250,000,000 five-year revolving credit agreement (the “Credit Agreement”) that replaced a $275,000,000 revolving credit facility that was scheduled to expire in August 2006 and had no borrowings outstanding at December 31, 2004. The Corporation also reduced the maximum amount of its commercial paper program, which is supported by the Credit Agreement, from $275,000,000 to $250,000,000. At December 31, 2005 and 2004, the Corporation had no commercial paper outstanding.

The Credit Agreement is syndicated with a group of domestic and foreign commercial banks and expires in June 2010. Borrowings under the Credit Agreement are unsecured and bear interest, at the Corporation’s options, at rates based upon: (i) the Euro-Dollar rate (as defined on the basis of 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). The Credit Agreement contains restrictive covenants relating to the Corporation’s debt-to-capitalization ratio, requirements for limitations on encumbrances and provisions that relate to certain changes in control. Available borrowings under the Credit Agreement are reduced by any outstanding letters of credit issued by the Corporation under the Credit Agreement. At December 31, 2005, the Corporation had no outstanding letters of credit issued under the Credit Agreement. The Corporation pays an annual loan commitment fee to the bank group. No borrowings were outstanding under the Credit Agreement at December 31, 2005.

Excluding the unamortized value of the terminated interest rate swaps, the Corporation’s long-term debt maturities for the five years following December 31, 2005, and thereafter are:

(add 000)	
2006	$ 863
2007	125,789
2008	200,216
2009	497
2010	526
Thereafter	375,491
Total	$703,382

Note H: Financial Instruments

In addition to publicly registered long-term notes and debentures and the interest rate swaps in effect, the Corporation’s financial instruments include temporary cash investments, investments, accounts receivable, notes receivable, bank overdraft and other long-term debt.

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

Investments are comprised of variable rate demand notes and are remarketed with creditworthy financial institutions. As these available-for-sale securities are redeemable with 7-day written notice, their estimated fair values approximate their carrying amounts.

Customer receivables are due from a large number of customers, primarily in the construction industry, and are dispersed across wide geographic and economic regions. However, customer receivables are more heavily concentrated in certain states (see Note A). The estimated fair values of customer receivables approximate their carrying amounts.

Notes receivable are primarily related to divestitures and are not publicly traded. However, using current market interest rates, but excluding adjustments for credit worthiness, if any, management estimates that the fair value of notes receivable approximates its carrying amount. At December 31, 2005 and 2004, the Corporation had a note receivable related to one divestiture with a carrying value of $12,507,000 and $12,943,000, respectively.

The bank overdraft represents the float of outstanding checks. The estimated fair value of the bank overdraft approximates its carrying value.

The estimated fair value of the Corporation's publicly registered long-term notes and debentures at December 31, 2005 was approximately $744,350,000, compared with a carrying amount of $698,720,000 on the consolidated balance sheet. The estimated fair value and carrying amount exclude the impact of interest rate swaps. The fair value of this long-term debt was estimated based on quoted market prices. The estimated fair value of other borrowings of $4,662,000 at December 31, 2005 approximates its carrying amount.

The carrying values and fair values of the Corporation's financial instruments at December 31 are as follow:

	2005	
(add 000)	**Carrying Value**	**Fair Value**
Cash and cash equivalents	**$ 76,745**	**$ 76,745**
Investments	**$ 25,000**	**$ 25,000**
Accounts receivable, net	**$225,012**	**$225,012**
Notes receivable	**$ 32,964**	**$ 32,964**
Bank overdraft	**$ 7,290**	**$ 7,290**
Long-term debt, excluding interest rate swaps	**$703,382**	**$749,012**

	2004	
(add 000)	**Carrying Value**	**Fair Value**
Cash and cash equivalents	$161,620	$161,620
Accounts receivable, net	$219,589	$219,589
Notes receivable	$ 31,156	$ 31,156
Bank overdraft	$ 9,527	$ 9,527
Long-term debt, excluding interest rate swaps	$704,396	$771,286
Interest rate swaps in effect	$ 954	$ 954

Note I: Income Taxes

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

years ended December 31 (add 000)	**2005**	2004	2003
Federal income taxes:			
Current	**$54,029**	$10,185	$18,712
Deferred	**7,663**	36,364	20,098
Total federal income taxes	**61,692**	46,549	38,810
State income taxes:			
Current	**11,871**	7,770	1,937
Deferred	**(1,838)**	1,821	4,997
Total state income taxes	**10,033**	9,591	6,934
Foreign income taxes:			
Current	**788**	992	1,159
Deferred	**21**	684	—
Total foreign income taxes	**809**	1,676	1,159
Total provision	**$72,534**	$57,816	$46,903

For the years ended December 31, 2005, 2004 and 2003, income tax benefits attributable to stock-based compensation transactions that were recorded to shareholders' equity amounted to $15,337,000, $1,045,000 and $323,000, respectively.

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

years ended December 31	**2005**	2004	2003
Statutory tax rate	**35.0%**	35.0%	35.0%
Increase (reduction) resulting from:			
Effect of statutory depletion	**(8.4)**	(8.0)	(9.5)
State income taxes	**2.1**	0.2	2.9
Valuation allowance for state loss carryforwards	**0.3**	3.0	—
Tax reserves	**(1.4)**	0.4	0.6
Goodwill write offs	—	1.2	—
Effect of foreign operations	**(0.4)**	—	0.6
Other items	**(0.1)**	(1.1)	0.4
Effective tax rate	**27.1%**	30.7%	30.0%

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

	Deferred Assets (Liabilities)	
(add 000)	**2005**	2004
Property, plant and equipment	**$(180,870)**	$(185,835)
Goodwill and other intangibles	**(21,207)**	(15,544)
Employee benefits	**36,516**	39,112
Valuation and other reserves	**14,937**	12,030
Inventories	**7,058**	6,792
Net operating loss carryforwards	**6,910**	6,939
Valuation allowance on deferred tax assets	**(6,323)**	(5,711)
Other items, net	**(2,031)**	2,919

Total	**$(145,010)**	$(139,298)

Additionally, the Corporation had a deferred tax asset of $10,027,000 and $5,869,000 at December 31, 2005 and 2004, respectively, related to its minimum pension liability.

Deferred tax liabilities for property, plant and equipment result from accelerated depreciation methods being used for income tax purposes as compared with the straight-line method for financial reporting purposes.

Deferred tax liabilities related to goodwill and other intangibles reflect the cessation of goodwill amortization for financial reporting purposes pursuant to FAS 142, while amortization continues for income tax purposes.

Deferred tax assets for employee benefits result from the timing differences of the deductions for pension and post-retirement obligations. For financial reporting purposes, such amounts are expensed in accordance with Statement of Financial Accounting Standards No. 87, *Employers' Accounting for Pensions* ("FAS 87"). For income tax purposes, such amounts are deductible as funded.

The Corporation had net operating loss carryforwards for state income tax purposes of $112,803,000 and $103,196,000 at December 31, 2005 and 2004, respectively. These losses have various expiration dates. The deferred tax assets associated with these losses were $6,910,000 and $6,939,000 for which valuation allowances of $6,323,000 and $5,711,000 are recorded at December 31, 2005 and 2004, respectively.

The Corporation has established $10,350,000 and $14,191,000 of reserves for taxes at December 31, 2005 and 2004, respectively, that may become payable in future years as a result of an examination by tax authorities. The reserves, which are included in current income taxes payable on the consolidated balance sheets, primarily relate to federal tax treatment of percentage depletion deductions, acquisition and legal entity transaction structuring, transfer pricing, and state tax treatment of federal bonus depreciation deductions. The reserves are calculated based on probable exposures to additional tax payments to federal and state tax authorities. Tax reserves are reversed as a discrete event if an examination of applicable tax returns is not begun by a federal or state tax authority within the statute of limitations or upon completion of an audit by federal or state tax authorities. For the year ended December 31, 2005, reserves of $5,900,000, or $0.12 per diluted share, were reversed into income when the statute of limitations for federal examination of the 2001 tax year expired.

The state of Ohio recently enacted tax reform legislation (the "Ohio Tax Act") that will reduce state taxes paid by the Corporation related to its Ohio operations. The Ohio Tax Act phases out the income/franchise tax over a five-year period that commenced in 2005. Over this same period, the Ohio Tax Act phases in a new commercial activities tax levied on gross receipts. Other provisions of the Ohio Tax Act that impact the Corporation are the elimination of personal property tax for certain new manufacturing equipment purchased after 2004 and the phase-out of personal property tax on existing manufacturing equipment and inventory over a four-year period that commenced in 2005. The signing of the Ohio Tax Act represents a change in tax law. In accordance with FAS 109, the effect of the law change should be reflected in earnings in the period that includes the date of enactment. Accordingly, the Corporation repriced its Ohio-related deferred tax liabilities to reflect the income tax changes. The estimated impact of the new legislation on the Corporation's taxes for the year ended December 31, 2005 resulted in an increase to net earnings of $1,202,000, or $0.02 per diluted share.

The American Jobs Creation Act of 2004 (the "Act") created a new tax deduction related to income from domestic (i.e., United States) production activities. This provision, when fully phased in, will permit a deduction equal to 9 percent of a company's Qualified Production Activities Income ("QPAI") or its taxable income, whichever is lower. The deduction is further limited to the lower of 50% of the W-2 wages paid by the Corporation during the year. QPAI includes, among other things, income from domestic manufacture, production, growth or extraction of tangible personal property. For 2005 and 2006, the deduction is equal to 3 percent of QPAI, increasing to 6 percent for 2007 through 2009, and reaching the full 9 percent deduction in 2010. The production deduction benefit of the legislation reduced income tax expense and increased net earnings by $2,300,000, or $0.05 per diluted share, in 2005.

Note J: Retirement Plans, Postretirement and Postemployment Benefits

The Corporation sponsors defined benefit retirement plans that cover substantially all employees. Additionally, the Corporation provides other postretirement benefits for certain employees, including medical benefits for retirees and their spouses (and Medicare Part B reimbursement) and retiree life insurance. The Corporation also provides certain benefits to former or inactive employees after employment but before retirement, such as workers' compensation and disability benefits.

The measurement date for the Corporation's defined benefit plans, postretirement benefit plans and postemployment

benefit plans is November 30. In 2004, the Corporation accelerated the date for actuarial measurement of its obligation from December 31 to November 30. The Corporation believes the one-month acceleration of the measurement date is a preferred change as it improves internal control procedures by allowing more time to review the completeness and accuracy of the actuarial benefit obligation measurements. The effect of the change in measurement date on the respective obligations and assets of the plans did not have a material cumulative effect on annual expense or accrued benefit costs.

Defined Benefit Retirement Plans. The assets of the Corporation's retirement plans are held in the Corporation's Master Retirement Trust and are invested in listed stocks, bonds and cash equivalents. Defined retirement benefits for salaried employees are based on each employee's years of service and average compensation for a specified period of time before retirement. Defined retirement benefits for hourly employees are generally 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 retirement plans comply with three 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; FAS 87; and Statement of Financial Accounting Standards No. 132, *Employers' Disclosures About Pensions and Other Postretirement Benefits,* as revised, which establishes rules for financial reporting. 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)	**2005**	2004	2003
Components of net periodic benefit cost:			
Service cost	**$ 10,878**	$ 10,434	$ 9,073
Interest cost	**16,472**	15,513	14,437
Expected return on assets	**(17,713)**	(16,377)	(10,648)
Amortization of:			
Prior service cost	**662**	599	605
Actuarial loss	**2,100**	1,309	1,634
Transition (asset) obligation	**(1)**	(1)	1
Net periodic benefit cost	**$ 12,398**	$ 11,477	$ 15,102

The defined benefit 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)	**2005**	2004
Change in benefit obligation:		
Net benefit obligation at beginning of year	**$267,496**	$249,159
Service cost	**10,878**	10,434
Interest cost	**16,472**	15,513
Actuarial loss (gain)	**16,780**	(728)
Plan amendments	**1,401**	1,625
Gross benefits paid	**(10,446)**	(8,507)
Net benefit obligation at end of year	**$302,581**	$267,496

years ended December 31 (add 000)	**2005**	2004
Change in plan assets:		
Fair value of plan assets at beginning of year	**$219,402**	$165,570
Actual return on plan assets, net	**18,599**	11,119
Employer contributions	**15,304**	51,220
Gross benefits paid	**(10,446)**	(8,507)
Fair value of plan assets at end of year	**$242,859**	$219,402

December 31 (add 000)	**2005**	2004
Funded status of the plan at end of year	**$(59,722)**	$(48,094)
Unrecognized net actuarial loss	**68,469**	54,675
Unrecognized prior service cost	**4,762**	4,023
Unrecognized net transition asset	**(18)**	(19)
Minimum pension liability	**(30,096)**	(18,844)
Net accrued benefit cost at measurement date	**(16,605)**	(8,259)
Employer contributions subsequent to measurement date	**43**	—
Net accrued benefit cost	**$(16,562)**	$ (8,259)

December 31 (add 000)	**2005**	2004
Amounts recognized in the consolidated balance sheets consist of:		
Prepaid benefit cost	**$ 21,855**	$ 17,331
Accrued benefit cost	**(8,364)**	(6,746)
Accrued minimum pension liability	**(30,096)**	(18,844)
Net amount recognized at measurement date	**(16,605)**	(8,259)
Employer contributions subsequent to measurement date	**43**	—
Net amount recognized at end of year	**$(16,562)**	$ (8,259)

The Corporation recorded an intangible asset of $4,744,000 and $4,004,000 and accumulated other comprehensive loss, net of applicable taxes, of $15,325,000 and $8,970,000 at December 31, 2005 and 2004, respectively, related to the minimum pension liability. The intangible asset is included in other noncurrent assets.

The accumulated benefit obligation for all defined benefit pension plans was $259,459,000 and $227,691,000 at December 31, 2005 and 2004, respectively.

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 $301,967,000, $259,019,000 and $242,248,000, respectively, at December 31, 2005, and $266,920,000, $227,296,000 and $218,816,000, respectively, at December 31, 2004.

Weighted-average assumptions used to determine benefit obligations as of December 31 are:

	2005	2004
Discount rate	**5.83%**	6.00%
Rate of increase in future compensation levels	**5.00%**	5.00%

Weighted-average assumptions used to determine net periodic retirement benefit cost for years ended December 31 are:

	2005	2004
Discount rate	**6.00%**	6.25%
Rate of increase in future compensation levels	**5.00%**	5.00%
Expected long-term rate of return on assets	**8.25%**	8.25%

The Corporation's expected long-term rate of return on assets is based on historical rates of return for a similar mix of invested assets.

At December 31, 2005, the Corporation used the RP 2000 Mortality Table to estimate the remaining lives of participants in the pension plans. At December 31, 2004, the Corporation used the 1994 Group Annuity Mortality Table.

The pension plan asset allocation at December 31, 2005 and 2004 and target allocation for 2006 by asset category are as follow:

	Percentage of Plan Assets		
	Target	December 31	
Asset Category	Allocation	**2005**	2004
Equity securities	60%	**61%**	62%
Debt securities	39%	**38%**	37%
Cash	1%	**1%**	1%
Total	100%	**100%**	100%

The Corporation's investment strategy for pension plan assets is for approximately two-thirds of the equity investments to be invested in large capitalization funds. The remaining third of the equity investments is invested in small capitalization and international funds. Fixed income investments are invested in funds with the objective of matching the return of the Lehman Brothers Aggregate Bond Index.

The Corporation made voluntary contributions of $15,304,000 and $51,220,000 to its pension plan in 2005 and 2004, respectively. The Corporation has no required pension plan contribution for 2006. However, the Corporation will consider additional contributions based on its available cash flow and the tax deductibility of future contributions.

The expected benefit payments to be paid from plan assets for each of the next five years and the five-year period thereafter are as follow:

(add 000)	
2006	$10,412
2007	$11,016
2008	$11,664
2009	$12,382
2010	$13,379
Years 2011-2015	$80,828

Postretirement Benefits. The net periodic postretirement benefit cost of postretirement plans included the following components:

years ended December 31 (add 000)	**2005**	2004	2003
Components of net periodic benefit cost:			
Service cost	**$ 567**	$ 656	$ 687
Interest cost	**2,978**	3,528	4,068
Amortization of:			
Prior service cost	**(1,294)**	(1,294)	(720)
Actuarial (gain) loss	**(147)**	320	212
Total net periodic benefit cost	**$ 2,104**	$ 3,210	$4,247

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)	**2005**	2004
Change in benefit obligation:		
Net benefit obligation at beginning of year	**$58,896**	$60,410
Service cost	**567**	656
Interest cost	**2,978**	3,528
Participants' contributions	**727**	534
Actuarial gain	**(7,183)**	(2,761)
Gross benefits paid	**(4,372)**	(3,471)
Net benefit obligation at end of year	**$51,613**	$58,896

years ended December 31 (add 000)	**2005**	2004
Change in plan assets:		
Fair value of plan assets at beginning of year	**$ 0**	$ 0
Employer contributions	**3,645**	2,937
Participants' contributions	**727**	534
Gross benefits paid	**(4,372)**	(3,471)
Fair value of plan assets at end of year	**$ 0**	$ 0

December 31 (add 000)	**2005**	2004
Funded status of the plan at end of year	**$(51,613)**	$(58,896)
Unrecognized net actuarial loss	**508**	7,544
Unrecognized prior service cost	**(12,323)**	(13,617)
Accrued benefit cost at measurement date	**(63,428)**	(64,969)
Employer contributions subsequent to measurement date	**356**	—
Accrued benefit cost	**$(63,072)**	$(64,969)

December 31 (add 000)	**2005**	2004
Amounts recognized in the consolidated balance sheets consist of:		
Accrued benefit cost	**$(63,428)**	$(64,969)
Net amount recognized at measurement date	**(63,428)**	(64,969)
Employer contributions subsequent to measurement date	**356**	—
Net amount recognized at end of year	**$(63,072)**	$(64,969)

Weighted-average assumptions used to determine the postretirement benefit obligations as of December 31 are:

	2005	2004
Discount rate	**5.72%**	6.00%

Weighted-average assumptions used to determine net postretirement benefit cost for the years ended December 31 are:

	2005	2004
Discount rate	**6.00%**	6.25%

At December 31, 2005, the Corporation used the RP 2000 Mortality Table to estimate the remaining lives of participants in the postretirement plans. At December 31, 2004, the Corporation used the 1994 Group Annuity Mortality Table.

Assumed health care cost trend rates at December 31 are:

	2005	2004
Health care cost trend rate assumed for next year	**10.0%**	10.0%
Rate to which the cost trend rate gradually declines	**5.5%**	5.0%
Year the rate reaches the ultimate rate	**2011**	2010

Assumed health care cost trend rates have a significant effect on the amounts reported for the health care plans. A one percentage-point change in assumed health care cost trend rates would have the following effects:

	One Percentage Point	
(add 000)	**Increase**	**(Decrease)**
Total service and interest cost components	$ 151	$ (133)
Post retirement benefit obligation	$2,773	$(2,387)

The Corporation's estimate of its contributions to its postretirement health care plans in 2006 is approximately $4,100,000.

The expected benefit payments for each of the next five years and the five-year period thereafter are as follow:

(add 000)	
2006	$ 3,437
2007	$ 3,598
2008	$ 3,650
2009	$ 3,742
2010	$ 3,805
Years 2011-2015	$18,488

Effective July 1, 2004, the Corporation adopted the accounting guidance of Staff Position FAS 106-2, *Accounting and Disclosure Requirements Related to the Medicare Prescription Drug, Improvement and Modernization Act of 2003,* which

reduced its postretirement health care plans' accumulated postretirement benefit obligation in 2004 by $3,003,000 and 2004 expense by $174,000.

Defined Contribution Plans. The Corporation maintains two defined contribution plans that 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. Under certain provisions of these plans, the Corporation, at established rates, matches employees' eligible contributions. The Corporation's matching obligations were $4,969,000 in 2005, $4,649,000 in 2004 and $4,516,000 in 2003.

Postemployment Benefits. The Corporation has accrued postemployment benefits of $1,425,000 and $1,881,000 at December 31, 2005 and 2004, respectively.

Note K: Stock-Based Compensation

The shareholders approved, on May 8, 1998, the Martin Marietta Materials, Inc. Stock-Based Award 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, as of December 31, 2005, the Corporation was authorized to repurchase 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. Options granted in 2005 become exercisable in four annual installments beginning one year after date of grant and expire eight years from such date. Options granted in 2004 and prior years become exercisable in three equal annual installments beginning one year after date of grant and expire ten years from such date.

The Plans provide that each nonemployee director receives 3,000 non-qualified stock options annually. These options vest immediately and grant the nonemployee directors options to purchase its common stock at a price equal to the market value at the date of grant. Options expire ten years from the grant date.

The following table includes summary information for stock options for employees and nonemployee directors:

	Number of Options Outstanding	Weighted-Average Exercise Price
Balance at December 31, 2002	2,752,506	$ 40.68
Granted	532,750	$ 38.32
Exercised	(52,799)	$ 24.73
Terminated	(52,584)	$ 41.15
Balance at December 31, 2003	3,179,873	$ 40.80
Granted	516,000	$ 42.38
Exercised	(146,470)	$ 30.96
Terminated	(52,754)	$ 43.99
Balance at December 31, 2004	3,496,649	$ 41.16
Granted	**155,443**	**$ 61.06**
Exercised	**(1,164,870)**	**$ 37.83**
Terminated	**(9,002)**	**$ 40.61**
Balance at December 31, 2005	**2,478,220**	**$ 43.97**

Exercise prices for options outstanding as of December 31, 2005 ranged from $24.25 to $63.44. The weighted-average remaining contractual life of those options is 6.0 years. Approximately 1,859,000, 2,511,000 and 2,171,000 outstanding options were exercisable at December 31, 2005, 2004 and 2003, respectively. The weighted-average exercise price of outstanding exercisable options at December 31, 2005 is $43.58.

