Martin Marietta Materials

2000 Annual Report

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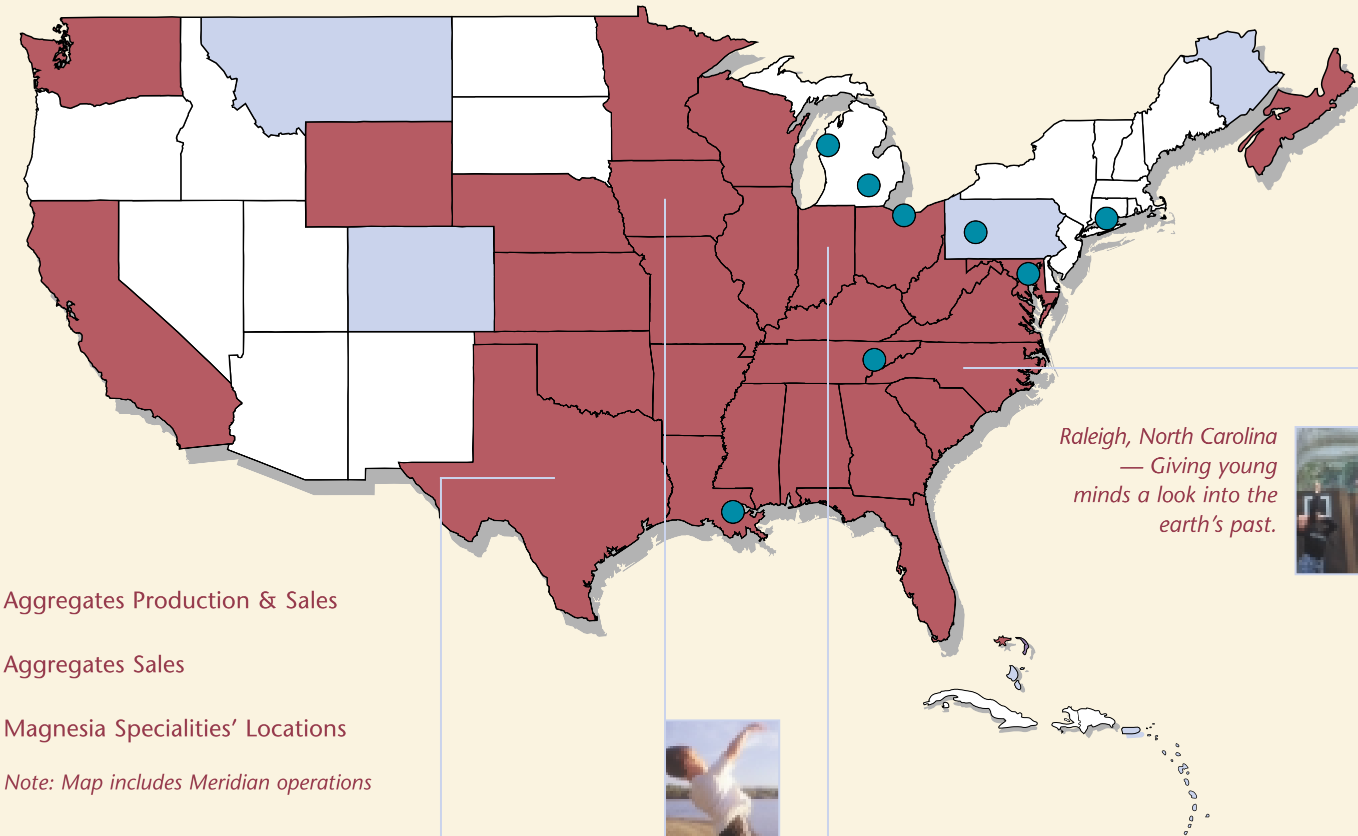
COMPANY PROFILE

Martin Marietta Materials is the nation's second largest producer of aggregates used for the construction of highways and other infrastructure projects, and for commercial and residential construction. The Corporation is also a leading producer of magnesia-based chemical and refractory products used in a wide variety of industrial, environmental and chemical applications.



Aggregates Production & Sales

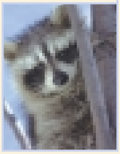
Aggregates Sales

Magnesia Specialities' Locations

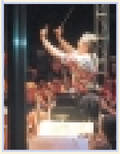
Note: Map includes Meridian operations

Raleigh, North Carolina — Giving young minds a look into the earth's past.

West Des Moines, Iowa — Retired quarry becomes the pride of the community.