The following table summarizes information for options outstanding and exercisable at December 31, 2005:

Options Outstanding

Range of Prices	Number of Shares	Weighted-Average Remaining Life	Weighted-Average Exercise Price
$24.25-$35.50	49,334	1.3	$ 32.08
$36.55-$51.50	2,262,943	6.0	$ 42.97
$61.05-$63.44	165,943	7.4	$ 61.21

Options Exercisable

Range of Prices	Number of Prices Shares	Weighted-Average Remaining Life	Weighted-Average Exercise Price
$24.25-$35.50	49,334	1.3	$ 32.08
$36.55-$51.50	1,772,349	5.4	$ 43.51
$61.05-$63.44	37,500	7.7	$ 61.78

Additionally, an incentive stock plan has been adopted under the Plans whereby certain participants may elect to use up to 50% of their annual incentive compensation to acquire units representing 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. Participants earn the right to receive their respective shares at the discounted value generally at the end of a

35-month period of additional employment from the date of award or at retirement beginning at age 62. 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, with the exception of dividend equivalents that are paid on the units during the vesting period.

The Corporation grants restricted stock awards under the Plans to a group of executive officers and key personnel. Certain restricted stock awards are based on specific common stock performance criteria over a specified period of time. In addition, certain awards were granted to individuals to encourage retention and motivate key employees. These awards generally vest if the employee is continuously employed over a specified period of time and require no payment from the employee.

The following table summarizes information for incentive stock awards and restricted stock awards:

	Incentive Stock		Restricted Stock	
	Number of Awards Outstanding	Weighted-Average Grant-Date Fair Value	Number of Awards Outstanding	Weighted-Average Grant-Date Fair Value
December 31, 2002	77,460		56,254	
Awarded	47,680	$28.15	192,793	$40.64
Distributed	(35,417)		(28,754)	
Forfeited	(1,876)		—	
December 31, 2003	87,847		220,293	
Awarded	34,331	$46.80	7,478	$46.80
Distributed	(40,601)		—	
Forfeited	—		(907)	
December 31, 2004	81,577		226,864	
Awarded	**34,123**	**$55.15**	**92,150**	**$60.63**
Distributed	**(45,675)**		**(41,886)**	
Forfeited	**(170)**		**(416)**	
December 31, 2005	**69,855**		**276,712**	

At December 31, 2005, there are approximately 1,448,000 awards available for grant under the Plans.

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 were reserved for issuance. Through 2005, 42,025 shares have been issued under this plan. No awards have been granted under this plan after 2000.

Also, the Corporation adopted and the shareholders approved the Common Stock Purchase Plan for Directors in 1996, 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, 300,000 shares of common stock were 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 9,838,12,007 and 16,941 shares of the Corporation’s common stock under this plan during 2005, 2004 and 2003, respectively.

Note L: Leases

Total lease expense for all operating leases was $61,468,000, $57,291,000 and $55,665,000 for the years ended December 31, 2005, 2004 and 2003, respectively. The Corporation’s operating leases generally contain renewal and/or purchase options with varying terms. The Corporation has royalty agreements that generally require royalty payments based on tons produced and also contain minimum payments. Total royalties, principally for leased properties, were $40,377,000, $34,692,000 and $33,362,000 for the years ended December 31, 2005, 2004 and 2003, respectively.

During 2005, the Corporation entered into capital lease agreements, expiring in 2010, for machinery and equipment. Current and long-term capital lease obligations are included in other current liabilities and other noncurrent liabilities, respectively, in the consolidated balance sheet.

Future minimum lease and mineral and other royalty commitments for all noncancelable agreements as of December 31, 2005 are as follow:

(add 000)	Capital Leases	Operating Leases
2006	$113	$ 48,988
2007	113	43,081
2008	113	32,696
2009	113	23,527
2010	306	13,175
Thereafter	—	48,125
Total	758	$209,592
Less imputed interest	(98)	
Present value of minimum lease payments	660	
Less current capital lease obligations	(84)	
Long-term capital lease obligations	$576	

Note M: Shareholders' Equity

The authorized capital structure of the Corporation includes 100,000,000 shares of common stock, with a par value of $0.01 a share. At December 31, 2005, approximately 4,697,000 common shares were reserved for issuance under stock-based plans. At December 31, 2005 and 2004, there were 1,036 and 1,115, respectively, shareholders of record.

At December 31, 2005, 1,105,200 shares of the Corporation's common stock are authorized to be repurchased under the Board's authorization. In February 2006, the Board authorized the Corporation to repurchase an additional 5,000,000 shares of its common stock. During 2005, 2004 and 2003, respectively, the Corporation repurchased 2,658,000, 1,522,200 and 331,100 shares of its common stock at public market prices at various purchase dates.

In addition to common stock, the capital structure includes 10,000,000 shares of preferred stock with par value of $0.01 a share. 100,000 shares of Class A Preferred Stock have been reserved in connection with the Corporation's Shareholders Rights Plan (the "Rights Plan"). In accordance with the Rights Plan, the Corporation issued a dividend of one right for each share of the Corporation's common stock outstanding as of October 21, 1996, and one right continues to attach to each share of common stock issued thereafter. The rights will become exercisable if any person or group acquires beneficial ownership of 15 percent or more of the Corporation's common stock. Once exercisable and upon a person or group acquiring 15 percent or more of the Corporation's common stock, each right (other than rights owned by such person or group) will entitle its holder to purchase, for an exercise price of $100 per share, a number of shares of the Corporation's common stock (or in certain circumstances, cash, property or other securities of the Corporation) having a market value of twice the exercise price, and under certain conditions, common stock of an acquiring company having a market value of twice the exercise price. If any person or group acquires beneficial ownership of 15 percent or more of the Corporation's common stock, the Corporation may, at its option, exchange the outstanding rights (other than rights owned by such acquiring person or group) for shares of the Corporation's common stock or Corporation equity securities deemed to have the same value as one share of common stock or a combination thereof, at an exchange ratio of one share of common stock per right. The rights are subject to adjustment if certain events occur, and they will initially expire on October 21, 2006, if not terminated sooner. The Corporation's rights agreement provides that the Corporation's Board of Directors may, at its option, redeem all of the outstanding rights at a redemption price of $0.01 per right.

Note N: 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), will have a material adverse effect on the results of the Corporation's operations or on its financial position.

Asset Retirement Obligations. The Corporation incurs reclamation costs as part of its aggregates mining process. Effective January 1, 2003, the Corporation adopted FAS 143. The cumulative effect of the adoption was a charge of $6,874,000, or $0.14 per diluted share, which is net of a $4,498,000 income tax benefit.

The estimated future reclamation obligations have been discounted to their present value and are being accreted to their projected future obligations via charges to operating expenses. Additionally, the fixed assets recorded concurrently with the liabilities are being depreciated over the period until reclamation activities are expected to occur. Total accretion and depreciation expenses for 2005, 2004 and 2003 were $2,144,000, $1,710,000 and $1,692,000, respectively, and are included in other operating income and expenses, net, on the consolidated statements of earnings.

The provisions of FAS 143 require the projected estimated reclamation obligation to include a market risk premium which represents the amount an external party would charge for bearing the uncertainty of guaranteeing a fixed price today for performance in the future. However, due to the average remaining quarry life exceeding 50 years at current production rates and the nature of quarry reclamation work, the Corporation believes that it is impractical for external parties to agree to a fixed price today. Therefore, a market risk premium has not been included in the estimated reclamation obligation.

The following shows the changes in the asset retirement obligations for the years ended December 31:

(add 000)	**2005**	2004
Balance at January 1	**$20,285**	$19,629
Accretion expense	**1,205**	1,029
Liabilities incurred	**2,295**	239
Liabilities settled	**(1,345)**	(1,210)
Revisions in estimated cash flows	**525**	598
Balance at December 31	**$22,965**	$20,285

Other 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 remediation liability is inherent in the operation of the Corporation's businesses, as it is with other companies engaged in similar businesses. The Corporation has no material provisions for environmental remediation liabilities and does not believe such liabilities will have a material adverse effect on the Corporation in the future.

Insurance Reserves and Letters of Credit. The Corporation has insurance coverage for workers' compensation, automobile liability and general liability claims with deductibles ranging from $250,000 to $3,000,000. The Corporation is also self-insured for health claims. At December 31, 2005 and 2004, reserves of approximately $31,060,000 and $27,500,000, respectively, were recorded for all such insurance claims. In connection with these workers' compensation and automobile and general liability insurance deductibles, the Corporation has entered into standby letter of credit agreements of $24,560,000 at December 31, 2005.

Guarantee Liability. At December 31, 2005 and 2004, the Corporation recorded a liability of $3,600,000 and $4,800,000, respectively, for a guarantee of debt of a limited liability company of which it is a member.

Surety Bonds. In the normal course of business, at December 31, 2005, the Corporation was contingently liable for $117,731,000 in surety bonds required by certain states and municipalities and their related agencies. The bonds are principally for certain construction contracts, reclamation obligations and mining permits guaranteeing the Corporation's own performance. The Corporation has indemnified the underwriting insurance company against any exposure under the surety bonds. In the Corporation's past experience, no material claims have been made against these financial instruments. Four of these bonds, totaling $33,385,000, or 28% of all outstanding surety bonds, relate to specific performance for road construction projects currently underway.

Purchase Commitments. The Corporation had purchase commitments for property, plant and equipment of $66,906,000 as of December 31, 2005. Of this amount, approximately $27,600,000 represents purchase commitments for the construction of rail cars that the Corporation will subsequently assign to a third party and enter into a master lease agreement. The Corporation also had other purchase obligations related to energy and service contracts of $20,649,000 as of December 31, 2005. The Corporation's contractual purchase commitments as of December 31, 2005 are as follow:

(add 000)	
2006	$80,535
2007	5,156
2008	1,064
2009	400
2010	400
Total	$87,555

Employees. The Corporation had approximately 5,800 employees at December 31, 2005. Approximately 15% of the Corporation's employees are represented by a labor union. All such employees are hourly employees. One of the Corporation's labor union contracts expires in June 2006.

Note O: Business Segments

The Corporation conducts its operations through two reportable business segments: Aggregates and Specialty Products. The Corporation's evaluation of performance and allocation of resources are based primarily on earnings from operations as compared to assets employed. Earnings from operations are net sales less cost of sales, selling, general and administrative expenses, and research and

development expenses; include other operating income and expenses; and exclude interest expense, other non-operating income and expenses, net, and income taxes. 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 are held at Corporate Headquarters. Property additions include property, plant and equipment that has been purchased through acquisitions in the amount of $2,095,000 in 2005; $667,000 in 2004; and $2,913,000 in 2003.

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, 2005. The product lines, asphalt, ready mixed concrete, road paving and other, are combined into the Aggregates segment because these lines are considered internal customers of the core aggregates business. The Specialty Products segment includes the Magnesia Specialties and Structural Composite Products businesses.

Selected Financial Data by Business Segment

years ended December 31
(add 000)

	2005	2004	2003
Total revenues			
Aggregates	**$1,859,685**	$1,608,179	$1,533,073
Specialty Products	**144,558**	117,923	94,413
Total	**$2,004,243**	$1,726,102	$1,627,486
Net sales			
Aggregates	**$1,624,782**	$1,411,309	$1,335,251
Specialty Products	**130,615**	110,094	88,330
Total	**$1,755,397**	$1,521,403	$1,423,581
Gross profit			
Aggregates	**$ 402,380**	$ 327,632	$ 303,883
Specialty Products	**21,445**	19,012	9,554
Total	**$ 423,825**	$ 346,644	$ 313,437
Selling, general and administrative expenses			
Aggregates	**$ 119,433**	$ 116,262	$ 112,393
Specialty Products	**11,271**	11,075	7,967
Total	**$ 130,704**	$ 127,337	$ 120,360
Earnings from operations			
Aggregates	**$ 299,185**	$ 223,501	$ 199,215
Specialty Products	**9,522**	6,890	91
Total	**$ 308,707**	$ 230,391	$ 199,306
Assets employed			
Aggregates	**$2,174,869**	$2,055,862	$2,025,945
Specialty Products	**84,138**	81,032	76,805
Corporate Headquarters	**174,309**	218,958	216,475
Total	**$2,433,316**	$2,355,852	$2,319,225
Depreciation, depletion and amortization			
Aggregates	**$ 124,092**	$ 119,268	$ 127,743
Specialty Products	**6,387**	6,179	5,544
Corporate Headquarters	**7,772**	7,412	6,319
Total	**$ 138,251**	$ 132,859	$ 139,606
Property additions			
Aggregates	**$ 210,951**	$ 147,956	$ 115,031
Specialty Products	**8,724**	8,295	5,236
Corporate Headquarters	**3,821**	7,861	3,284
Total	**$ 223,496**	$ 164,112	$ 123,551

The following table displays total revenues by product line for the years ended December 31:

(add 000)	**2005**	2004	2003
Aggregates	**$1,753,490**	$1,489,576	$1,405,749
Asphalt	**44,448**	64,153	79,351
Ready mixed concrete	**33,446**	31,549	31,005
Road paving	**21,048**	12,690	6,372
Other	**7,253**	10,211	10,596
Total Aggregates segment	**1,859,685**	1,608,179	1,533,073
Specialty Products	**144,558**	117,923	94,413
Total	**$2,004,243**	$1,726,102	$1,627,486

Note P: Supplemental Cash Flow and Other Information

The following presents supplemental cash flow information for the years ended December 31:

(add 000)	**2005**	2004	2003
Noncash investing and financing activities:			
Notes receivable issued in connection with divestitures	**$ —**	$12,000	$10,273
Machinery and equipment acquired through capital leases	**$740**	$ —	$ —

The following presents the components of the change in other assets and liabilities, net, for the years ended December 31:

(add 000)	**2005**	2004	2003
Other current and noncurrent assets	**$ (3,565)**	$ 10,406	$ (8,229)
Notes receivable	**1,178**	(9,311)	3,839
Accrued salaries, benefits and payroll taxes	**1,348**	(6,563)	510
Accrued insurance and other taxes	**3,678**	(2,022)	5,261
Accrued income taxes	**(14,541)**	6,161	11,777
Accrued pension, postretirement and postemployment benefits	**(5,182)**	(39,461)	(6,687)
Other current and noncurrent liabilities	**10,096**	78	(1,557)
Total	**$ (6,988)**	$(40,712)	$ 4,914

The following table presents domestic and foreign total revenues for the years ended December 31:

(add 000)	**2005**	2004	2003
Domestic	**$1,968,253**	$1,694,561	$1,600,413
Foreign	**35,990**	31,541	27,073
Total	**$2,004,243**	$1,726,102	$1,627,486

INTRODUCTORY OVERVIEW

Martin Marietta Materials, Inc., (the "Corporation") is the nation's second largest producer of construction aggregates and a leading producer of magnesia-based chemicals. The Corporation is also developing structural composite products for use in a wide variety of industries. The overall areas of focus for the Corporation on an ongoing basis include the following:

- Maximize long-term shareholder return by pursuing sound growth and earnings objectives;
- Conduct business in full compliance with applicable laws, rules, regulations and the highest standards of ethics;
- Provide a safe and healthy workplace for the Corporation's employees; and
- Reflect all aspects of good citizenship by being responsible neighbors.

Notable items regarding the Corporation's financial condition and operating results for 2005 include:

- Gross margin and operating margin improvement in the core aggregates business as a result of:
  - heritage aggregates volume and pricing increases of 5.4% and 8.2%, respectively;
  - enhanced operating efficiency and targeted cost reduction resulting from plant modernization and productivity improvement initiatives; and
  - focused expansion in high growth markets, particularly in the southeastern and southwestern United States where 70% of the Aggregates segment's net sales were generated.
- Strong cash generation, with a lower percentage increase in receivables as compared with the percentage increase in net sales and a continued focus on inventory levels;
- Selling, general and administrative expenses, as a percentage of net sales, decreased to 7.4% in 2005 compared with 8.4% in 2004;
- Capital expenditures increase of 35% over 2004, with the Corporation's capital program focused on capacity expansion and efficiency improvement projects in high growth areas of the Southeast and Southwest and at fixed-based quarries serving long-haul markets;
- Continued maximization of transportation and materials options created by the Corporation's long-haul distribution network;
- Continued divestiture of underperforming assets;
- Strong financial results by the Magnesia Specialties business;
- Structural Composite Products business financial results below expectations;
- Repurchase of 2,658,000 shares of the Corporation's common stock;
- Improvement in employee safety performance; and
- Management's assessment and the independent auditors' opinion that the Corporation's system of internal control over financial reporting was effective as of December 31, 2005.

In 2006, management will focus on, among other things, the following initiatives:

- Serving high-growth markets that have strong aggregates demand;
- Using technology to improve plant-level automation and monitoring of key performance metrics;
- Continuing to divest of underperforming assets;
- Continuing the strong performance and operating results of the Magnesia Specialties business;
- Building the revenue base of the Structural Composite Products business; and
- Maximizing return on invested capital.

Management considers each of the following factors in evaluating the Corporation's financial condition and operating results.

Aggregates Economic Considerations

The construction aggregates business is a mature business that is cyclical and dependent on activity within the construction marketplace. The principal end-users are in public infrastructure (e.g., highways, bridges, schools and prisons), commercial (e.g., office buildings and malls) and residential construction markets. As discussed further under the section *Aggregates Industry and Corporation Trends* on pages 44 through 46, end-user markets respond to changing economic conditions in different ways. Public infrastructure construction is typically more stable than commercial and residential construction due to funding from federal, state and local governments. Commercial and residential construction levels are interest-rate sensitive and typically move in a direct relationship with economic cycles.

In August 2005, a new federal highway bill, The Safe, Accountable, Flexible and Efficient Transportation Equity Act — A Legacy for Users ("SAFETEA-LU"), was signed into law. SAFETEA-LU is providing funding of $286.4 billion over the six-year period ending September 30, 2009. Fiscal years 2005 and 2004, which are covered by SAFETEA-LU retroactively, were federally funded by continuing resolutions to the predecessor federal highway bill. The passage of SAFETEA-LU is expected to result in states prioritizing their construction spending.

Commercial construction provided increased demand in 2005 after several years of lower spending levels resulting from high office vacancy rates. Residential construction increased again in 2005. However, since June 30, 2004, the Federal Reserve Board has increased the federal funds rate from 1.00% to 4.50% at January 31, 2006. This increase could negatively affect the residential construction market, which accounted for approximately 20 percent of the Corporation's aggregates shipments in 2005. The impact of higher interest rates on the commercial construction market generally lags the residential construction market by 12 to 18 months.

In 2005, the Corporation shipped 203.2 million tons of aggregates to customers in 31 states, Canada, the Bahamas and the Caribbean Islands from 310 quarries and distribution yards. While the Corporation's aggregates operations cover a wide geographic area, financial results depend on the strength of the applicable local economies because of the high cost of transportation relative to the price of the product. The Aggregates segment's top five revenue-generating states, namely Texas, North Carolina, Georgia, Iowa and Florida, accounted for approximately 55% of 2005 net sales by state of destination, while the top ten revenue-generating states accounted for approximately 77% of 2005 net sales. Management closely monitors economic conditions and public infrastructure spending in the market areas within these states where the Corporation's operations are located. Further, supply and demand conditions within these states affects their respective profitability.

Aggregates Industry Considerations

The construction aggregates business is conducted outdoors. Therefore, seasonal changes and other weather-related conditions, including hurricanes, significantly affect the aggregates industry and can impact the Aggregates segment's production schedules and levels of profitability. The financial results of the first quarter are generally significantly lower than the financial results of the other quarters due to winter weather.

While natural aggregates sources typically occur in relatively homogeneous deposits throughout the United States, the challenge facing aggregates producers is to locate aggregates deposits that are economically mineable, can be permitted and are in the proximity of growing markets. Currently, this is becoming more challenging as residential expansion and other real estate development have encroached on attractive quarrying locations, imposing regulatory constraints or otherwise making these locations impractical. Management believes the Corporation continues to meet this challenge through strategic planning efforts to identify site locations in advance of economic expansion, the acquisition of land around existing quarry sites to increase mineral reserve capacity and lengthen quarry life, and the development of a long-haul distribution network. This network moves aggregates materials from aggregates sources, both domestic and offshore, via rail and water, to markets where aggregates supply is limited. The movement of aggregates materials through long-haul networks introduces risks and affects operating results as discussed more fully under the sections *Analysis of Margins* and *Transportation Exposure* on pages 43 and 44 and pages 52 through 54, respectively.

Over the past ten years, the aggregates industry has been in a consolidation trend, and management believes the overall long-term trend for the construction aggregates industry continues to be one of consolidation. The Corporation actively participated in the consolidation of the industry. In fact, approximately 48% of the Corporation's 2005 net sales was derived from acquisitions that have occurred since January 1, 1995. When acquired, new locations generally do not satisfy the Corporation's internal safety, maintenance and pit development standards and, therefore, require additional resources before the Corporation realizes the benefits of the acquisitions. However, acquisition activity since 2002 has been limited, and management believes that the upgrade and integration of acquired operations is essentially complete. The consolidation trend is slowing for the industry as the

number of suitable acquisition targets in high growth markets shrinks. During the recent period of slow acquisition growth, the Corporation has focused on investing in internal expansion projects in high growth markets and on divesting underperforming operations.

Aggregates Financial Considerations

The production of construction-related aggregates products requires a significant capital investment leading to high fixed and semi-fixed costs, as discussed more fully under the section *Cost Structure* on pages 51 and 52. Therefore, operating results and financial performance are sensitive to volume changes. Management evaluates financial performance in a variety of ways. In particular, gross margin excluding freight and delivery revenues is a significant measure of financial performance reviewed by management on a quarry-by-quarry basis. The movement toward higher levels of gross margin excluding freight and delivery revenues is a goal of management. The divestitures of underperforming assets in 2005 and 2004, such as several Houston asphalt plants and the road paving businesses in the Shreveport, Louisiana, Texarkana, Arkansas and Texarkana, Texas markets have improved overall gross margin excluding freight and delivery revenues in 2005. Internally, other key performance indicators management also reviews are changes in average selling prices, costs per ton produced and return on invested capital for the aggregates business. While changes in average selling prices demonstrate economic and competitive conditions, changes in costs per ton produced are indicative of operating efficiency and economic conditions.

Other Business Considerations

The Corporation also produces dolomitic lime and magnesia-based chemicals through its Magnesia Specialties business and is developing a structural composite products business. These businesses are reported in the Specialty Products segment.

The dolomitic lime business is dependent on the highly cyclical steel industry, and operating results are affected by changes in that industry. In the chemical products business, management is focusing on higher margin specialty chemicals that can be produced at volume levels that support efficient operations. This focus, coupled with the brine supply agreement with The Dow Chemical Company, has strategically positioned the magnesia chemicals business. A significant portion of the cost related to the production of dolomitic lime and magnesia chemical products is of a fixed or semi-fixed nature. In addition, the production of dolomitic lime and certain magnesia chemical products requires the use of natural gas, coal and petroleum coke, and fluctuations in their pricing directly affect operating results.

The Corporation is engaged in developmental activities related to fiber-reinforced composite technology. The Corporation's strategic objective for Structural Composite Products is to create a business with characteristics that include high organic growth rates, low capital intensity and noncyclicality, based on diverse products and opportunities for substitution for existing structural materials. The recent focus for this business has been on composite panel products, which has generated interest particularly for military applications. In 2005, the business received its first significant order from the military for ballistic panels (see section *Structural Composite Products Business* on pages 55 and 56).

Cash Flow Considerations

The Corporation's cash flows are generated primarily from operations. Operating cash flows generally fund working capital needs, capital expenditures, dividends, share repurchases and smaller acquisitions. Cash generation through debt has been related to large acquisitions. Equity has been used for smaller acquisitions as appropriate. During 2005, the Corporation's management continued to focus on delivering value to shareholders through share repurchases and increased dividends. Additionally, the Corporation invested in internal capital projects and made a voluntary $15 million contribution to its pension plan.

FINANCIAL OVERVIEW

Highlights of 2005 Financial Performance

- *Record earnings per diluted share of $4.08, up 53% from 2004 earnings of $2.66 per diluted share*
- *Net sales of $1.755 billion, a 15% increase as compared with net sales of $1.521 billion in 2004*
- *Heritage aggregates pricing and volume increases of 8.2% and 5.4%, respectively*

The discussion and analysis that follow reflect management's assessment of the financial condition and results of operations of the Corporation and should be read in conjunction with the audited consolidated financial statements on pages 10 through 35. As discussed in more detail herein, the Corporation's operating results are highly dependent upon activity within the construction and steel-related marketplaces, economic cycles within the public and private business sectors and seasonal and other weather-related conditions. 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 segment generated 93% of net sales and 97% of operating earnings during 2005. The remaining net sales and operating earnings are attributable to the Corporation's Specialty Products segment. The following comparative analysis and discussion should be read in that context. Further, sensitivity analysis and certain other data are provided to enhance the reader's understanding of Management's Discussion and Analysis of Financial Condition and Results of Operations and is not intended to be indicative of management's judgment of materiality.

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. However, gross margin as a percentage of net sales and operating margin as a percentage of net sales represent non-GAAP measures. The Corporation presents these ratios calculated based on net sales, as it is consistent with the basis by which management reviews the Corporation's operating results. Further, management believes it is consistent with the basis by which investors analyze the Corporation's operating results given that freight and delivery revenues and costs represent pass-throughs and have no mark-up. Gross margin and operating margin calculated as percentages of total revenues represent the most directly comparable financial measures calculated in accordance with generally accepted accounting principles ("GAAP"). The following tables present the calculations of gross margin and operating margin for the years ended December 31 in accordance with GAAP and reconciliations of the ratios as percentages of total revenues to percentages of net sales.

Gross Margin in Accordance with GAAP

(add 000)	**2005**	2004	2003
Gross profit	**$ 423,825**	$ 346,644	$ 313,437
Total revenues	**$2,004,243**	$1,726,102	$1,627,486
Gross margin	**21.1%**	20.1%	19.3%

Gross Margin Excluding Freight and Delivery Revenues

(add 000)	**2005**	2004	2003
Gross profit	**$ 423,825**	$ 346,644	$ 313,437
Total revenues	**$2,004,243**	$1,726,102	$1,627,486
Less: Freight and delivery revenues	**(248,846)**	(204,699)	(203,905)
Net sales	**$1,755,397**	$1,521,403	$1,423,581
Gross margin excluding freight and delivery revenues	**24.1%**	22.8%	22.0%

Operating Margin in Accordance with GAAP

(add 000)	**2005**	2004	2003
Earnings from operations	**$ 308,707**	$ 230,391	$ 199,306
Total revenues	**$2,004,243**	$1,726,102	$1,627,486
Operating margin	**15.4%**	13.3%	12.2%

Operating Margin Excluding Freight and Delivery Revenues

(add 000)	**2005**	2004	2003
Earnings from operations	**$ 308,707**	$ 230,391	$ 199,306
Total revenues	**$2,004,243**	$1,726,102	$1,627,486
Less: Freight and delivery revenues	**(248,846)**	(204,699)	(203,905)
Net sales	**$1,755,397**	$1,521,403	$1,423,581
Operating margin excluding freight and delivery revenues	**17.6%**	15.1%	14.0%

Results of Operations

The Corporation's consolidated operating results and operating results as a percentage of net sales were as follows:

years ended December 31 (add 000)	2005	% of Net Sales	2004	% of Net Sales	2003	% of Net Sales
Net sales	**$1,755,397**	**100.0%**	**$1,521,403**	**100.0%**	**$1,423,581**	**100.0%**
Freight and delivery revenues	**248,846**		204,699		203,905	
Total revenues	**2,004,243**		1,726,102		1,627,486	
Cost of sales	**1,331,572**	**75.9**	1,174,759	77.2	1,110,144	78.0
Freight and delivery costs	**248,846**		204,699		203,905	
Total cost of revenues	**1,580,418**		1,379,458		1,314,049	
Gross profit	**423,825**	**24.1**	**346,644**	**22.8**	**313,437**	**22.0**
Selling, general and administrative expenses	**130,704**	**7.4**	127,337	8.4	120,360	8.5
Research and development	**662**	**0.0**	891	0.1	612	0.0
Other operating (income) and expenses, net	**(16,248)**	**(0.9)**	(11,975)	(0.8)	(6,841)	(0.5)
Earnings from operations	**308,707**	**17.6**	**230,391**	**15.1**	**199,306**	**14.0**
Interest expense	**42,597**	**2.4**	42,734	2.8	42,587	3.0
Other nonoperating (income) and expenses, net	**(1,937)**	**(0.1)**	(606)	(0.1)	429	0.0
Earnings from continuing operations before taxes on income and cumulative effect of change in accounting principle	**268,047**	**15.3**	188,263	12.4	156,290	11.0
Taxes on income	**72,534**	**4.1**	57,816	3.8	46,903	3.3
Earnings from continuing operations before cumulative effect of change in accounting principle	**195,513**	**11.2**	**130,447**	**8.6**	**109,387**	**7.7**
Discontinued operations, net of taxes	**(2,847)**	**(0.2)**	(1,284)	(0.1)	(8,890)	(0.6)
Earnings before cumulative effect of change in accounting principle	**192,666**	**11.0**	129,163	8.5	100,497	7.1
Cumulative effect of change in accounting principle	—	—	—	—	(6,874)	(0.5)
Net earnings	**$ 192,666**	**11.0%**	**$ 129,163**	**8.5%**	**$ 93,623**	**6.6%**

Net Sales

Net sales by reporting segment for the years ended December 31 were as follows:

(add 000)	**2005**	2004	2003
Aggregates	**$1,624,782**	$1,411,309	$1,335,251
Specialty Products	**130,615**	110,094	88,330
Total	**$1,755,397**	$1,521,403	$1,423,581

Aggregates. Net sales growth in the Aggregates segment resulted primarily from strong pricing improvement. Aggregates average sales price increases were as follows for the years ended December 31:

	2005	2004	2003
Heritage Aggregates Operations[1]	**8.2%**	3.2%	1.3%
Aggregates Segment	**8.2%**	3.2%	1.6%

1 For purposes of determining heritage sales price increases, the percentage change for the year is calculated using the then heritage aggregates prices.

Heritage aggregates operations exclude acquisitions that were not included in prior-year operations for a full year and divestitures.

The average annual heritage price increase for the five years ended December 31, 2005 was 3.5%. Aggregates sales price increase in 2005 reflects higher demand for

aggregates products and a scarcity of supply in high-growth markets. Aggregates 2003 sales price increases were negatively affected by the recessionary construction economy experienced in that year.

Aggregates shipments of 203.2 million tons in 2005 increased as compared with 191.5 million tons shipped in 2004. Total aggregates shipments in 2004 were relatively flat as compared with 2003 shipments of 191.6 million tons.

Shipments *(thousands of tons)*	**2005**	2004	2003
Heritage Aggregates Operations[2]	**198,670**	188,515	185,192
Acquisitions	**3,974**	—	—
Divestitures[3]	**585**	2,953	6,402
Aggregates Segment	**203,229**	191,468	191,594

Specialty Products. Specialty Products 2005 net sales of $130.6 million increased 19% over 2004 net sales. Sales growth in the Magnesia Specialties business resulted from increased chemical sales to a variety of end users and strong pricing improvement in both lime and chemicals products. Additionally, net sales for the Structural Composite Products business increased, primarily due to military orders for ballistic panels during the fourth quarter of 2005. Specialty Products net sales in 2004 increased 25% over 2003.

Freight and Delivery Revenues and Costs

Freight and delivery revenues and costs represent pass-through transportation costs incurred when the Corporation arranges for a third-party carrier to deliver aggregates products to customers. These third-party freight costs are then fully billed to the customer. The increase in these revenues and costs in 2005 as compared with 2004 and 2003 is attributable to more tonnage being delivered under these terms and higher transportation costs, primarily fuel.

Cost of Sales

Cost of sales increased on an absolute basis due to an increase in production tons resulting from increased demand and rising costs for energy, particularly diesel fuel and natural gas, and repair and supply parts. These cost increases were moderated by plant and mobile fleet modernization and productivity improvement initiatives.

The Corporation's operating leverage can be substantial due to the high fixed and semi-fixed costs associated with aggregates production. During 2005 and 2004, production at heritage locations increased 5.7% and 3.9%, respectively, above prior-year levels to better match shipments and to restore more optimal inventory levels for the current operating environment. Aggregates inventory levels were increased in 2005 and were decreased in 2003.

Gross Profit

Gross margin excluding freight and delivery revenues is defined as gross profit divided by net sales and is a measure of a company's efficiency during the production process. The Corporation's gross margin excluding freight and delivery revenues increased 130 basis points to 24.1% during 2005 and 80 basis points in 2004 as pricing improvements and productivity gains outpaced increases in production costs.

Selling, General and Administrative Expenses

Selling, general and administrative expenses, as a percentage of net sales, were 7.4%, 8.4% and 8.5% for the years ended December 31, 2005, 2004 and 2003, respectively. The decline in this expense ratio in 2005 related to reorganization changes made in 2004 that have reduced headcount and other overhead expenses, as well as continued efforts focused on leveraging technology to improve efficiency. The absolute dollar increases of $3.4 million in 2005 and $7.0 million in 2004, both as compared to the prior year, were primarily due to increased incentive compensation costs. Additionally, 2004 expenses reflect an increase in regulatory compliance costs related to Sarbanes-Oxley implementation.

Other Operating Income and Expenses, Net

Among other items, other operating income and expenses, net, include gains and losses on the sale of assets; gains and losses related to certain amounts receivable; rental, royalty and services income; and the accretion and depreciation expenses related to Statement of Financial Accounting Standards No. 143, *Accounting for Asset Retirement Obligations* ("FAS 143"). The increase in 2005 results primarily from higher gains on sales of assets,

primarily excess land, and a lower loss on receivables, which resulted from improving economic conditions for the Corporation's customers. Other operating income for 2004 includes a pretax gain of $5.0 million on the sale of certain asphalt plants in the Houston, Texas market where the Corporation has a continuing financial interest.

Earnings from Operations

Operating margin excluding freight and delivery revenues is defined as earnings from operations divided by net sales and measures a company's operating profitability. The Corporation's operating margin excluding freight and delivery revenues improved 250 basis points in 2005 as compared with prior year, primarily as a result of the improvement in gross margin excluding freight and delivery revenues and the leveraging of the existing selling, general and administrative expense overhead structure.

Interest Expense

Interest expense decreased slightly in 2005 as compared with 2004, due to higher capitalized interest related to internal construction projects. This was partially offset by a higher interest rate paid on $100 million of debt subsequent to the termination of interest rate swaps. 2004 interest expense increased slightly as compared with 2003 as a result of higher interest rates during the year and lower capitalized interest.

Other Nonoperating Income and Expenses, Net

Other nonoperating income and expenses, net, are comprised generally of interest income, net equity earnings from nonconsolidated investments and eliminations of minority interests for consolidated, non-wholly owned subsidiaries. The increase in other nonoperating income and expenses, net, in 2005 resulted from higher interest income and higher earnings on nonconsolidated investments, partially offset by a higher expense related to minority interests of consolidated companies.

Income Taxes

Variances in the estimated effective income tax rates, when compared with the federal corporate tax rate of 35%, are due primarily to the effect of state income taxes, the impact of book and tax accounting differences arising from the net permanent benefits associated with the depletion allowances for mineral reserves, foreign operating earnings, and the tax effect of nondeductibility of goodwill related to asset sales.

The Corporation's estimated effective income tax rates for the years ended December 31 are as follows:

	2005	2004	2003
Continuing operations	**27.1%**	30.7%	30.0%
Discontinued operations	**32.7%**	(189.2%)	33.1%
Overall	**27.0%**	31.2%	29.7%

The reduction of the Corporation's estimated effective income tax rate for 2005 reflects the Qualified Activities Production Deduction allowed for the first time in 2005 under the American Jobs Creation Act of 2004 and the reversal of $5.9 million of reserves for tax contingencies in the 2001 tax return. The statute of limitations for the 2001 federal tax return expired on September 15, 2005. The effective income tax rates for discontinued operations reflect the tax effects of individual operations' transactions and are not indicative of the Corporation's overall effective tax rate.

Discontinued Operations

2005 divestitures and closures included underperforming operations within the Aggregates segment located in Arkansas, North Carolina, Ohio and Texas. 2004 divestitures and closures included underperforming operations within the Aggregates segment located in markets in Alabama, Tennessee, Oklahoma, Louisiana, California and Washington.

The results of all divested operations through the dates of disposal and any gains or losses on disposals are included in discontinued operations on the consolidated statements of earnings. The discontinued operations included the following net sales, pretax loss on operations, pretax gain or loss on disposals, income tax expense or benefit and net loss for the years ended December 31:

(add 000)	**2005**	2004	2003
Net sales	**$ 6,224**	$45,714	$114,288
Pretax loss on operations	**$(3,329)**	$ (7,171)	$ (15,082)
Pretax (loss) gain on disposals	**(900)**	6,727	1,794
Pretax loss	**(4,229)**	(444)	(13,288)
Income tax (benefit) expense	**(1,382)**	840	(4,398)
Net loss	**$(2,847)**	$ (1,284)	$ (8,890)

Net Earnings and Cumulative Effect of Change in Accounting Principle

2005 net earnings of $192.7 million, or $4.08 per diluted share, increased 49% compared with 2004 net earnings of $129.2 million, or $2.66 per diluted share. 2005 net earnings included one-time favorable tax benefits of $0.15 per diluted share.

2004 net earnings of $129.2 million, or $2.66 per diluted share, increased 29% compared with 2003 net earnings of $100.5 million, or $2.05 per diluted share, which excludes a $0.14 per diluted share loss for the cumulative effect of adopting FAS 143.

Analysis of Margins

- *2005 consolidated gross margin excluding freight and delivery revenues increased 130 basis points as compared with 2004.*
- *2005 gross margin negatively affected by embedded freight.*

The Corporation achieved its objective of improved overall gross margin excluding freight and delivery revenues in 2005 by maximizing pricing opportunities, increasing it shipments volume, improving its cost structure through productivity improvement and plant modernization initiatives and divesting of certain underperforming assets. Consolidated gross margin excluding freight and delivery revenues for continuing operations for the years ended December 31 was as follows:

2005	**24.1**%
2004	22.8%
2003	22.0%

When compared with peak gross margins excluding freight and delivery revenues in the late 1990's, the Aggregates segment's gross margin performance has been negatively affected by several factors. A primary factor is the expansion and development of water and rail distribution yards. Most of this activity is in coastal areas, which generally do not have an indigenous supply of aggregates and yet exhibit above-average growth characteristics. Development of this distribution network continues to be a key component of the Corporation's strategic growth plan and has already led to increased market share in certain areas. However, sales from rail and water distribution locations yield lower margins as compared with sales directly from quarry operations. Transportation freight cost from the production site to the distribution terminals is embedded in the delivered price of aggregates products and reflected in the pricing structure at the distribution yards. In general, a margin is not earned on the embedded freight component of price (see *Transportation Exposure* section on pages 52 through 54. In 2005, approximately 26 million tons were sold from distribution yards, and results from these distribution operations reduced gross margin excluding freight and delivery revenues for the Aggregates segment by approximately 430 basis points. Management expects that the distribution network currently in place will provide the Corporation a greater growth opportunity than many of its competitors, and margins should continue to improve, subject to the economic environment.

Other factors, including vertical integration, have further negatively affected margins. Gross margins excluding freight and delivery revenues associated with vertically integrated operations, including asphalt, ready mixed concrete and road paving operations, are lower as compared with aggregates operations. Gross margins excluding freight and delivery revenues for the Corporation's asphalt and ready mixed concrete businesses typically range from 10% to 15% as compared with the Corporation's aggregates business, which generally ranges from 20% to 25%. The road paving business was acquired as supplemental operations that were part of larger acquisitions. As such, it does not represent a strategic business of the Corporation. The margin in this business is affected by volatile factors including fuel costs, operating efficiencies and weather, and this business has typically resulted in losses that are not significant to the Corporation as a whole. In 2005, the mix of these operations to total aggregates operations lowered gross margin excluding freight and delivery revenues by approximately 90 basis points. The Corporation has decreased the effects of vertically integrated operations with certain divestitures in 2005 and 2004. The Corporation's gross margin excluding freight and delivery revenues will continue to be adversely affected by the lower margins for these vertically integrated businesses and for the water and rail distribution network as a result of management's strategic growth plan.

During 2005 and 2004, the Corporation better matched production to shipments as compared with 2003. This factor provided a positive impact on the Corporation's earnings in 2005 and 2004 when compared with 2003. When production levels are less than shipments, the change in inventory results in costs that were capitalized in inventory in prior periods being expensed in the current period. Certain of these costs are fixed in nature and, as a result, negatively impact earnings. Further, when production levels are less than optimal, production cost per unit is negatively affected by these fixed costs.

Gross margin excluding freight and delivery revenues for the Specialty Products segment was 16.4%, 17.3% and 10.8% for the years ended December 31, 2005, 2004 and 2003, respectively. The 2005 gross margin excluding freight and delivery revenues reflects increased chemical sales coupled with strong pricing improvement in both lime and chemicals products for the Magnesia Specialties business, offset somewhat by a lower gross profit in the Structural Composite Products business.

Business Combinations and Divestitures

The Corporation continued its planned divestiture of underperforming operations during 2005. These divestitures included the Texarkana road paving business in Arkansas and Texas and certain small locations in North Carolina and Ohio.

Effective January 1, 2005, the Corporation formed a joint venture with Hunt Midwest Enterprises ("Hunt Midwest") to operate substantially all of the aggregates facilities of both companies in Kansas City and surrounding areas. The joint venture company, Hunt Martin Materials LLC, is 50% owned by each party and is the leading aggregates producer in the area. The joint venture, initially valued at $75 million, was formed by the parties contributing a total of 15 active quarry operations with production of approximately 7.5 million tons annually. The Corporation consolidates the financial statements of the joint venture and presents minority interest for the net assets attributable to Hunt Midwest. In the Corporation's consolidated financial statements, the assets contributed by Hunt Midwest are valued at fair value on the date of contribution to the joint venture, while assets contributed by the Corporation continue to be valued at historical cost. The terms of the joint venture agreement provide that the Corporation operates as the managing partner and receives a management fee based on tons sold. Additionally, pursuant to the joint venture agreement, the Corporation has provided a $7 million revolving credit facility for working capital purposes and a term loan that provides up to $26 million for a capital project. Any outstanding borrowings under these agreements are eliminated in the Corporation's consolidated financial statements. The joint venture has a term of fifty years with certain purchase rights provided to the Corporation and Hunt Midwest.

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 annually for impairment in accordance with the provisions of Statement of Financial Accounting Standards No. 142, *Goodwill and Other Intangible Assets* ("FAS 142"). If this review indicates that goodwill is impaired, a charge is recorded. Goodwill was as follows at December 31:

	Goodwill (in millions)	% of Total Assets	% of Shareholders' Equity
2005	**$569.3**	**23.4%**	**48.5%**
2004	$567.5	24.1%	49.2%

BUSINESS ENVIRONMENT

The sections on *Business Environment* on pages 44 through 57, and the disclosures therein, are intended to provide the reader with a synopsis of the business environment trends and risks facing the Corporation. However, the reader should understand that no single trend or risk stands alone. The relationship between trends and risks is dynamic, and this discussion should be read with this understanding.

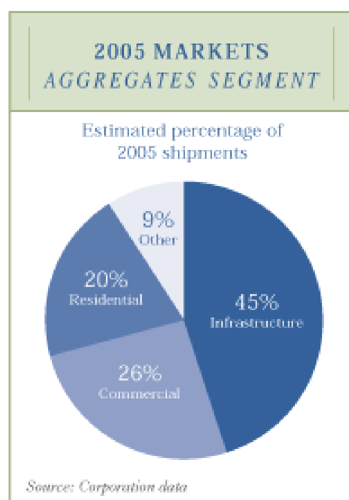
Aggregates Industry and Corporation Trends

- *2005 statistics, according to U.S. Census Bureau, from 2004 to 2005:*
  - *Public-works construction put in place increased 8%*
  - *Commercial construction market increased 5%*
  - *Residential construction market increased 11%*

The Corporation's principal business serves customers in construction aggregates-related markets. This business is strongly affected by activity within the construction marketplace, which is cyclical in nature. Accordingly, the Corporation's profitability is sensitive to national, regional

and local economic conditions and particularly to cyclical swings in construction spending. The cyclical swings in construction spending are further affected by fluctuations in interest rates, changes in the levels of infrastructure funding by the public sector and demographic and population shifts.

The Aggregates segment sells its products principally to contractors in connection with highway and other public infrastructure projects and commercial and residential construction projects. While construction spending in the public and private market sectors is affected by 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 typically less interest-rate sensitive than private-sector spending, and generally increased levels of funding have enabled highway and other infrastructure projects to improve overall as compared with commercial and residential construction. The total value of the United States construction put in place on highways, streets and bridges was $67 billion in 2005 compared with $60 billion in 2004, while overall public-works construction put in place increased 8% in 2005, both according to the U.S. Census Bureau. Management believes public-works projects accounted for more than 50% of the total annual aggregates consumption in the United States during 2005, which has consistently been the case for each year since 1990. Since public sector-related shipments account for approximately 45% of the Corporation's 2005 aggregates shipments, the Aggregates segment benefits from this 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 by the segment's mix of public sector-related shipments.



2005 Markets — Aggregates Segment
(Estimated percentage of 2005 shipments)

Infrastructure	45%
Commercial	26%
Residential	20%
Other	9%

Source: Corporation data

For the Corporation, the commercial construction market recovered further in 2005 after showing slight improvement in the second half of 2004. In fact, the strength and extensiveness of recovery in the commercial construction market exceeded management's expectations in 2005. Approximately 26% of the Corporation's 2005 aggregates shipments were related to the commercial construction market. According to the U.S. Census Bureau, the commercial construction market increased 5% in 2005 as compared with 2004.

The residential construction market increased 11% in 2005 from 2004, according to the U.S. Census Bureau, buoyed by low interest rates and strong housing starts. However, the Corporation's percentage of its shipments attributable to the residential construction market, although at historically high levels, was relatively flat in 2005 as compared with 2004.

The Corporation's asphalt, ready mixed concrete and road paving operations generally follow construction industry trends. These vertically integrated operations, which accounted for approximately 6% of the Aggregates segment's 2005 total revenues, are common in the southwestern United States. The Corporation divested of certain operations within these businesses in Houston, Texas, Shreveport, Louisiana and the Texarkana markets in Arkansas and Texas during 2005 and 2004 and concurrently entered into supply agreements to provide aggregates at market rates to several of the buyers. These divestitures have decreased the Corporation's exposure to lower margin, vertically integrated operations.

Since 1995, a greater percentage of the Corporation's shipments have been transported by rail and water and gross margin has been negatively affected. In addition to competitive considerations, the lower margins resulted from customers generally not paying the Corporation a profit associated with the transportation component of the selling price. However, as demand increases in supply-constrained areas, additional pricing opportunities, coupled with improved distribution cost, may help recover profitability and improve gross margin on transported material. Further, the long-haul transportation network can diversify market risk for locations that trans-

port their aggregates products. Many locations serve a local market and also transport products via rail and water to be sold in other markets. The risk of a downturn in one market is somewhat mitigated by the other markets served by the location.

Pricing on construction projects is generally based on agreed-upon terms committing to delivery of specified products at a price, typically valid for a year. While commercial construction jobs typically are completed within a year, infrastructure contracts can require several years to complete. Therefore, pricing increases can have a lag time to take effect while the Corporation sells aggregates products under existing price agreements. However, in 2005, the Corporation experienced, what management believes, is a shift in pricing trends in the industry. The term of price commitments has shortened to less than one year, and mid-year and other interim increases were widespread in the industry. Management believes this shift in pricing is caused by the increased demand for aggregates, coupled with the scarcity of supply in high-growth markets. Further, cost pressures, primarily related to energy, have also influenced pricing. As cost pressures ease, the rate of price increases for the Corporation's aggregates products could be reduced.

U.S. Aggregates Consumption (in millions of tons)

	Stone	Sand/Gravel	Total
2005E	1,830	1,389	3,219
2004	1,764	1,367	3,131
2003	1,698	1,279	2,977
2002	1,687	1,246	2,933
2001	1,764	1,246	3,010

Source: United States Geological Survey

The Corporation's management believes the overall long-term trend for the construction aggregates industry continues to be one of consolidation. However, the consolidation trend has slowed as the number of suitable acquisition targets in attractive markets shrinks. 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 strategic businesses and pursuing new opportunities that are related to the Corporation's existing markets.

Aggregates Industry and Corporation Risks

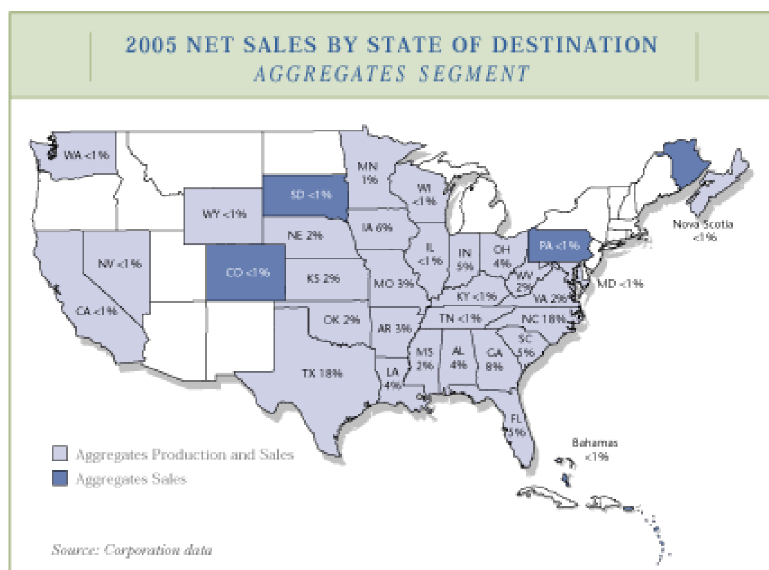
General Economic Conditions

The general economy had moderate improvement in 2005, reflecting increases in consumer spending, federal government spending and residential investment. The commercial construction market improved after several years of negatively being affected by high office and warehouse vacancy rates. The residential construction market increased during the year. However, increases in the federal funds rate, which has increased mortgage rates, could negatively affect this market.

Public-sector construction projects are funded through a combination of federal, state and local sources (see section *Federal and State Highway Appropriations* on pages 49 and 50). The level of state public-works spending is varied across the nation and dependent upon individual state economies. Each state funds infrastructure spending from specifically allocated amounts collected from various taxes, typically gasoline taxes and vehicle fees, in addition to federal appropriations. Additionally, subject to voter approval, the states may pass bond programs to fund infrastructure spending. Increasingly, local governments are funding projects through bond issues and local option taxes. Shortfalls in tax revenues can result in reductions in appropriations for infrastructure spending. Accordingly, amounts put in place, or spent, may be below amounts awarded under legislative bills.

The impact of the economic recovery will vary by market. Additionally, the Aggregates segment's profitability by state may not be proportionate to net sales by state because certain of the Corporation's markets are more profitable than others. Further, while the Aggregates segment's operations cover a wide geographic area, due

to the high cost of transportation relative to the price of the product, the segment's, and, consequently, the Corporation's, operating performance and financial results depend on the strength of local economies, which may differ from the economic conditions of the state or region. The impact of state or regional economic conditions is felt less heavily on large fixed plant operations that serve multiple end-use markets through the Corporation's long-haul distribution network.



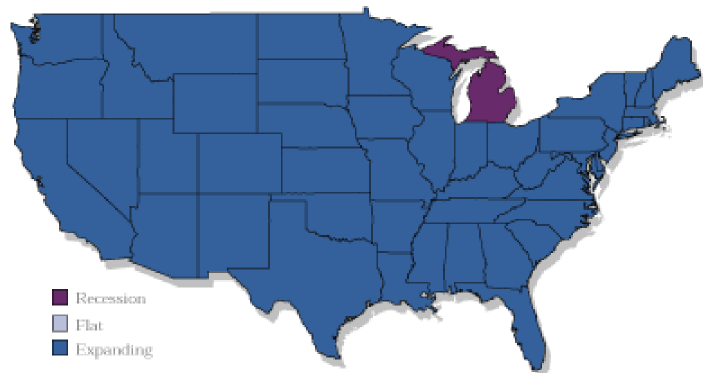
See end of exhibit for graph data

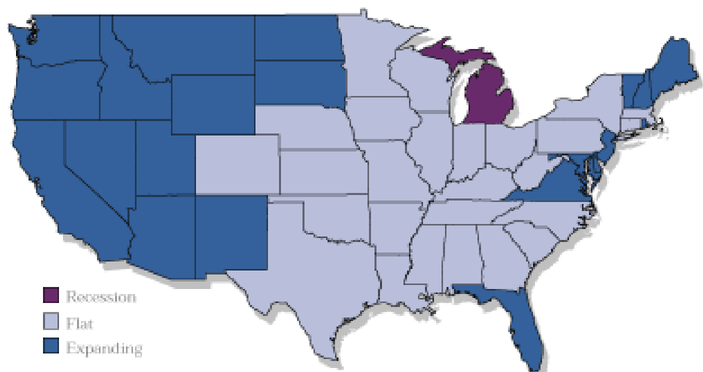
In 2005, as reported by economy.com, all states, with the exception of Michigan, were experiencing an expanding economy. In comparison with 2004, certain states, particularly in the Corporation's Northwest and Southwest Divisions, have improved from a flat to expanding economy.

The Aggregates segment's top five revenue-generating states, namely Texas, North Carolina, Georgia, Iowa and Florida, accounted for approximately 55% of its 2005 net sales by state of destination. Florida, which the Corporation primarily serves through its long-haul transportation network, moved into the top five revenue-generating states in 2005. The top ten revenue-generating states, which also include South Carolina, Indiana, Louisiana, Ohio and Alabama, accounted for approximately *77%* of the Aggregates segment's 2005 net sales by state of destination.

In Texas, the infrastructure market outlook is positive, as the state legislature has recently protected infrastructure spending levels. Additionally, there is a proposed multi-use, statewide network of transportation routes, the Trans-Texas Corridor, which would incorporate existing and new highways, railways and utility right-of-ways. This proposal is a long-term project that would be completed in phases over the next 50 years. In San Antonio, the infrastructure construction market remains strong, supported by a ramp up of traditional public works spending with a heavy concentration in tollway spending along the burgeoning northern corridor of the community. The overall market should be further enhanced by Washington Mutual, Inc.'s announcement to open a regional center that will bring approximately 5,000 new jobs to the area. Coupled with the recent construction of the new Toyota truck manufacturing facility and the net gain of several thousand new jobs from the recent military base realignment, San Antonio is positioned as one the fastest growing markets in the state. Although the market currently remains strong, interest rate increases are projected to adversely impact the residential construction market. In Dallas, the construction market should remain positive, supported by consistent state Department of Transportation funding and increased Turnpike Authority spending. Additionally, the residential construction market in Dallas has remained strong. In Houston, the commercial construction market has improved, while residential construction has declined slightly. The overall economy of Houston is currently being bolstered by the rapid escalation of oil pricing on a global scale. Aggregates pricing in the Houston market is strong and parallels the robust economy driven by the fuel and energy sector.

In North Carolina, the economy is growing, but at a much slower pace than the national average. While growth has occurred from an expanding high-tech manufacturing and research base, losses from closings of furniture and textile plants continue to negatively affect the overall state





See end of exhibit
for graph data

Source: economy.com

economy. Commercial construction has continued to recover from the decline that resulted from weak demand for office and warehouse space. Residential construction demand has been strong. North Carolina's spending on highways has historically been strong, with average spending of $2.7 billion annually during the 5-year period ended in fiscal 2000, according to data maintained by the Federal Highway Administration. However, lettings (invitations to bid) on new construction projects declined in the second half of 2005. Construction activity has continued from the $3.1 billion education bond passed in 2002 to fund new construction, repairs and renovations on the sixteen state university system campuses. The state has authorized the use of $900 million in grant anticipation revenue and vehicle (GARVEE) bonds, which will help fund the statewide road building program over the next few years. Historically, North Carolina operations have been above the average in profitability because of its quarry locations in growing market areas and the related transportation advantage.

The Georgia state economy has been adversely affected by a weak Atlanta economy, due to uncertainty created by the telecom mergers, the threat of bankruptcy at Delta Airlines and the potential for closing both the General Motors Corporation and Ford Motor Company assembly plants. However, the commercial and residential construction markets continue to be strong. Overall, infrastructure construction spending has been strong as evidenced by the volume of highway work in the southern part of the state. The Governor of Georgia has announced plans for an accelerated highway spending program in both new construction and rehabilitation of existing roadways and bridges that will impact the entire state. The Corporation benefits from a major presence in the coastal markets of Savannah and Brunswick, which are supplied by both rail and ocean shipping and continue to be very active.

The Iowa state economy, which is heavily dependent on the agriculture industry, is expanding at a moderate rate. The Farm Security and Rural Investment Act of 2002 governs federal farm programs through 2007. Among other provisions, this legislation provides minimum price supports for certain crops, including corn and soybeans, has stimulated the agricultural economy in Iowa and is expected to provide an overall benefit for the state. Local economies have been strong in urban areas of the

state, while economies in rural areas have been bolstered by construction of new wind farm generation facilities and new ethanol plants. The infrastructure construction market has softened, with reduced levels of projects by the Iowa Department of Transportation. However, the commercial construction and the residential construction markets have remained stable.

The Florida state economy has been strong and is expected to outperform the national economy for the foreseeable future. Although Hurricane Wilma's negative impact on the state's overall economy was mild, Florida remains at risk for future hurricane activity. The infrastructure construction market is strong. The residential construction market continues to be robust, particularly in Tampa and Jacksonville. However, residential construction in southern Florida is expected to decline. The Corporation's markets are based in the northern part of the state, where aggregates demand is currently strong. The Corporation primarily serves northern Florida by shipping and railing aggregates products from Georgia, Nova Scotia and the Bahamas.

The Aggregates segment is exposed to potential losses in customer accounts receivable in direct relation to economic cycles with a growing economy decreasing the risk of nonpayment and bankruptcy and a recessionary economy increasing those risks. Historically, the Corporation's bad debt write-offs have not been significant, and management believes the allowance for doubtful accounts was adequate at December 31, 2005.

Federal and State Highway Appropriations

- *Six-year $286.4 billion federal highway bill passed in 2005*
- *Bill increases states' minimum rates of returns of gasoline taxes paid to highway trust fund*

The federal highway bill is the principal source of highway funding for public-sector construction projects. In August 2005, a new federal highway bill, SAFETEA-LU, was signed into law. SAFETEA-LU is a six-year $286.4 billion bill that succeeds The Transportation Equity Act for the 21st Century, which expired by its terms on September 30, 2003. The federal highway program operated under continuing resolutions during the reauthorization process. SAFETEA-LU is effective retroactive to October 1, 2003 and is presently scheduled to expire on September 30, 2009.

SAFETEA-LU includes approximately $228 billion for highway programs, $52 billion for transit programs and $6 billion for highway safety programs. The provisions of the bill include increasing the minimum rate of return for donor states, those that pay more in gasoline taxes than they receive from the highway trust fund. The minimum rate of return will increase from the current rate of 90.5 percent to 92.0 percent by 2008. Eight of the Corporation's top ten revenue-generating states, including Texas, North Carolina, Georgia, Florida, South Carolina, Indiana, Louisiana and Ohio, were donor states for fiscal year 2005.

The federal highway bill provides spending authorizations, which represent maximum amounts. Each year, an appropriation act is passed to establish the amount that can actually be used for particular programs. The annual funding level is generally tied to receipts of highway user taxes, which are placed in the Highway Trust Fund. Once the annual appropriation is passed, the funds are then distributed to each of the states based on formulas (apportionments) or other procedures (allocations). Apportioned and allocated funds are generally required to be spent on specific programs as outlined in the federal legislation. SAFETEA-LU includes a revenue-aligned budget authority provision, which is an annual review and adjustment made to ensure that annual funding is linked to actual and anticipated revenues credited to the Highway Trust Fund. This review will commence in fiscal year 2007 and continue through the term of the bill.

Most federal funds are available for a period of four years. Once the federal government approves a state project, the funds are committed and considered spent regardless of when the cash is actually spent by the state and reimbursed by the federal government. In fact, funds are generally spent by the state over a period of years following designation, with approximately 27% in the year of funding authorization, 41% in the succeeding year and 16% in the third year. The remaining 16% is spent in the fourth year after designation and beyond.

Federal highway bills require Congress to annually appropriate highway funding levels, which continue to be subject to balanced budget and other proposals that may impact the funding available for the Highway Trust Fund. However, investments in transportation improvements

generally create new jobs. According to American Road and Transportation Builders Association ("ARTBA"), federal data indicates that every $1 billion in federal highway investment creates 47,500 jobs. Approximately half of the Corporation's net sales to the infrastructure market results from federal funding authorizations, including matching funds from the states.

States are required to match funds at a predetermined rate to receive federal funds for highways. Depending on the type of project, the matching level can vary. If a state is unable to match its allocated federal funds, the funding is forfeited. Any forfeitures are then reallocated to states that can provide the appropriate matching funds. States rarely forfeit federal highway funds, but in 2002, Virginia became the first state in recent history to not meet a federal matching requirement.

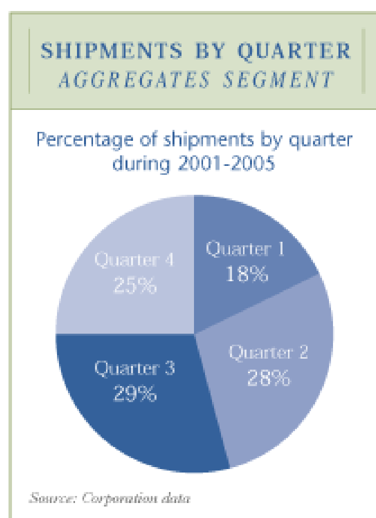
Despite state highway construction programs being primarily financed from highway user fees, including fuel taxes and vehicle registration fees, there has been a reduction in many states' investment in highway maintenance. Significant increases in federal infrastructure funding typically will require state governments to increase highway user fees to match federal spending. During the November 2004 election cycle, ARTBA's *Special 2004 Ballot Initiatives Report* indicated an increase in transportation funding-related ballot initiatives. Voters in 21 states overwhelmingly supported tax increases to fund transportation improvements and required state governments to stop using highway user revenues to fund non-transportation programs or services.

Generally, state spending on infrastructure leads to increased growth opportunity for the Corporation. However, there may not necessarily be a direct relationship between state spending and the Corporation's revenues. The degree to which the Corporation could be affected by a reduction or slowdown in infrastructure spending varies by state. However, the state economies of the Corporation's five largest revenue-generating states may disproportionately affect performance.

The Vision 100-Century of Aviation Reauthorization Act is a four-year bill ending September 30, 2007, which provides funding for airport improvements throughout the United States. Annual funding is $3.6 billion in fiscal 2006 and $3.7 billion in fiscal 2007.

Geographic Exposure and Seasonality

Seasonal changes and other weather-related conditions can also significantly affect the aggregates industry. Consequently, the Aggregates segment's production and shipment levels coincide with general construction activity levels, most of which typically occur in the spring, summer and fall for the segment's markets, and production and shipment levels vary by quarter. The segment's operations that are concentrated in the northern region of the United States generally experience more severe winter weather conditions than the segment's operations in the Southeast and Southwest. Additionally, significant amounts of rainfall can adversely affect shipments, production and profitability.



Shipments by Quarter — Aggregates Segment

Percentage of shipments by quarter during 2001-2005

Quarter	Percent
Quarter 1	18%
Quarter 2	28%
Quarter 3	29%
Quarter 4	25%

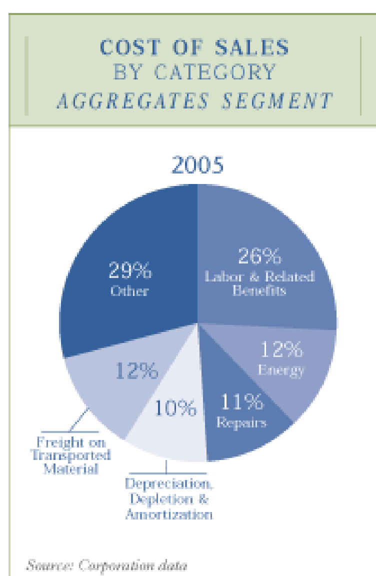
Source: Corporation data

The Corporation's operations in the southeastern and Gulf Coast regions of the United States and the Bahamas are at risk for hurricane activity. During 2005, Hurricanes Katrina and Rita hit the Gulf Coast area causing extensive damage in Louisiana and Mississippi. While the Corporation incurred losses and business interruption as a result of these storms, the losses and their effect on the consolidated operating results of the Corporation were mitigated by the fact that (a) Louisiana and Mississippi together accounted for approximately 6% of the Aggregates segment's 2005 net sales; (b) the area primarily has distribution yards instead of production locations; and (c) the area's operating margin excluding freight and delivery revenues has historically been below the Aggregates segment's overall operating margin excluding freight and delivery revenues. The Corporation did not incur significant damage from hurricanes hitting the Bahamas in 2005.

Cost Structure

- *Top 5 cost categories represent 71% of Aggregates segment cost of sales;*
- *Increased fuel costs negatively affected Aggregates segment cost of sales by $25 million;*
- *Higher steel and consumables prices increased costs for repairs and supplies; and*
- *Health and welfare cost increases were controlled.*

Due to the high fixed costs associated with aggregates production, the Corporation's operating leverage can be substantial. Generally, the top five categories of cost of sales for the Aggregates segment are labor and related benefits; depreciation, depletion and amortization; repairs; freight on transported material (excluding freight billed directly to customers); and energy. In 2005, these categories represented approximately 71% of the Aggregates segment's total cost of sales. The Corporation began a process improvement program in 1999 whereby teams consisting of personnel from different functional areas completed reviews of operational effectiveness on a location-by-location basis. Plant automation and mobile fleet modernization and right-sizing, completed as a result of these reviews, coupled with continuous cost improvement, have contributed to an improved cost structure.



Cost of Sales by Category — Aggregates Segment

2005	
Category	Percent
Labor & Related Benefits	26%
Energy	12%
Repairs	11%
Depreciation, Depletion & Amortization	10%
Freight on Transported Material	12%
Other	29%

Source: Corporation data

Wage inflation and the resulting increase in labor costs may be somewhat mitigated by increases in productivity in an expanding economy. Rising health care costs have increased total labor costs in recent years and are expected to continue to negatively affect labor costs in the near term. However, reductions in the workforce resulting from plant automation and mobile fleet right-sizing have helped mitigate rising costs. The Corporation has experienced health care cost increases on average of 2% over the past five years, while the national average was 11%. The Corporation's voluntary pension plan contributions have lessened the impact of rising pension costs.

Generally, when the Corporation incurs higher capital costs to replace facilities and equipment, increased capacity and productivity offset increased depreciation costs. However, when aggregates demand weakens, the increased productivity and related efficiencies may not be fully realized, resulting in the underabsorption of fixed costs, including depreciation. While costs for certain quarry equipment, including screens and crushers, remained relatively stable in 2005, the recent increase in global demand for finished steel products is expected to adversely affect equipment costs in 2006. Additionally, lead times for large mobile equipment are currently approximating one year, and a worldwide shortage in tires has further negatively affected the availability. These shortages and increased lead times have resulted in higher repair and maintenance expenses as equipment is being used over a longer service period prior to replacement.

The impact of inflation on the Corporation's businesses has become less significant with the benefit of continued moderate inflation rates. However, the Corporation has been negatively affected by increases in several cost areas. Notably, energy sector inflation affects, among other things, the costs of operating mobile equipment used in quarry operations, electricity to operate plants, waterborne transportation of aggregates materials and asphalt production. Accordingly, increases in energy costs can have a significant negative impact on the Corporation's results of operations. In 2005, increases in fuel prices lowered earnings for the Aggregates segment by $0.33 per diluted share when compared with 2004 fuel prices.

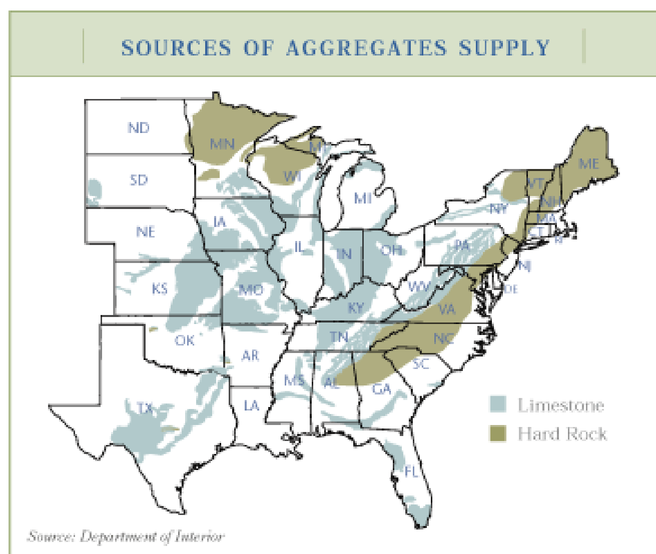
In addition to the top five categories, the Corporation's gross margin was negatively affected by increased costs for raw materials and supplies in 2005. Higher costs for explosives, tires, manganese, and oil and lubricants resulted from higher demand, created pricing pressures and resulted in longer lead times for delivery of these materials and supplies.

Selling, general and administrative costs as a percentage of net sales decreased in 2005. Among other factors, these costs were positively affected by reorganization changes made in 2004 that have reduced both headcount and other overhead expenses. These reductions were partially offset by increased performance-based incentive compensation costs.

Shortfalls in federal and state revenues may result in increases in income and other taxes.

Transportation Exposure

- *7% increase in tonnage moved by long-haul transportation network in 2005 as compared with 2004; and*
- *Embedded freight costs increased 31% in 2005, primarily due to fuel costs*



The geological map of the United States prepared by the U.S. Department of the Interior shows the possible sources of indigenous surface rock. The map illustrates the limited supply of indigenous surface rock in the coastal areas of the United States from Virginia to Texas.

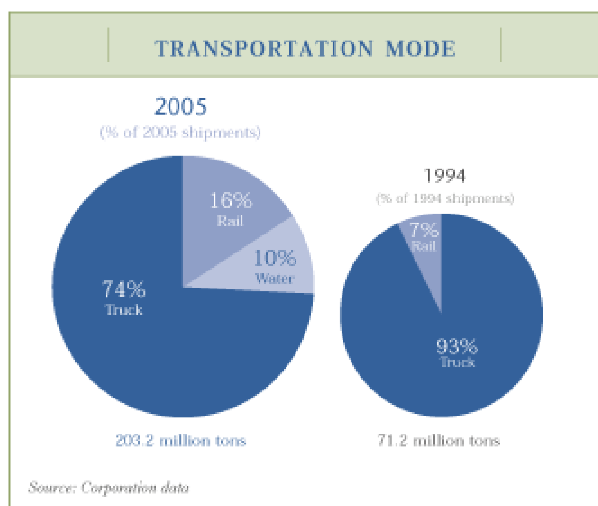
With population migration into the southeastern and southwestern United States, local crushed stone supplies must be supplemented, or in some cases, supplied from inland and offshore quarries. The Corporation's strategic focus includes expanding inland and offshore capacity and acquiring distribution terminals and port locations to offload transported material. In 1994, the Corporation had 7 distribution terminals. Today, with 75 distribution terminals, a growing percentage of the Corporation's aggregates shipments are being moved by rail or water through this network. The Corporation's acquisition of the construction aggregates business of Dravo Corporation in 1995 expanded its waterborne capabilities, both by barge and oceangoing ship, which were enhanced by the 1995 acquisition of a deepwater quarry in Nova Scotia, while the 1998 acquisition of Redland Stone Products Company and the 2001 acquisition of Meridian Aggregates Company increased its rail-based distribution network. In 2001, the Corporation brought additional capacity on line at the Bahamas location, and in 2004, the Corporation boosted potential output at the Nova Scotia location from 3.2 million to 4.8 million tons annually. 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 administers freight costs principally in three ways:

Option 1: The customer supplies transportation.

Option 2: The Corporation directly ships aggregates products from a quarry to a customer by arranging for a third party carrier to deliver aggregates and then specifically passing the freight costs through to the customer. These freight and delivery revenues and costs are presented in the Corporation's consolidated statements of earnings as required by Emerging Issues Task Force Issue No. 00-10, *Accounting For Shipping and Handling Fees and Costs.* These freight and delivery revenues and costs were $248.8 million, $204.7 million and $203.9 million in 2005, 2004 and 2003, respectively.

Option 3: The Corporation transports aggregates, either by rail or water, from a production location to a distribution terminal. The selling price at the distribution terminal includes the freight component to transport the product to the distribution location. These freight costs are included in costs of sales and were $165.2 million, $125.8 million and $123.8 million for 2005, 2004 and 2003, respectively. Transportation costs from the distribution location to the customer are accounted for as described above in options 1 or 2, as applicable.

For analytical purposes, the Corporation eliminates the effect of freight on margins with the second option. When the third option is used, margins as a percentage of sales are negatively affected because the customer does not pay the Corporation a profit associated with the transportation component of the selling price. For example, a truck customer in a local market will pick up the material at the quarry and pay $6.50 per ton of aggregate. Assuming a $1.50 gross profit per ton, the Corporation would recognize a 23% gross margin. However, if a customer purchased a ton of aggregate that was transported to a distribution yard by the Corporation via rail or water, the selling price may be $12.50 per ton, assuming a $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.



Transportation Mode

	2005 (% of 2005 shipments)	1994 (% of 1994 shipments)
Truck	74%	93%
Rail	16%	7%
Water	10%	—

Source: Corporation data

In 1994, 93% of the Corporation’s aggregates shipments were moved by truck while the balance was moved by rail. In contrast, in 2005, the Corporation’s aggregates shipments moved 74% by truck, 16% by rail and 10% by water (see section *Analysis of Margins* on pages 43 and 44).

The Corporation’s increased dependence on rail shipments has further exposed it to railroad performance, including track congestion, crew and power availability, and the ability to renegotiate favorable railroad shipping contracts. Primarily in 2004 and to a lesser extent in 2005, the Corporation experienced significant rail transportation shortages in Texas and parts of the Southeast. These shortages resulted from the downsizing of personnel and equipment made by certain railroads during the economic downturn. Further, in response to these issues, rail transportation providers have focused on increasing the number of cars per unit train under transportation contracts and are generally requiring customers, through the freight rate structure, to accommodate larger unit train movements. A unit train is a freight train moving large tonnages of a single bulk product between two points without intermediate yarding and switching. In 2005, the Corporation addressed certain of its railcar needs for future shipments by entering into a purchase agreement for the construction of 780 railcars and is in the process of converting it into two master lease agreements. One of the lease agreements has an initial lease term of 5 years with a renewal option for an additional 5-year period and the other lease is expected to have a term of 20 years. Generally, the Corporation does not buy railcars, barges or ships, but rather supports its long-term distribution network with leases and contracts for affreightment for these modes of transportation.

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, fuel costs, barge or ship availability and weather disruptions. The Corporation has a long-term agreement that will provide additional dedicated shipping capacity from its Bahamas and Nova Scotia operations to its coastal ports beginning in 2006.

Management expects the multiple transportation modes that have been developed with various rail carriers and via deepwater ship to provide the Corporation with the flexibility to effectively serve customers in the Southwest and Southeast coastal markets.

Internal Expansion

The Corporation's capital expansion, acquisition and greensite programs are focused on taking advantage of construction market growth through investment in both permanent and portable quarrying operations. Recently, the Corporation has focused on an extensive array of plant modernization and capacity expansion projects. Included in these projects is the completion of a $20 million plant at the Lemon Springs quarry in North Carolina that more than doubled the plant's capacity. Additionally, construction was started on a new plant at the Three Rivers location near Paducah, Kentucky, which is expected to be operational in the third quarter of 2006. This plant will replace three plants at the same location and increase capacity from approximately 5.5 million tons per year to more than 8 million tons per year. While such projects generally increase capacity, lower production costs and improve product quality, they experience start-up costs in early years. Additionally, it may take time to increase shipments and absorb the increased depreciation and other fixed costs, particularly in a slow economy. In addition, pricing may be negatively affected by the additional volume available in the market. Therefore, the full economic benefit of a capital project may not be realized immediately subsequent to its completion.

The Corporation's aggregates reserves, on the average, exceed 50 years of production based on current levels of activity. Management of the Corporation has focused on acquisitions of additional property around existing quarry locations. This property can serve as either buffer property or additional mineral reserve capacity, assuming underlying geology supports economical aggregates mining. In either case, the acquisition of additional property around an existing quarry allows an expansion of the quarry footprint and extension of quarry life. However, some locations have more limited reserves and may not be able to expand.

Environmental Regulation and Litigation

The aggregates industry's expansion and growth are 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 road 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. A defined geographic area must be below the limits set for six pollutants to be in compliance with national ambient air quality standards. Recently, environmental groups have been successful in lawsuits against the federal and certain state departments of transportation, asserting that highway construction in a municipal area should be delayed until the municipality is in compliance with the Clean Air Act. The EPA designates geographic areas as nonattainment areas when the level of air pollutants has exceeded the national standard. Nonattainment areas receive deadlines to reduce air pollutants by instituting various control strategies or face fines or control by the EPA. Included in the nonattainment areas are several major metropolitan areas in the Corporation's markets, including Charlotte, North Carolina; Greensboro/Winston-Salem/High Point, North Carolina; Raleigh/Durham/Chapel Hill, North Carolina; Hickory/Morganton/Lenoir, North Carolina; Atlanta, Georgia; Macon, Georgia; Indianapolis, Indiana; Terre Haute, Indiana; Houston/Galveston, Texas; Dallas/Fort Worth, Texas; and San Antonio, Texas. Federal transportation funding through SAFETEA-LU is directly tied to compliance with the Clean Air Act.

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. Further challenges are expected as these initiatives gain momentum across the United States.

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. 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.

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. New permits, which are generally required for opening new sites or for expansion at existing operations, can take up to several years to obtain. Rezoning and special purpose permits are becoming increasingly difficult to acquire. Once a permit is obtained, the location is required to generally operate in accordance with the approved site plan.

The Corporation is engaged in certain legal and administrative proceedings incidental to its normal business activities (see Notes A and N to the audited consolidated financial statements on pages 17 through 21 and pages 32 and 33, respectively).

Magnesia Specialties Business

Through its Magnesia Specialties business, 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. Given the high fixed costs associated with operating the business, low capacity utilization negatively affects its results of operations. Further, the production of certain magnesia chemical products and lime products requires the use of natural gas, coal and petroleum coke to fuel kilns. Changes in the prices of these fuels can have a significant effect on the profitability of the Magnesia Specialties business.

Magnesia Specialties' products used within the steel industry accounted for approximately 48% of the business's net sales for 2005. Accordingly, a portion of the product pricing structure is affected by current economic trends within the steel industry. The steel industry is expected to run at a strong pace through the first quarter 2006 but outside factors, such as growth in Asian steel production and consumption, will likely continue to cause fluctuations in domestic steel production. The long-term competitiveness of the U.S. steel industry remains in question.

Approximately 13% of Magnesia Specialties' 2005 revenues were derived from foreign jurisdictions, with no single country accounting for 10% or more of its revenues. Magnesia Specialties sells its products in the United States, Canada, Mexico, Europe, South America and the Pacific Rim. As a result of these foreign market sales, the business's financial results could be affected by changes in foreign currency exchange rates or weak economic conditions in the foreign markets in which the business distributes its products. To mitigate the short-term effects of changes in currency exchange rates on operations, the U.S. dollar is used as the functional currency in foreign transactions.

Approximately 99% of the Magnesia Specialties' hourly employees are members of a labor union. Union contracts cover employees at the Manistee, Michigan magnesia-based chemicals plant and the Woodville, Ohio lime plant. The labor contract with the Manistee labor union will expire in August 2007, while the Woodville labor union contract expires in June 2006.

Structural Composite Products Business

The Corporation, through its wholly owned subsidiary, Martin Marietta Composites, Inc. ("MMC"), is engaged in developmental activities related to fiber-reinforced composite technology. MMC's fiber-reinforced polymer ("FRP") composite materials are manufactured from complex glass fabrics and polymer resins. The fabrics are impregnated with resins and drawn under heat and tension through a heated die to generate the desired structural shape. This produces an extremely hard final product that is cut to the desired length. The component shapes are then assembled with adhesives to construct final products. Composite technology and products offer weight reduction, corrosion resistance and other positive attributes compared with conventional materials.

In 2005, MMC focused on several market sectors for its FRP composite materials: infrastructure, construction, transportation and military. Infrastructure products include bridge decks. Construction products are presently oriented to off-road mats for soft soils and oil and gas drilling. Transportation products include commercial trucks and trailers, as well as rail. To date, military products consist of ballistic panels, including orders for approximately $9 million. MMC is currently focusing its efforts on military applications. As with any start-up opportunity, these activities are subject to uncertainty and risk, including development and sale of composite products for targeted market segments and market acceptance of these products.

MMC entered into a licensing agreement related to a proprietary composite sandwich technology, which is expected to play an important role in the product line related to flat panel applications. In connection with this agreement, MMC is obligated to complete the purchase of an additional flat panel machine in 2006.

In 2005, management concluded that its present live floor and tipper trailer products were not economically viable for hauling municipal waste and that the identified issues would not be resolved in the near future. In connection with this decision, inventory used in the manufacturing of waste trailers was written down to its net realizable value, based on alternative uses and salvage values. The write down resulted in a pretax charge of $2.0 million. MMC also recorded additional charges of $2.8 million for other inventory writedowns during 2005.

MMC's line of DuraSpan® bridge decks offers several advantages over bridge decks made of conventional materials, including lighter weight and high strength; rapid installation that significantly reduces construction time and labor costs; and resistance to corrosion and fatigue that results in a longer life expectancy. To date, MMC has completed thirty successful DuraSpan® installations in thirteen states and two foreign countries.

MMC has a 185,000 square foot facility in Sparta, North Carolina, which contains the assembly and manufacturing hub for composite structures. MMC is currently manufacturing bridge decks and composite flat panels and assembling selected truck products at this facility. Product trials and commercialization continue to be the near-term focus of MMC. During 2005, the Corporation incurred a loss of $14.3 million from operations, inclusive of the inventory write down charges, associated with developing the Structural Composite Products business. At December 31, 2005, this business had net assets totaling approximately $18 million in addition to $6.2 million of off-balance sheet obligations, which were primarily lease and royalty obligations.

Internal Control and Accounting and Reporting Risk

The Corporation's independent registered public accounting firm issued an unqualified opinion on management's assessment that the Corporation's internal controls as of December 31, 2005 were effective. A system of internal controls over financial reporting is designed to provide reasonable assurance, in a cost-effective manner, on the reliability of a company's financial reporting and the process for preparing and fairly presenting financial statements in accordance with generally accepted accounting principles. Further, a system of internal control over financial reporting, by its nature, should be dynamic and responsive to the changing risks of the underlying business. Changes in the system of internal control over financial reporting could increase the risk of occurrence of a significant deficiency or material weakness.

The compliance efforts related to the assessment of internal controls over financial reporting will continue in 2006 and beyond. In 2006, the Corporation expects to convert the billing system of the businesses acquired in the 1998 acquisition of Redland Stone Products Company, which are currently a part of the Southwest Division, to the Corporation's enterprise-wide information system solution. Management believes that the financial system conversion will provide a more centralized system of internal control over financial reporting for this business.

Accounting rule-making, which may come in the form of accounting standards, principles, interpretations or speeches, has become increasingly more complex and generally requires significant estimates and assumptions in their interpretation and application. Further, accounting principles generally accepted in the United States continue to be reviewed, updated and subject to change by various rule-making bodies, including the Financial Accounting Standards Board and the Securities and

Exchange Commission (see *Accounting Changes* section of Note A to the audited consolidated financial statements on pages 20 and 21 and section *Application of Critical Accounting Policies* on pages 57 through 65).

For additional discussion on risks, see the section "Risk Factors" in the Corporation's Annual Report on Form 10-K for the year ended December 31, 2005.

Corporate Governance

The Corporation's Board of Directors (the "Board") has established Corporate Governance Guidelines to support its oversight of management's strategy and operation of the business in order to promote the long-term successful performance of the Corporation. Among other requirements, these guidelines include:

- The Board adheres to the Corporation's *Code of Ethics and Standards of Conduct* and periodically assesses its performance.
- A board size of 9 to 11 members, with at least two-thirds of the Directors being independent non-management Directors.
- Six Board Committees currently organized: Audit; Ethics, Environment, Safety and Health; Executive; Finance; Management Development and Compensation; and Nominating and Corporate Governance.
- Board of Directors and the Audit Committee meet at least five times annually.
- An executive session of the non-employee Directors is held at least twice annually.
- Chairman and Chief Executive Officer report at least annually to the Board on succession planning for senior executive positions.

Outlook 2006

Based on current forecasts and indications of business activity, management has a positive outlook for 2006. Aggregates pricing is expected to increase 9% to 11% for the year, reflecting continued heavy demand, rising transportation costs and supply constraints in many of the Corporation's southeast and southwest market areas. Demand for aggregates products is expected to increase 2% to 4%, with increases in infrastructure and commercial construction being somewhat offset by an expected decline in residential construction. Management anticipates volume growth in other uses of aggregates products, including chemical grade stone used in controlling electric power plant emissions and railroad ballast.

The Specialty Products segment is expected to show continued improvement in 2006. Management anticipates that the Magnesia Specialties business will generate between $26 million and $28 million in pretax earnings. Management's objective in the Structural Composite Products business is to build a revenue base of $30 million to $40 million which, if achieved, should support breakeven operations for the year. The Corporation was able to generate $5.5 million in revenue in the Structural Composite Products business in fourth quarter 2005, with most coming late in the quarter. If the Structural Composite Products business does not meet performance objectives, management will evaluate alternative approaches.

In 2005, the Corporation changed its stock-based compensation program, resulting in an increase in the number of restricted stock awards and a decrease in the number of stock option awards. In 2005, the Corporation recorded an expense of $0.03 per diluted share for restricted stock awards. For 2006, management estimates the expense for restricted stock awards to be $0.06 to $0.08 per diluted share. Effective January 1, 2006, the Corporation adopted Statement of Financial Accounting Standards No. 123-R, *Share-Based Payment,* which requires that stock options be expensed. For 2005, the pro forma impact of expensing employee stock options was $0.08 per diluted share. In 2006, management estimates the impact of expensing stock options to be $0.05 to $0.07 per diluted share. As a result, the total recorded expense related to the Corporation's stock-based compensation program was $0.03 per diluted share in 2005 and is expected to be in a range of $0.11 to $0.15 per diluted share in 2006.

With this backdrop, management currently expects net earnings per diluted share to range from $4.95 to $5.25, inclusive of stock-based compensation expense. For the first quarter 2006, earnings per diluted share are expected to range from $0.30 to $0.45.

OTHER FINANCIAL INFORMATION

Application of Critical Accounting Policies

The Corporation's audited consolidated financial statements include certain critical estimates regarding the effect of matters that are inherently uncertain. These estimates require management's subjective and complex judgments. Amounts reported in the Corporation's con-

solidated financial statements could differ materially if management had used different assumptions in making these estimates, resulting in actual results differing from those estimates. Methodologies used and assumptions selected by management in making these estimates, as well as the related disclosures, have been reviewed by and discussed with the Corporation's Audit Committee. Management's determination of the critical nature of accounting estimates and judgments may change from time to time depending on facts and circumstances that management cannot currently predict.

Impairment Review of Goodwill

Goodwill is required to be tested at least annually for impairment using fair value measurement techniques prescribed by FAS 142, using present value of discounted cash flow techniques. The impairment evaluation of intangible assets is a critical accounting estimate because goodwill represents 48.5% of the Corporation's total shareholders' equity at December 31, 2005, the evaluation requires the selection of assumptions that are inherently volatile and an impairment charge could be material to the Corporation's financial condition and its results of operations.

There is no goodwill associated with the Specialty Products segment. Management determined the reporting units of the Corporation's Aggregates segment, which represent the level at which goodwill is tested for impairment under FAS 142, were as follows:

- *Carolina,* which includes North Carolina;
- *Mid America,* which includes Ohio and Indiana;
- *Mid Atlantic,* which includes Virginia, West Virginia and Maryland;
- *Northwest,* which includes Iowa, Missouri, Kansas, Nebraska, Minnesota, Wyoming, Washington, Nevada, Wisconsin and California;
- *Southeast,* which includes Georgia, South Carolina, Florida, Alabama, Mississippi and Tennessee; quarry operations and distribution yards along the Mississippi River system and Gulf Coast; and offshore quarry operations in the Bahamas and Nova Scotia; and
- *Southwest,* which includes Texas, Arkansas, Oklahoma and Louisiana.

In accordance with Statement of Financial Accounting Standards No. 131, *Disclosures about Segments of an Enterprise and Related Information,* disclosures for the aforementioned reporting units are consolidated for financial reporting purposes as they meet the aggregation criteria. Any impact on reporting units resulting from organizational changes made by management is reflected in the succeeding evaluation.

Goodwill for each of the reporting units was tested for impairment by comparing the reporting unit's fair value to its carrying value, which represents step 1 of a two-step approach required by FAS 142. If the fair value of a reporting unit exceeds its carrying value, no further calculation is necessary. A reporting unit with a carrying value in excess of its fair value constitutes a step 1 failure and leads to a step 2 evaluation to determine the goodwill write off. If a step 1 failure occurs, the excess of the carrying value over the fair value does not equal the amount of the goodwill write off. Step 2 requires the calculation of the implied fair value of goodwill by allocating the fair value of the reporting unit to its tangible and intangible assets, other than goodwill, similar to the purchase price allocation prescribed under Statement of Financial Accounting Standards No. 141, *Business Combinations.* The remaining unallocated fair value represents the implied fair value of the goodwill. If the implied fair value of goodwill exceeds its carrying amount, there is no impairment. If the carrying value of goodwill exceeds its implied fair value, an impairment charge is recorded for the difference. Further, when performing step 2 and allocating a reporting unit's fair value, assets having a higher fair value as compared to book value increase any possible write off of impaired goodwill.

In 2005, the impairment evaluation was performed as of October 1, which represents the ongoing annual evaluation date. The fair values of the reporting units were determined using a 15-year discounted cash flow model. Key assumptions included management's estimates of future profitability, capital requirements, a 9% discount rate and a 2.5% terminal growth rate. The implied fair values for each reporting unit exceeded its respective carrying value.

The term of the discounted cash flow model is a significant factor in determining the fair value of the reporting units. A 15-year term was selected based on management's judgment supported by quantitative factors, including the Corporation's strong financial position, long history of earnings growth and the remaining life of underlying

mineral reserves, estimated at over 50 years at current production rates. Additional consideration was given to qualitative factors, including the Corporation's industry leadership position and the lack of obsolescence risks related to the Aggregates segment.

Future profitability and capital requirements are, by their nature, estimates. The profitability estimates utilized in the evaluation were generally consistent with the five-year operating plan prepared by management and reviewed by the Board of Directors. The succeeding ten years (2010 to 2019) of profitability were estimated using assumptions for price, cost and volume increases. These future price and cost assumptions were selected based on a review of these trends during the most recent fifteen-year period. Volume increases were capped when shipments reached the current production capacity, although additional capacity could be gained through increases in operating hours and capital infusion. Capital requirements were estimated based on expected recapitalization needs of the reporting units.

The assumed discount rate was based on the Corporation's weighted-average cost of capital. The terminal growth rate was selected based on the projected annual increase in Gross Domestic Product. Price, cost and volume increases, profitability of acquired operations, efficiency improvements, the discount rate and the terminal growth rate are significant assumptions in performing the impairment test. These assumptions are interdependent and have a significant impact on the results of the test.

The Southwest Division is significant to the evaluation as $308 million of the Corporation's goodwill at December 31, 2005 is attributable to this reporting unit. For the 2005 evaluation, the excess of fair value over carrying value was $111 million.

The following provides sensitivity analysis related to the 2005 FAS 142 evaluation:

- All reporting units passed the step 1 analysis using a 10% discount rate and a 2% terminal growth rate, which represent assumptions used for the 2004 evaluation.
- If the discount rate was increased to 11%, the Southwest Division would have failed step 1.
- If the present value of projected future cash flows for the Southwest Division were 17% less than currently forecasted, that reporting unit would have failed step 1.

The failure of step 1 does not necessarily result in an impairment charge. Rather, it requires step 2 to be completed. The completion of step 2 would determine the amount of the impairment charge. Possible impairment charges under various scenarios were not calculated.

Management believes that all assumptions used were reasonable based on historical operating results and expected future trends. However, if future operating results are unfavorable as compared with forecasts, the results of future FAS 142 evaluations could be negatively affected. Additionally, mineral reserves, which represent the underlying assets producing the reporting units' cash flows, are depleting assets by their nature. The reporting units' future cash flows will be updated as required based on expected future cash flow trends. Management does not expect significant changes to the valuation term, but will continue to evaluate the discount rate and growth rate for the 2006 evaluation. Future annual evaluations and any potential write off of goodwill represent a risk to the Corporation.

Pension Expense-Selection of Assumptions

The Corporation sponsors noncontributory defined benefit retirement plans that cover substantially all employees and a Supplemental Excess Retirement Plan ("SERP") for certain retirees (see Note J to the audited consolidated financial statements on pages 26 through 30). These benefit plans are accounted for in accordance with Statement of Financial Accounting Standards No. 87, *Employers' Accounting for Pensions* ("FAS 87"). In accordance with FAS 87, annual pension expense (inclusive of SERP expense) consists of several components:

- *Service Cost,* which represents the present value of benefits attributed to services rendered in the current year, measured by expected future salary levels.
- *Interest Cost,* which represents the accretion cost on the liability that has been discounted back to its present value.
- *Expected Return on Assets,* which represents the expected investment return on pension fund assets.
- *Amortization of Prior Service Cost and Actuarial Gains and Losses,* which represents components that are recognized over time rather than immediately, in accordance with FAS 87. Prior service cost represents credit given to employees for years of service prior to plan inception. Actuarial gains and losses arise from

changes in assumptions regarding future events or when actual returns on assets differ from expected returns. At December 31, 2005, the net unrecognized actuarial loss and unrecognized prior service cost were $68.5 million and $4.8 million, respectively. Pension accounting rules currently allow companies to amortize the portion of the unrecognized actuarial loss that represents more than 10 percent of the greater of the projected benefit obligation or pension plan assets, using the average remaining service life for the amortization period. Therefore, the $68.5 million unrecognized actuarial loss consists of approximately $38.2 million that is currently subject to amortization in 2006 and $30.3 million that is not subject to amortization in 2006. Assuming the December 31, 2005 projected benefit obligation and an average remaining service life of 13.1 years, approximately $3.6 million of amortization of the actuarial loss and prior service cost will be a component of 2006 annual pension expense. Recently, the Financial Accounting Standards Board tentatively agreed to certain changes to pension accounting that, if ratified, would change the recognition provisions for actuarial gains and losses and prior service costs (see *Accounting Changes* section of Note A to the audited consolidated financial statements, on pages 20 and 21).

The components are calculated annually to determine the pension expense that is reflected in the Corporation's results of operations.

Management believes that the selection of assumptions related to the annual pension expense is a critical accounting estimate due to the high degree of volatility in the expense dependent on selected assumptions. The key assumptions are as follow:

- The *discount rate* is the rate used to present value the pension obligation and represents the current rate at which the pension obligations could be effectively settled.
- The *rate of increase in future compensation levels* is used to project the pay-related pension benefit formula and should estimate actual future compensation levels.
- The *expected long-term rate of return on pension fund assets* is used to estimate future asset returns and should reflect the average rate of long-term earnings on assets already invested.
- The *mortality table* represents published statistics on the expected lives of people.

Management's selection of the discount rate is based on an analysis that estimates the current rate of return for high quality, fixed-income investments with maturities matching the payment of pension benefits that could be purchased to settle the obligations. The Corporation used the 10th to 90th percentile of the universe (500-550 issues) of Moody's Aa noncallable bonds in the analysis used to determine the discount rate. Of the four key assumptions, the discount rate is generally the most volatile and sensitive estimate. Accordingly, a change in this assumption would have the most significant impact on the annual pension expense.

Management's selection of the rate of increase in future compensation levels is generally based on the Corporation's historical salary increases, including cost of living adjustments and merit and promotion increases, giving consideration to any known future trends. A higher rate of increase will result in a higher pension expense. The actual rate of increase in compensation levels in 2005 and 2004 was approximately 4.0%.

Management's selection of the expected long-term rate of return on pension fund assets is based on the historical long-term rates of return for investments in a similar mix of assets. Given that these returns are long-term, there are generally not significant fluctuations in the expected rate of return from year to year. A higher expected rate of return will result in a lower pension expense. The following table presents the expected return on pension fund assets as compared with the actual return on pension assets for 2005, 2004 and 2003 ($ in thousands):

Year	Expected Return on Pension Assets	Actual Return on Pension Assets
2005[1]	**$17,713**	**$18,599**
2004[2]	$16,377	$11,119
2003	$10,648	$27,090

[1] *Return on assets is for the period December 1, 2004 to November 30, 2005.*

[2] *Return on assets is for the 11-month period January 1, 2004 to November 30, 2004 due to the change in measurement date in 2004.*

The difference between expected return on pension assets and the actual return on pension assets is not immediately recognized in the statement of operations. Rather, pension accounting rules require the difference to be included in actuarial gains and losses, which is amortized into annual pension expense.

At December 31, 2005, the Corporation used the RP 2000 Mortality Table to estimate the remaining lives of the participants in the pension plans. The RP 2000 Mortality Table includes separate tables for blue-collar employees and white-collar employees. The Corporation used the blue-collar table for its hourly workforce and the white-collar table for its salaried employees. At December 31, 2004, the Corporation used the 1994 Group Annuity Mortality Table.

Assumptions are selected on December 31 for the succeeding year's expense. For the 2005 pension expense, the assumptions selected at December 31, 2004 were as follow:

Discount rate	6.00%
Rate of increase in future compensation levels	5.00%
Expected long-term rate of return on assets	8.25%
Average remaining service period for participants	14.2 years
1994 Group Annuity Mortality Table	

Using these assumptions, the 2005 pension expense was $12.3 million. A change in the assumptions would have had the following impact on the 2005 expense:

- A change of 25 basis points in the discount rate would have changed 2005 expense by approximately $1.2 million.
- A change of 25 basis points in the expected long-term rate of return on assets would have changed the 2005 expense by approximately $0.5 million.

For the 2006 pension expense, the assumptions selected were as follow:

Discount rate	5.83%
Rate of increase in future compensation levels	5.00%
Expected long-term rate of return on assets	8.25%
Average remaining service period for participants	13.1 years
RP 2000 Mortality Table	

Using these assumptions, the 2006 pension expense is expected to be approximately $14.3 million based on current demographics and structure of the plans. Changes in the underlying assumptions would have the following estimated impact on the 2006 expense:

- A change of 25 basis points in the discount rate would change the 2006 expense by approximately $1.4 million.
- A change of 25 basis points in the expected long- term rate of return on assets would change the 2006 expense by approximately $0.6 million.

The recent recessionary economy and its impact on actual returns on assets have resulted in the Corporation's pension plans being underfunded (accumulated benefit obligation exceeds plan assets) by $16.8 million at December 31, 2005. Although an underfunded plan indicates a need for cash contributions, the Employee Retirement Income Security Act of 1974 (ERISA) and, more recently, Congressional changes in the timing and calculation of pension plan funding generally allow companies several years to make the required contributions. During this period, improvements in actual returns on assets may decrease or eliminate the need for cash contributions. The Corporation made voluntary pension plan contributions of $15 million in 2005 and $51 million in 2004.

Estimated Effective Income Tax Rate

The Corporation uses the liability method to determine its provision for income taxes, as outlined in Statement of Financial Accounting Standards No. 109, *Accounting for Income Taxes* ("FAS 109"). Accordingly, the annual provision for income taxes reflects estimates of the current liability for income taxes, estimates of the tax effect of book versus tax basis differences using statutory income tax rates and management's judgment with respect to any valuation allowances on deferred tax assets. The result is management's estimate of the annual effective tax rate (the "ETR").

Income for tax purposes is determined through the application of the rules and regulations under the U.S. Internal Revenue Code and the statutes of various state and local tax jurisdictions in which the Corporation conducts business. As prescribed by these tax regulations, as well as

generally accepted accounting principles, the manner in which revenues and expenses are recognized for financial reporting and income tax purposes is not always the same. Therefore, these differences between the Corporation's pretax income for financial reporting purposes and the amount of taxable income for income tax purposes are treated as either temporary or permanent, depending on their nature.

Temporary differences reflect revenues or expenses that are recognized for financial reporting income in one period and taxable income in a different period. Temporary differences result from differences between the book and tax basis of assets or liabilities and give rise to deferred tax assets or liabilities (i.e., future tax deductions or future taxable income). Therefore, when temporary differences occur, they are offset by a corresponding change in a deferred tax account. As such, total income tax expense as reported on the Corporation's consolidated statements of earnings is not changed by temporary differences. For example, accelerated methods of depreciating machinery and equipment are often used for income tax purposes as compared with the straight-line method used for financial reporting purposes. Initially, the straight-line method used for financial reporting purposes as compared with accelerated methods for income tax purposes will result in higher current income tax expense for financial reporting purposes, with the difference between these methods resulting in the establishment of a deferred tax liability.

The Corporation has deferred tax liabilities, primarily for property, plant and equipment and goodwill. The deferred tax liabilities attributable to property, plant and equipment relate to accelerated depreciation and depletion methods used for income tax purposes as compared with the straight-line and units of production methods used for financial reporting purposes. These temporary differences will reverse over the remaining useful lives of the related assets. The deferred tax liabilities attributable to goodwill arise as a result of amortizing goodwill for income tax purposes but not for financial reporting purposes. This temporary difference reverses when goodwill is written off for financial reporting purposes, either through divestitures or an impairment charge. The timing of such events cannot be estimated.

The Corporation has deferred tax assets, primarily for employee pension and postretirement benefits, valuation reserves, inventories and net operating loss carryforwards. The deferred tax assets attributable to pension and postretirement benefits relate to deductions as plans are funded for income tax purposes as compared with deductions for financial reporting purposes that are based on accounting standards. The reversal of these differences will depend on the timing of the Corporation's contributions to the related benefit plans as compared to the annual expense for financial reporting purposes. The deferred tax assets attributable to valuation reserves and inventories relate to the deduction of estimated cost reserves and various period expenses for financial reporting purposes that are deductible in a later period for income tax purposes. The reversal of these differences will depend on facts and circumstances, including the timing of deduction for income tax purposes for reserves previously established and the establishment of additional reserves for financial reporting purposes. At December 31, 2005, the Corporation had state net operating loss carryforwards of $112.8 million and related deferred tax assets of $6.9 million that have varying expiration dates. These deferred tax assets have a valuation allowance of $6.3 million, which was established based on the uncertainty of generating future taxable income in certain states during the limited period that the net operating loss carryforwards can be utilized under state statutes.

The Corporation's estimated ETR reflects adjustments to financial reporting income for permanent differences. Permanent differences reflect revenues or expenses that are recognized in determining either financial reporting income or taxable income, but not both. An example of a material permanent difference that affects the Corporation's estimated ETR is tax depletion in excess of basis for mineral reserves. For income tax purposes, the depletion deduction is calculated as a percent of sales, subject to certain limitations. As a result, the Corporation may continue to claim tax depletion deductions exceeding the cost basis of the mineral reserves, whereas the depletion expense for book purposes ceases once the value of the mineral reserves is fully amortized. The continuing depletion for tax purposes is treated as a permanent difference. Another example of a permanent difference is goodwill established for book purposes from an acquisition of another company's stock. This book goodwill has no basis for income tax purposes. If the goodwill is subsequently written off as a result of divestitures or impairment

losses, the book deduction is treated as a permanent difference. Permanent differences either increase or decrease income tax expense with no offset in deferred tax liability, thereby affecting the ETR.

Percentage depletion allowances are the single largest recurring permanent deduction for the Corporation in calculating taxable income. Therefore, a significant amount of the financial reporting risk related to the estimated ETR is based on this estimate. Estimates of the percentage depletion allowance are based on other accounting estimates such as sales and profitability by tax unit, which compound the risk related to the estimated ETR. Further, the percentage depletion allowance may not increase or decrease proportionately to a change in pretax earnings.

To calculate the estimated ETR for any year, management uses actual information where practicable. Certain permanent and temporary differences are calculated prior to filing the income tax returns. However, other amounts, including deductions for percentage depletion allowances, are estimated at the time of the provision. After estimating amounts that management considers reasonable under the circumstances, a provision for income taxes is recorded.

Each quarter, management updates the estimated ETR for the current year based on events that occur during the quarter. For example, changes to forecasts of annual sales and related earnings, purchases and sales of business units and product mix subject to different percentage depletion rates are reflected in the quarterly estimate of the annual ETR. As required by FAS 109, some events may be treated as discrete events and the tax impact is fully recorded in the quarter in which the discrete event occurs. During 2005, the estimated ETR was changed in each quarter. In particular, the change in the third quarter was primarily to reflect the filing of the 2004 federal and state income tax returns that adjusted prior estimates of permanent and temporary differences, and the evaluation of the deferred tax balances and the related valuation allowances. At the end of the fourth quarter, certain estimates were adjusted to reflect actual reported annual sales and related earnings and any changes in permanent differences. Historically, the Corporation's adjustment of prior estimates of permanent and temporary differences has not been material to its results of operations or total tax expense.

For 2005, an estimated overall ETR of 27.0% was used to calculate the provision for income taxes, a portion of which was allocated to discontinued operations. The estimated ETR is sensitive given that changes in the rate can have a significant impact on annual earnings. A change of 100 basis points in the estimated ETR would affect the 2005 tax provision expense by $2.6 million.

The State of Ohio recently enacted tax reform legislation (the "Ohio Tax Act") that will reduce state taxes paid by the Corporation related to its Ohio operations. The Ohio Tax Act phases out the income/franchise tax over a five-year period that commenced in 2005. Over this same period, the Ohio Tax Act phases in a new commercial activities tax levied on gross receipts. Other provisions of the Ohio Tax Act that impact the Corporation are the elimination of personal property tax for certain new manufacturing equipment purchased after 2004 and the phase-out of personal property tax on existing manufacturing equipment and inventory over a four-year period that commenced in 2005. The signing of the Ohio Tax Act represents a change in tax law. In accordance with FAS 109, the effect of the law change should be reflected in earnings in the period that includes the date of enactment. Accordingly, in 2005, the Corporation repriced its deferred tax liabilities to reflect the statutory changes. The estimated impact of the new legislation on the Corporation's taxes for the year ended December 31, 2005 resulted in an increase to net earnings of $1.2 million, or $0.02 per diluted share.

The American Jobs Creation Act of 2004, signed by the President on October 22, 2004, enacted a variety of new business tax incentives that will benefit a broad spectrum of taxpayers, including U.S. manufacturers. The primary piece of the legislation that benefits the Corporation is the tax relief for U.S. based manufacturing activities. This tax benefit, the Qualified Production Activities Deduction, provides for a nine percent deduction (fully-phased in over five years) for a very broadly defined category of domestic production activities, subject to certain limitations. The production deduction benefit of the legislation reduced income tax expense and increased net earnings by approximately $2.3 million, or $0.05 per diluted share, in 2005.

All income tax filings are subject to examination by federal, state and local regulatory agencies, generally within

three years of the filing date. Since these examinations could result in adjustments to income tax expense, it is the Corporation's policy to establish reserves for taxes that may become payable in future years as a result of an examination by the tax authorities. Reserves for tax contingencies related to open years are estimated based upon management's assessment of risk associated with differences in interpretation of the tax laws between management and the tax authorities. These reserves contain estimated permanent differences and interest expense applied to both permanent and temporary contingencies. The tax reserves are analyzed quarterly, adjusted accordingly based on underlying facts and circumstances and are recorded in current income taxes payable. The Corporation's open tax years that are subject to examination are 2002 through 2005, including 2001 and 2000 for certain state and foreign tax jurisdictions.

The Corporation has established $10.4 million in reserves for taxes at December 31, 2005 that may become payable in future years as a result of an examination by tax authorities. The reserves are calculated based on probable exposures to additional tax payments related primarily to federal tax treatment of percentage depletion deductions, acquisition and legal entity transaction structuring, transfer pricing and state tax treatment of federal bonus depreciation deductions. If the open tax years are not examined by federal or state tax authorities, then the tax reserves will be reversed in the period in which the statute of limitations expires for the applicable tax year and recorded as a discrete event. During the third quarter of 2005, reserves of $5.9 million were reversed into income when the federal statute of limitations for examination of the 2001 tax year expired.

Property, Plant and Equipment

Property, plant and equipment is a critical accounting policy due to the net balance representing 48% of total assets at December 31, 2005. Useful lives of the assets can vary depending on factors including production levels, portability and maintenance practices. Additionally, inclement weather can reduce the useful life of an asset. Historically, the Corporation has not recognized significant losses on the disposal or retirement of fixed assets.

The Corporation evaluates aggregates reserves in several ways, depending on the geology at a particular location and whether the location is a potential new site (greensite), an acquisition or an existing operation. Greensites require a more intensive drilling program that is undertaken before any significant investment is made in terms of time, site development or efforts to obtain appropriate zoning and permitting. The amount of overburden and the quality of the aggregates material are significant factors in determining whether to pursue opening the site. Further, the estimated average selling price for products in a market is also a significant factor in concluding that reserves are economically mineable. If the Corporation's analysis based on these factors is satisfactory, the total aggregates reserves available are calculated and a determination is made whether to open the location.

Reserve evaluation at existing locations is typically performed to evaluate purchasing adjoining properties and, for quality control, calculating overburden volumes and mine planning. Reserve evaluation of acquisitions may require a higher degree of sampling to locate any problem areas that may exist and to verify the total reserves. The fact that these operating locations exist is indicative that the initial investment has already been made and that average selling price data is available.

Well-ordered subsurface sampling of the underlying deposit is basic to determining reserves at any location. This subsurface sampling usually involves one or more types of drilling, determined by the nature of the material to be sampled and the particular objective of the sampling. The Corporation's objectives are to ensure that the underlying deposit meets aggregate specifications and the total reserves on site are sufficient for mining. Locations underlain with hard rock deposits, such as granite and limestone, are drilled using the diamond core method, which provides the most useful and accurate samples of the deposit. Selected core samples are tested for soundness, abrasion resistance and other physical properties relevant to the aggregates industry. The number of holes and their depth are determined by the size of the site and the complexity of the site-specific geology. Geological factors that may affect the number and depth of holes include faults, folds, chemical irregularities, clay pockets, thickness of formations and weathering. A typical spacing of core holes on the area to be tested is one hole for every four acres, but wider spacing may be justified if the deposit is homogeneous.

Locations underlain with sand and gravel are typically drilled using the auger method, whereby a 6-inch corkscrew brings up material sampled from below. Deposits in these locations are typically limited in thickness, and the quality and quantity of the deposit can vary both horizontally and vertically. Hole spacing at these locations is approximately one hole for every acre to ensure a representative sampling.

The geologist conducting the reserve evaluation makes the decision as to the number of holes and the spacing. Further, the estimated size of the deposit, based on U.S. geological maps, also dictates the number of holes used.

The generally accepted reserve categories for the aggregates industry and the designations the Corporation uses for reserve categories are summarized as follows:

> *Proven Reserves* — These reserves are designated using closely spaced drill data as described above and a determination by a professional geologist that the deposit is homogeneous based on the drilling results and exploration data provided in U.S. geologic maps, the U.S. Department of Agriculture soil maps, aerial photographs and/or electromagnetic, seismic or other surveys conducted by independent geotechnical engineering firms. The proven reserves that are recorded reflect losses incurred during quarrying that result from leaving ramps, safety benches, pillars (underground) and the fines (small particles) that will be generated during processing. The Corporation typically assumes a loss factor of 25%. However, the assumed loss factor at coastal operations is approximately 50% due to the nature of the material. The assumed loss factor for underground operations is 35% due to pillars. Proven reserves are reduced by reserves that are under the plant and stockpile areas, as well as setbacks from neighboring property lines.
>
> *Probable Reserves* — These reserves are inferred utilizing fewer drill holes and/or assumptions about the economically mineable reserves based on local geology or drill results from adjacent properties.

The Corporation's proven and probable reserves recognize reasonable economic and operating constraints as to maximum depth of overburden and stone excavation, and also include reserves at the Corporation's inactive and undeveloped sites, including some sites where permitting and zoning applications will not be filed until warranted by expected future growth. The Corporation has historically been successful in obtaining and maintaining appropriate zoning and permitting.

The Corporation expenses all exploration costs until proven or probable reserves are established. Mineral reserves, when acquired in connection with a business combination, are valued at the present value of royalty payments, using a prevailing market royalty rate that would have been incurred if the Corporation had leased the reserves as opposed to fee-ownership for the life of the reserves, not to exceed twenty years.

The Corporation uses proven and probable reserves as the denominator in its units-of-production calculation to amortize fee ownership mineral deposits. During 2005, depletion expense was $5.4 million.

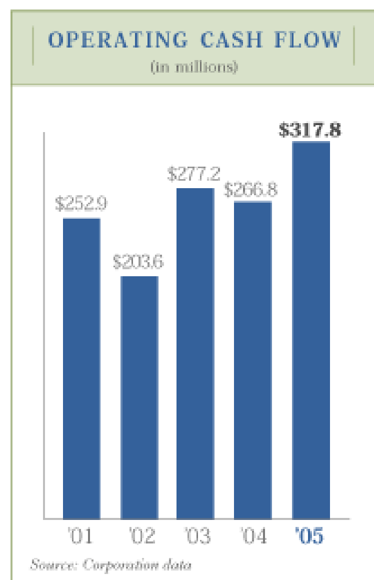
Inventory Standards

The Corporation values its finished goods inventories under the first-in, first-out methodology, using standard costs that are updated annually during the fourth quarter. For quarries, the standards are developed using production costs for a twelve-month period, in addition to complying with the principle of lower of cost or market and adjusting, if necessary, for normal capacity levels and abnormal costs. For sales yards, in addition to production costs, the standards include a freight component for the cost of transporting the inventory from a quarry to the sales yard and materials handling costs. Preoperating start-up costs are expensed and are not capitalized as part of inventory costs. These standards are generally used to determine inventory values for the succeeding year.

In periods in which production costs have changed significantly from the prior period, the updating of standards can have a significant impact on the Corporation's operating results.

Liquidity and Cash Flows

Operating Activities



Operating Cash Flow (in millions)

Year	Amount
2005	$317.8
2004	$266.8
2003	$277.2
2002	$203.6
2001	$252.9

Source: Corporation data

The 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 $317.8 million in 2005, as compared with $266.8 million in 2004 and $277.2 million in 2003. 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 follow:

years ended December 31 (add 000)	**2005**	2004	2003
Depreciation	**$128,160**	$121,477	$126,829
Depletion	**5,433**	6,019	6,261
Amortization	**4,658**	5,363	6,516
Total	**$138,251**	$132,859	$139,606

The increase in cash provided by operating activities in 2005 as compared with 2004 of $50.9 million was, among other things, due to higher earnings and higher excess tax benefits from stock option exercises. Additionally, pension plan contributions, which reduce operating cash flow, were $15.3 million in 2005 as compared with $51.2 million in 2004. These factors were partially offset by an increase in inventories, accounts receivable due to higher sales and higher cash paid for income taxes.

The decrease of $10.3 million in cash provided by operating activities in 2004 as compared with 2003 was, among other things, due to the Corporation's contributions of $51.2 million to its pension plan in 2004, compared with $21.1 million in 2003, both of which reduced operating cash flow. During 2003, cash was positively affected by a significant reduction in inventory levels. During 2004, a reduction in accounts receivable as a result of a focus on collection and an increase in accounts payable due to timing of capital purchases both positively contributed to cash flow.

Investing Activities

Net cash used for investing activities was $213.9 million in 2005, $123.3 million in 2004 and $99.8 million in 2003.

The increase in 2005 as compared with 2004 was the result of increased capital expenditures related to plant capacity and efficiency improvement. Additions to property, plant and equipment excluding acquisitions, increased to $221.4 million in 2005 from $163.4 million in 2004. 2003 capital expenditures were $120.6 million. Spending for property, plant and equipment is expected to approximate $240 million in 2006, including the Hunt Martin Materials joint venture and exclusive of acquisitions.

In 2005, the Corporation used $4.7 million for acquisitions. The Corporation used $5.6 million in 2004 and $8.6 million in 2003, primarily for the purchase of the remaining interest in a limited liability company in each year. The acquisitions were within the Aggregates segment. The Corporation's acquisition and capital expenditures reflect planned strategic and capital spending activities that are consistent with management's strategy for investment and expansion within the consolidating aggregates industry.

Proceeds from divestitures of assets include the cash from the sale of surplus land and equipment and the divestitures of several Aggregates segment operations. The divestitures contributed pretax cash of $37.6 million, $45.7 million and $29.5 million in 2005, 2004 and 2003, respectively.

In 2005, the Corporation purchased $25.0 million of variable rate demand notes as short-term investments.

Financing Activities

$188.8 million, $107.0 million and $66.8 million of cash was used for financing activities during 2005, 2004 and 2003, respectively.

The Corporation repaid net indebtedness, including payments on capital leases, of $0.6 million in 2005, $1.1 million in 2004 and $29.9 million in 2003, excluding the impact of the interest rate of swaps.

In 2005 and 2003, the Corporation terminated interest rate swap agreements which required a cash payment of $0.5 million in 2005 and provided a cash payment of $12.6 million in 2003, both of which represented the fair value of the swaps on the dates of termination. Additional information is contained in Note G to the audited consolidated financial statements on pages 23 and 24.

In 2005, the Board of Directors approved total cash dividends on the Corporation's common stock of $0.86 a share. Regular quarterly dividends were authorized and paid by the Corporation at a rate of $0.20 a share for the first and second quarters and at a rate of $0.23 a share for the third and fourth quarters. Total cash dividends were $40.0 million in 2005, $36.5 million in 2004 and $33.7 million in 2003.

During 2005, the Corporation continued its common stock repurchase plan through open market purchases pursuant to authority granted by its Board of Directors. In 2005, the Corporation repurchased 2,658,000 shares at an aggregate price of $175.6 million as compared with 1,522,200 shares at an aggregate price of $74.6 million in 2004 and 331,100 shares at an aggregate price of $15.0 million in 2003.

During 2005, the Corporation issued stock under its stock-based award plans, providing $33.3 million in cash. Comparable cash provided by issuance of common stock was $3.8 million and $1.0 million in 2004 and 2003, respectively.

Capital Structure and Resources

Long-term debt, including current maturities, decreased to $710.0 million at the end of 2005, from $714.6 million at the end of 2004. The Corporation's debt at December 31, 2005 was principally in the form of publicly issued long-term, fixed-rate notes and debentures. The fair value of the interest rate swaps in effect at December 31, 2004, $1.0 million, is included in the long-term debt balance. Additionally, the unamortized portion of unwound swaps, $6.6 million and $9.3 million, is included in the December 31, 2005 and 2004 balance, respectively.

Net of available cash and investments, which also includes escrowed cash and the effect of interest rate swaps, the Corporation's debt-to-capitalization ratio was 34% at December 31, 2005 as compared with 32% at December 31, 2004 and is calculated as follows:

December 31 (add 000)	**2005**	2004
Total debt	**$ 710,022**	$ 714,631
Adjusted for:		
Effect of fair value of interest rate swaps	**(6,640)**	(10,235)
Net cash in banks	**(69,455)**	(152,093)
Investments	**(25,000)**	—
Cash held in escrow	**(878)**	(7,520)
Adjusted debt	**608,049**	544,783
Shareholders' equity	**1,173,685**	1,153,427
Total capital, using adjusted debt	**$1,781,734**	$1,698,210
Debt-to-capitalization, net of available cash and investments	**34%**	32%

Debt-to-capitalization, net of available cash and investments represents a non-GAAP measure. The Corporation calculates the ratio by using adjusted debt, as it believes using available cash and investments to hypothetically reduce outstanding debt provides a more appropriate evaluation of the Corporation's leverage to incur additional debt. The majority of the Corporation's debt is not redeemable prior to maturity. The following calculates the Corporation's debt-to-capitalization ratio at December 31, 2005 and December 31, 2004 using total debt and total capital per the balance sheet and also reconciles total capital using adjusted debt to total capital per the balance sheet.

Debt-to-capitalization ratio

December 31 (add 000)	**2005**	2004
Total debt	**$ 710,022**	$ 714,631
Shareholders' equity	**1,173,685**	1,153,427
Total capital	**$1,883,707**	$1,868,058
Debt-to-capitalization	**38%**	38%

Reconciliation of total capital to total capital, using adjusted debt

December 31 (add 000)	**2005**	2004
Total capital per the balance sheet	**$1,883,707**	$1,868,058
Adjusted for:		
Effect of fair value of interest rate swaps	**(6,640)**	(10,235)
Net cash in banks	**(69,455)**	(152,093)
Investments	**(25,000)**	—
Cash held in escrow	**(878)**	(7,520)
Total capital, using adjusted debt	**$1,781,734**	$1,698,210

In 2005 and 2003, the Corporation terminated its interest rate swap agreements and made a cash payment of $0.5 million in 2005 and received a cash payment of $12.6 million in 2003, which represented the fair value of the swaps on the date of termination. In accordance with generally accepted accounting principles, the carrying amount of the

related Notes on the date of termination, which includes adjustments for changes in the fair value of the debt while the swaps were in effect, will be accreted back to its par value over the remaining life of the Notes. The accretion will decrease annual interest expense by approximately $2.3 million until the maturity of the Notes in 2008.

Shareholders' equity increased to $1.174 billion at December 31, 2005 from $1.153 billion at December 31, 2004. The Corporation had a minimum pension liability at December 31, 2005 and 2004, respectively. This liability resulted from investment losses on pension plan assets in 2002, 2001 and 2000, coupled with decreases in the discount rate. In accordance with generally accepted accounting principles, a direct charge to shareholders' equity of $6.4 million and $0.3 million was recorded as other comprehensive loss at December 31, 2005 and 2004, respectively.

At December 31, 2005, the Corporation had $76.7 million in cash and cash equivalents and $25.0 million of investments. The cash and investments, along with the Corporation's internal cash flows and availability of financing resources, including its access to capital markets, both debt and equity, and its commercial paper program and revolving credit agreement, are expected to continue to be sufficient to provide the capital resources necessary to support anticipated operating needs, cover debt service requirements, meet capital expenditures and discretionary investment needs and 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 "BBB+" by Standard & Poor's and "A3" by Moody's. The Corporation's $250 million commercial paper program is rated "A-2" by Standard & Poor's and "P-2" by Moody's. In May 2004, Standard & Poor's lowered its rating on the Corporation's senior unsecured debt from "A-" to "BBB+". At the same time, Standard and Poor's revised its outlook for the Corporation to stable from negative. 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 aforementioned levels.

Management continuously evaluates the ways it can use available cash to provide benefits to its shareholders, including dividend payments. The Corporation has targeted an average dividend payout range of 25 to 30 percent of earnings over the course of an economic cycle.

At December 31, 2005, the Corporation was authorized to repurchase up to 1.1 million shares of its common stock for issuance under its stock award plans. In February 2006, the Board authorized management to repurchse an additional 5.0 million shares of its common stock. Management will consider repurchasing shares of its common stock from time to time as deemed appropriate. The timing of such repurchases will be dependent upon availability of shares, the prevailing market prices and any other considerations that may, in the opinion of management, affect the advisability of purchasing the stock.

Contractual and Off Balance Sheet Obligations

In addition to long-term debt, the Corporation has a $250 million revolving five-year credit facility, syndicated through a group of commercial domestic and foreign banks, which supports a $250 million United States commercial paper program. The five-year agreement expires in June 2010 (see Note G to the audited consolidated financial statements on pages 23 and 24). No borrowings were outstanding under the revolving credit agreement or commercial paper program at December 31, 2005.

The Corporation, through its Magnesia Specialties business, is a 50% member of a limited liability company. Each of the two members of the limited liability company has guaranteed 50% of its debt, each up to a maximum of $7.5 million based on repayment obligations under a loan facility. At December 31, 2005, the Corporation recorded a liability of $3.6 million, which reflects its expected future contributions to the limited liability company to repay the debt and is included in the table of contractual obligations. In connection with the limited liability company, Magnesia Specialties entered into a long-term supply agreement under which it will supply processed brine to the other member at a market rate.

At December 31, 2005, the Corporation's recorded benefit obligation related to postretirement benefits totaled $63.1 million. These benefits will be paid from the Corporation's assets. The obligation, if any, for retiree medical payments is subject to the terms of the plan.

The Corporation has other retirement benefits related to an employee benefit plan. At December 31, 2005, the

Corporation had a total obligation of $17.9 million related to this plan.

In connection with normal, ongoing operations, the Corporation enters into market-rate leases for property, plant and equipment and royalty commitments principally associated with leased land. Additionally, the Corporation enters into equipment rentals to meet shorter-term, nonrecurring and intermittent needs and capital lease agreements for certain machinery and equipment. At December 31, 2005, the Corporation had $0.7 million of capital lease obligations. Amounts due under operating leases and royalty agreements are expensed in the period incurred. Management anticipates that in the ordinary course of business, the Corporation will enter into royalty agreements for land and mineral reserves during 2006.

The Corporation is a minority member of a LLC whereby the majority member is paid preferred returns. The Corporation does not have the right to acquire the remaining interest of the LLC until 2010.

The Corporation has purchase commitments for property, plant and equipment, which were $66.9 million as of December 31, 2005. Of this amount, $27.6 million represents purchase commitments for the construction of rail cars that the Corporation will subsequently assign to a third party and enter into a master leasing agreement. The Corporation also has other purchase obligations related to energy and service contracts, which totaled $20.6 million as of December 31, 2005.

The Corporation's contractual commitments as of December 31, 2005 are as follow:

(add 000)	Total	< 1 yr.	1-3 yrs.	3-5 yrs.	> 5 yrs.
ON BALANCE SHEET:					
Long-term debt	$ 703,382	$ 863	$326,005	$ 1,023	$375,491
Debt guarantee payments to LLC	3,600	1,200	2,400	—	—
Postretirement benefits	63,072	3,437	7,248	7,547	44,840
Other retirement benefits	8,321	2,100	5,100	1,121	—
Capital leases	660	84	179	397	—
OFF BALANCE SHEET:					
Interest on noncallable publicly traded long-term debt	322,120	46,340	84,042	51,895	139,843
Other retirement benefits	9,579	—	—	9,579	—
Preferred payments to LLC majority member	4,537	707	1,414	1,414	1,002
Operating leases	145,668	40,924	60,020	25,877	18,847
Royalty agreements	63,924	8,064	15,757	10,825	29,278
Purchase commitments-capital	66,906	66,906	—	—	—
Other commitments -energy and services	20,649	13,629	6,220	800	—
Total	$1,412,418	$184,254	$508,385	$110,478	$609,301

Notes A, G, J, L and N to the audited consolidated financial statements on pages 17 through 21; 23 and 24; 26 through 30; 31; and 32 and 33, respectively, contain additional information regarding these commitments and should be read in conjunction with the above table.

Contingent Liabilities and Commitments

The Corporation has entered into standby letter of credit agreements relating to workers' compensation and automobile and general liability self-insurance. On December 31, 2005, the Corporation had contingent liabilities guaranteeing its own performance under these outstanding letters of credit of approximately $24.6 million.

In the normal course of business at December 31, 2005, the Corporation was contingently liable for $117.7 million in surety bonds that guarantee its own performance and are required by certain states and municipalities and their related agencies. The bonds are principally for certain construction contracts, reclamation obligations and mining permits. Four of these bonds, totaling $33.4 million, or 28% of all outstanding surety bonds, relate to specific performance for road projects currently underway. The Corporation has indemnified the underwriting insurance company against any exposure under the surety bonds. In the Corporation's past experience, no material claims have been made against these financial instruments.

Quantitative and Qualitative Disclosures about Market Risk

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* section on pages 44 through 57). Since June 30, 2004, the Federal Reserve Board has increased the federal funds rate from 1.00% to 4.50% at January 31, 2006. This increase could affect the residential construction market, which accounted

for approximately 20 percent of the Corporation's aggregates shipments in 2005. 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 temporary cash investments, including money market funds and overnight investments in Eurodollars; investments in variable rate demand notes; any outstanding commercial paper obligations; and defined benefit pension plans. Additionally, the Corporation's earnings are affected by energy costs.

Variable Rate Demand Notes

The Corporation has $25 million of variable rate demand notes at December 31, 2005. These investments earn interest at variable interest rates that are reset weekly. Assuming a $25 million investment, a 1% change in interest rates would impact annual pretax earnings by $250,000.

Commercial Paper Obligations

The Corporation has a $250 million commercial paper program in which borrowings bear interest at a variable rate based on LIBOR. At December 31, 2005, there were no outstanding commercial paper borrowings.

Pension Expense

The Corporation's results of operations are affected by its pension expense. Assumptions that affect this expense include the discount rate and, for the defined benefit pension plans only, the expected long-term rate of return on assets. Therefore, the Corporation has interest rate risk associated with these factors. The impact of hypothetical changes in these assumptions on the Corporation's annual pension expense is discussed in the section *Application of Critical Accounting Policies* on pages 57 through 65.

Energy Costs

Energy costs, including diesel fuel, natural gas and liquid asphalt, represent significant production costs for the Corporation. Increases in these costs generally are tied to energy sector inflation. In 2005, energy costs increased significantly, with fuel price increases lowering earnings per diluted share by $0.38. A hypothetical 10% change in the Corporation's energy prices in 2006 as compared with 2005, assuming constant volumes, would impact 2006 pretax earnings by approximately $12,000,000.

Aggregate Risk for Interest Rates and Energy Sector Inflation

The pension expense for 2006 is calculated based on assumptions selected at December 31, 2005. Therefore, interest rate risk in 2006 is limited to the potential effect related to outstanding commercial paper and variable demand rate notes. Assuming no commercial paper is outstanding, which is consistent with the December 31, 2005 balance, and $25 million of variable rate demand notes, the hypothetical effect of a 1% change in interest rates would impact annual pretax earnings by $250,000. Additionally, a 10% change in energy costs would impact annual pretax earnings by $12,000,000.

Forward-Looking Statements — Safe Harbor Provisions

If you are interested in Martin Marietta Materials, Inc. stock, management recommends that, at a minimum, you read the Corporation's current annual report and 10-K, 10-Q and 8-K reports to the SEC over the past year. The Corporation's recent proxy statement for the annual meeting of shareholders also contains important information. These and other materials that have been filed with the SEC are accessible through the Corporation's web site at www.martinmarietta.com and are also available at the SEC's web site at www.sec.gov. You may also write or call the Corporation's Corporate Secretary, who will provide copies of such reports.

Investors are cautioned that all statements in this annual report that relate to the future are forward-looking statements within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities and Exchange Act of 1934 and 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. Forward-looking statements give the investor our expectations or forecasts of future events. You can identify these statements by the fact that they do not relate only to historical or current facts. They may use words such as "anticipate," "estimate," "expect," "project," "intend," "plan," "believe," and other words of similar meaning in connection with future events or future operating or financial performance. Any or all of our forward-looking statements here and in other publications may turn out to be wrong.

Factors that the Corporation currently believes could cause actual results to differ materially from the forward-looking statements in this annual report include, but are not limited to, business and economic conditions and trends 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; the impact of a decline in the residential construction market, including the timing and severity; interest rate sensitivity of the commercial and residential construction markets; unfavorable weather conditions, including hurricane activity; the sensitivity of the first and fourth quarters' results to the effects of weather due to typically lower production levels and related profitability; changes in environmental and other governmental regulations; ability to recognize increased sales and quantifiable savings from internal expansion projects; ability to successfully integrate acquisitions quickly and in a cost-effective manner and achieve anticipated profitability; energy costs; wage inflation and increasing employee benefits' impact on labor; continued increases in the cost of repair and supply parts; the costs of large-scale plant projects coming on line in 2006; rail and water transportation availability and costs, and their effect on the Corporation's ability to improve its margins as a result of its distribution network; continued strength in the steel industry markets served by the Corporation's Magnesia Specialties business; risks related to Structural Composite Products being a start-up business, including the successful development and implementation of the technological process and commercialization of strategic products for specific market segments; the impact of changes in the market price of the Corporation's common stock on the valuation of stock-based compensation; possible disruption in commercial activities related to terrorist activity and armed conflict, such as reduced end-user purchases relative to expectations; and other risk factors listed from time to time found in the Corporation's filings with the Securities and Exchange Commission. Other factors besides those listed here may also adversely affect the Corporation and may be material to the Corporation. The Corporation assumes no obligation to update any forward-looking statements.

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" in the Corporation's Annual Report on Form 10-K, "Management's Discussion and Analysis of Financial Condition and Results of Operations" on pages 36 through 71 of the 2005 Annual Report and "Note A: Accounting Policies" and "Note N: Commitments and Contingencies" of the "Notes to Financial Statements" on pages 17 through 21 and pages 32 and 33, respectively, of the audited consolidated financial statements included in the 2005 Annual Report.

QUARTERLY PERFORMANCE

(unaudited)

(add 000, except per share)

	Total Revenues		Net Sales		Gross Profit		Net Earnings (Loss)	
Quarter	**2005**	2004	**2005**	2004	**2005**	2004	**2005**	2004
First	**$ 390,349**	$ 338,130	**$ 338,787**	$ 296,539	**$ 49,320**	$ 36,716	**$ 7,077**	$ (6,545)
Second	**544,637**	458,978	**478,030**	404,981	**129,374**	105,817	**61,472**	44,715
Third	**565,481**	492,877	**498,450**	435,916	**134,662**	111,106	**76,360**	54,003
Fourth	**503,776**	436,117	**440,130**	383,967	**110,469**	93,005	**47,757**	36,990
Totals	**$2,004,243**	$1,726,102	$**1,755,397**	$1,521,403	**$423,825**	$346,644	**$192,666**	$129,163

	Per Common Share									
							Stock Prices			
	Basic Earnings[2]		Diluted Earnings[2]		Dividends Paid		High	Low	High	Low
Quarter	**2005[1]**	2004	**2005[1]**	2004	**2005**	2004	**2005**		2004	
First	**$0.15**	$(0.14)	**$0.15**	$(0.14)	**$0.20**	$0.18	**$58.37**	**$49.72**	$50.69	$43.84
Second	**1.32**	0.93	**1.30**	0.92	**0.20**	0.18	**$70.16**	**$54.09**	$47.41	$41.31
Third	**1.65**	1.12	**1.62**	1.11	**0.23**	0.20	**$79.04**	**$65.02**	$46.41	$41.27
Fourth	**1.03**	0.77	**1.02**	0.77	**0.23**	0.20	**$81.74**	**$70.50**	$53.91	$43.36
Totals	**$4.14**	$ 2.68	**$4.08**	$ 2.66	**$0.86**	$0.76				

1 Net earnings and basic and diluted earnings per common share in the third quarter include the reversal of $5.9 million, or $0.12 per diluted share, of tax reserves upon the expiration of the statute of limitations for federal examination of the 2001 tax year.

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.

The following presents total revenues, net sales, net earnings (loss) and earnings (loss) per diluted share attributable to discontinued operations:

(add 000, except per share)

	Total Revenues		Net Sales		Net Earnings (Loss)		Earnings (Loss) per Diluted Share	
Quarter	**2005**	2004	**2005**	2004	**2005**	2004	**2005**	2004
First	**$3,916**	$14,097	**$3,524**	$12,357	**$(1,348)**	$(13,495)	**$(0.03)**	$(0.28)
Second	**2,050**	12,089	**1,380**	10,792	**(1,097)**	(767)	**(0.02)**	(0.02)
Third	**1,626**	14,446	**1,036**	13,641	**743**	5,902	**0.01**	0.12
Fourth	**574**	9,854	**284**	8,924	**(1,145)**	7,076	**(0.02)**	0.15
Totals	**$8,166**	$50,486	**$6,224**	$45,714	**$(2,847)**	$ (1,284)	**$(0.06)**	$(0.03)

FIVE YEAR SUMMARY
(add 000, except per share)

	2005	2004	2003	2002	2001
Consolidated Operating Results					
Net sales	**$1,755,397**	$1,521,403	$1,423,581	$1,349,697	$1,325,393
Freight and delivery revenues	**248,846**	204,699	203,905	184,266	193,741
Total revenues	**2,004,243**	1,726,102	1,627,486	1,533,963	1,519,134
Cost of sales, other costs and expenses	**1,462,938**	1,302,987	1,231,116	1,175,237	1,131,313
Freight and delivery costs	**248,846**	204,699	203,905	184,266	193,741
Cost of operations	**1,711,784**	1,507,686	1,435,021	1,359,503	1,325,054
	292,459	218,416	192,465	174,460	194,080
Other operating (income) and expenses, net	**(16,248)**	(11,975)	(6,841)	(4,820)	(12,072)
Earnings from Operations	**308,707**	230,391	199,306	179,280	206,152
Interest expense	**42,597**	42,734	42,587	44,028	46,792
Other nonoperating (income) and expenses, net	**(1,937)**	(606)	429	11,476	3,777
Earnings from continuing operations before taxes on income and cumulative effect of change in accounting principle	**268,047**	188,263	156,290	123,776	155,583
Taxes on income	**72,534**	57,816	46,903	32,578	52,914
Earnings from continuing operations before cumulative effect of change in accounting principle	**195,513**	130,447	109,387	91,198	102,669
Discontinued operations, net of taxes	**(2,847)**	(1,284)	(8,890)	6,617	2,693
Earnings before cumulative effect of change in accounting principle	**192,666**	129,163	100,497	97,815	105,362
Cumulative effect of change in accounting for asset retirement obligations	**—**	—	(6,874)	—	—
Cumulative effect of change in accounting for intangible assets	—	—	—	(11,510)	—
Net Earnings	**$ 192,666**	$ 129,163	$ 93,623	$ 86,305	$ 105,362
Basic Earnings Per Common Share:					
Earnings from continuing operations before cumulative effect of change in accounting principle	**$ 4.20**	$ 2.71	$ 2.23	$ 1.87	$ 2.14
Discontinued operations	**(0.06)**	(0.03)	(0.18)	0.14	0.06
Earnings before cumulative effect of change in accounting principle	**4.14**	2.68	2.05	2.01	2.20
Cumulative effect of change in accounting principle	**—**	—	(0.14)	(0.24)	—
Basic Earnings Per Common Share	**$ 4.14**	$ 2.68	$ 1.91	$ 1.77	$ 2.20
Diluted Earnings Per Common Share:					
Earnings from continuing operations before cumulative effect of change in accounting principle	**$ 4.14**	$ 2.69	$ 2.23	$ 1.87	$ 2.14
Discontinued operations	**(0.06)**	(0.03)	0.18	0.13	0.05
Earnings before cumulative effect of change in accounting principle	**4.08**	2.66	2.05	2.00	2.19
Cumulative effect of change in accounting principle	**—**	—	(0.14)	(0.23)	—
Diluted Earnings Per Common Share	**$ 4.08**	$ 2.66	$ 1.91	$ 1.77	$ 2.19
Pro forma earnings, assuming nonamortization of goodwill provision of FAS 142 adopted on January 1, 2001:					
Net earnings					$ 124,612
Earnings per diluted share					$ 2.59
Cash Dividends Per Common Share	**$ 0.86**	$ 0.76	$ 0.69	$ 0.58	$ 0.56
Condensed Consolidated Balance Sheet Data					
Current deferred income tax benefits	**$ 14,989**	$ 5,750	$ 21,603	$ 21,387	$ 19,696
Current assets — other	**587,052**	618,503	589,048	511,782	491,949
Property, plant and equipment, net	**1,166,351**	1,065,215	1,042,432	1,067,576	1,082,189
Goodwill, net	**569,263**	567,495	577,586	577,449	571,186
Other intangibles, net	**18,744**	18,642	25,142	31,972	35,782
Other noncurrent assets	**76,917**	80,247	63,414	55,384	39,191
Total	**$2,433,316**	$2,355,852	$2,319,225	$2,265,550	$2,239,993
Current liabilities — other	**$ 199,259**	$ 202,843	$ 221,683	$ 200,936	$ 209,765
Current maturities of long-term debt	**863**	970	1,068	11,389	4,490
Long-term debt and commercial paper	**709,159**	713,661	717,073	733,471	797,385
Pension and postretirement benefits	**98,714**	88,241	76,917	101,796	81,650
Noncurrent deferred income taxes	**149,972**	139,179	116,647	101,018	95,859
Other noncurrent liabilities	**101,664**	57,531	55,990	33,930	28,632
Shareholders' equity	**1,173,685**	1,153,427	1,129,847	1,083,010	1,022,212
Total	**$2,433,316**	$2,355,852	$2,319,225	$2,265,550	$2,239,993

Data for “2005 Net Sales by State of Destination - Aggregates Segment” on page 47

Aggregates Production and Sales

Location	% of Net Sales
Alabama	4%
Arkansas	3%
Bahamas	< 1%
California	< 1%
Florida	5%
Georgia	8%
Illinois	< 1%
Indiana	5%
Iowa	6%
Kansas	2%
Kentucky	< 1%
Louisiana	4%
Maryland	< 1%
Minnesota	1%
Mississippi	2%
Missouri	3%
Nebraska	2%
Nevada	< 1%
North Carolina	18%
Nova Scotia	< 1%
Ohio	4%
Oklahoma	2%
South Carolina	5%
Tennessee	< 1%
Texas	18%
Virginia	2%
Washington	< 1%
West Virginia	2%
Wisconsin	< 1%
Wyoming	< 1%

Aggregates Sales

Location	% of Net Sales
Colorado	< 1%
South Dakota	< 1%
Pennsylvania	< 1%

Data for “2005 and 2004 State Economies” on page 48

State Economies

Location	2005	2004
Alabama	Expanding	Flat
Arkansas	Expanding	Flat
Arizona	Expanding	Expanding
California	Expanding	Expanding
Colorado	Expanding	Flat
Connecticut	Expanding	Flat
Delaware	Expanding	Expanding
Florida	Expanding	Expanding
Georgia	Expanding	Flat
Idaho	Expanding	Expanding
Illinois	Expanding	Flat
Indiana	Expanding	Flat
Iowa	Expanding	Flat
Kansas	Expanding	Flat
Kentucky	Expanding	Flat
Louisiana	Expanding	Flat
Maine	Expanding	Expanding
Maryland	Expanding	Expanding
Massachusetts	Expanding	Flat
Michigan	Recession	Recession
Minnesota	Expanding	Flat
Mississippi	Expanding	Flat
Missouri	Expanding	Flat
Montana	Expanding	Expanding
Nebraska	Expanding	Flat
Nevada	Expanding	Expanding
New Hampshire	Expanding	Expanding
New Jersey	Expanding	Expanding
New Mexico	Expanding	Expanding
New York	Expanding	Flat
North Carolina	Expanding	Flat
North Dakota	Expanding	Expanding
Ohio	Expanding	Flat
Oklahoma	Expanding	Flat
Oregon	Expanding	Expanding
Pennsylvania	Expanding	Flat
Rhode Island	Expanding	Expanding
South Carolina	Expanding	Flat
South Dakota	Expanding	Expanding
Tennessee	Expanding	Flat
Texas	Expanding	Flat
Utah	Expanding	Expanding
Vermont	Expanding	Expanding
Virginia	Expanding	Expanding
Washington	Expanding	Expanding
West Virginia	Expanding	Flat
Wisconsin	Expanding	Flat
Wyoming	Expanding	Expanding

EXHIBIT 21.01

SUBSIDIARIES OF MARTIN MARIETTA MATERIALS, INC.
AS OF FEBRUARY 21, 2006

Name of Subsidiary	Percent Owned
Alamo Gulf Coast Railroad Company, a Texas corporation	99.5%[1]
Alamo North Texas Railroad Company, a Texas corporation	99.5%[2]
American Aggregates Corporation, a Delaware corporation	100%
American Stone Company, a North Carolina corporation	50%[3]
Bahama Rock Limited, a Bahamas 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 Quarry, a Wyoming joint venture	51%[4]
Harding Street Corporation, a Delaware corporation	100%
Hunt Martin Materials, LLC, a Delaware limited liability company	50%[5]
J.W. Jones Materials, LLC, a Delaware limited liability company	99%[6]
Martin Marietta Composites, Inc., a Delaware corporation	100%

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 Martin Marietta Materials, Inc., owns a 50% interest in American Stone Company.

4 Meridian Granite Company, an indirect wholly owned subsidiary of Martin Marietta Materials, Inc., owns a 51% interest in Granite Canyon Quarry.

5 Hunt Martin Materials, LLC is owned 45% by Martin Marietta Materials, Inc. and 5% by Martin Marietta Materials of Missouri, Inc., a wholly owned subsidiary of Martin Marietta Materials, Inc.

6 Martin Marietta Materials, Inc. owns a 99% interest in J.W. Jones Materials, LLC.

Name of Subsidiary	Percent Owned
Martin Marietta Employee Relief Foundation, a Delaware Not for Profit corporation	100%
Martin Marietta Equipment Company, Inc., a Delaware corporation	100%
Martin Marietta Equipment Leasing, LLC, a Delaware limited liability company	100%[7]
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 Alabama, LLC, a Delaware limited liability company	100%[8]
Martin Marietta Materials of Florida, LLC, a Delaware limited liability company	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%[9]
Material Producers, Inc., an Oklahoma corporation	100%[10]
Meridian Aggregates Company, a Limited Partnership, a Delaware limited partnership	100%[11]
Meridian Aggregates Company Northwest, LLC, a Delaware limited liability company	100%[12]
Meridian Aggregates Company Southwest, LLC, a Delaware limited liability	100%[13]
Meridian Aggregates Investments, LLC, a Delaware limited liability company	100%[14]

7 Martin Marietta Equipment Leasing, LLC is owned 99% by Martin Marietta Materials, Inc. The remaining 1% is owned by Martin Marietta Equipment Company, Inc.

8 Martin Marietta Materials of Alabama, LLC is a wholly owned subsidiary of American Aggregates Corporation.

9 Martin Marietta Materials Southwest, Ltd. is owned 2% by Southwest I, LLC and 98% by Southwest II, LLC.

10 Material Producers, Inc. is a wholly owned subsidiary of Martin Marietta Materials Southwest, Ltd.

11 Meridian Aggregates Company, a Limited Partnership is owned 98% by Meridian Aggregates Investments, LLC. The remaining 2% is owned by Martin Marietta Materials, Inc.

12 Martin Marietta Materials, Inc. is the sole member of Meridian Aggregates Company Northwest, LLC.

13 Martin Marietta Materials Southwest, Ltd. is the sole member of Meridian Aggregates Company Southwest, LLC.

14 Meridian Aggregates Investments, LLC is owned 99% by Martin Marietta Materials, Inc. and 1% by Martin Marietta Materials Real Estate Investments, Inc.

Name of Subsidiary	Percent Owned
Meridian Granite Company, a Delaware corporation	100%[15]
Mid South-Weaver Joint Venture, a North Carolina joint venture	50%[16]
Mid-State Construction & Materials, Inc., an Arkansas corporation	100%
MTD Pipeline LLC, a Delaware limited liability company	50%[17]
Norman Asphalt Co., an Oklahoma corporation	100%[18]
Powderly Transportation, Inc., a Delaware corporation	100%[19]
R&S Sand & Gravel, LLC, a Delaware limited liability company	100%[20]
Rocky Ridge, Inc., a Nevada corporation	100%
Sha-Neva, LLC, a Nevada limited liability company	100%
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%[21]
Valley Stone LLC, a Virginia limited liability company	50%[22]
Wycliff Holding, LLC, a North Carolina limited liability company	100%

15 Meridian Granite Company is a wholly owned subsidiary of Meridian Aggregates Company, a Limited Partnership.

16 Mid South-Weaver Joint Venture is owned 50% by Central Rock Company.

17 Martin Marietta Magnesia Specialties, LLC, a wholly owned subsidiary of Martin Marietta Materials, Inc., owns a 50% interest in MTD Pipeline LLC.

18 Norman Asphalt Co. is a wholly owned subsidiary of Martin Marietta Materials Southwest, Ltd.

19 Powderly Transportation, Inc. is a wholly owned subsidiary of Meridian Aggregates Company, a Limited Partnership.

20 Martin Marietta Materials, Inc. is the manager of and owns a 90% interest in R&S Sand & Gravel, LLC. The other 10% is owned by Harding Street Corporation, a wholly owned subsidiary of Martin Marietta Materials, Inc.

21 Superior Stone Company, a wholly owned subsidiary of Martin Marietta Materials, Inc., is the manager of and owns a 60.7% interest in Theodore Holding, LLC.

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

EXHIBIT 23.01

CONSENT OF INDEPENDENT AUDITORS

We consent to the incorporation by reference in this Annual Report (Form 10-K) of Martin Marietta Materials, Inc. of our reports dated February 21, 2006, with respect to the consolidated financial statements of Martin Marietta Materials, Inc., Martin Marietta Materials, Inc. management's assessment of the effectiveness of internal control over financial reporting, and the effectiveness of internal control over financial reporting of Martin Marietta Materials, Inc., included in the 2005 Annual Report to Shareholders of Martin Marietta Materials, Inc.

Our audits also included the financial statement schedule of Martin Marietta Materials, Inc. listed in Item 15(a). This schedule is the responsibility of the Martin Marietta Materials, Inc. 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 following Registration Statements:

(1) Registration Statement (Form S-8 No. 333-115918) pertaining to the Amended and Restated 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,

(2) Registration Statement (Form S-8 No. 333-85608) pertaining to the Martin Marietta Materials, Inc. Common Stock Purchase Plan for Directors,

(3) Registration Statement (Form S-8 No. 33-83516) pertaining to the Martin Marietta Materials, Inc. Omnibus Securities Award Plan, as amended,

(4) 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, and

(5) Registration Statement (Form S-8 No. 333-79039) pertaining to the Martin Marietta Materials, Inc. Stock-Based Award Plan, as amended;

of our report dated February 21, 2006, with respect to the consolidated financial statements of Martin Marietta Materials, Inc., our report dated February 21, 2006, with respect to Martin Marietta Materials, Inc. management's assessment of the effectiveness of internal control over financial reporting and the effectiveness of internal control over financial reporting of Martin Marietta Materials, Inc. include herein, 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.

/s/ Ernst & Young

Raleigh, North Carolina
February 21, 2006

EXHIBIT 31.01

**CERTIFICATION PURSUANT TO SECURITIES AND EXCHANGE ACT OF 1934
RULE 13a-14 AS ADOPTED PURSUANT TO SECTION 302 OF THE
SARBANES-OXLEY ACT OF 2002**

CERTIFICATIONS

I, Stephen P. Zelnak, Jr., certify that:

1. I have reviewed this Form 10-K of Martin Marietta Materials, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the

effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

(d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

(a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

(b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: February 21, 2006

By: /s/ Stephen P. Zelnak, Jr.
Stephen P. Zelnak, Jr.
Chairman and Chief Executive Officer

EXHIBIT 31.02

**CERTIFICATION PURSUANT TO SECURITIES AND EXCHANGE ACT OF 1934
RULE 13a-14 AS ADOPTED PURSUANT TO SECTION 302 OF THE
SARBANES-OXLEY ACT OF 2002**

CERTIFICATIONS

I, Anne H. Lloyd, certify that:

1. I have reviewed this Form 10-K of Martin Marietta Materials, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant’s other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   (c) Evaluated the effectiveness of the registrant’s disclosure controls and procedures and presented in this report our conclusions about the

effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

(d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

(a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

(b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: February 21, 2006

By: /s/ Anne H. Lloyd
Anne H. Lloyd
Chief Financial Officer

EXHIBIT 32.01

**WRITTEN STATEMENT PURSUANT TO 18 U.S.C. 1350,
AS ADOPTED PURSUANT TO SECTION 906 OF THE
SARBANES-OXLEY ACT OF 2002**

In connection with the 2005 Annual Report on Form 10-K (the "Report") of Martin Marietta Materials, Inc. (the "Registrant"), as filed with the Securities and Exchange Commission on the date hereof, I, Stephen P. Zelnak, Jr., the Chief Executive Officer of the Registrant, certify that:

(1) the Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and

(2) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Registrant.

/s/ Stephen P. Zelnak, Jr.
Stephen P. Zelnak, Jr.
Chief Executive Officer

Date: February 21, 2006

A signed original of this written statement required by Section 906 has been provided to Martin Marietta Materials, Inc. and will be retained by Martin Marietta Materials, Inc. and furnished to the Securities and Exchange Commission or its staff upon request.

EXHIBIT 32.02

**WRITTEN STATEMENT PURSUANT TO 18 U.S.C. 1350,
AS ADOPTED PURSUANT TO SECTION 906 OF THE
SARBANES-OXLEY ACT OF 2002**

In connection with the 2005 Annual Report on Form 10-K (the “Report”) of Martin Marietta Materials, Inc. (the “Registrant”), as filed with the Securities and Exchange Commission on the date hereof, I, Anne H. Lloyd, the Chief Financial Officer of the Registrant, certify that:

(1) the Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and

(2) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Registrant.

/s/ Anne H. Lloyd
Anne H. Lloyd
Chief Financial Officer

Date: February 21, 2006

A signed original of this written statement required by Section 906 has been provided to Martin Marietta Materials, Inc. and will be retained by Martin Marietta Materials, Inc. and furnished to the Securities and Exchange Commission or its staff upon request.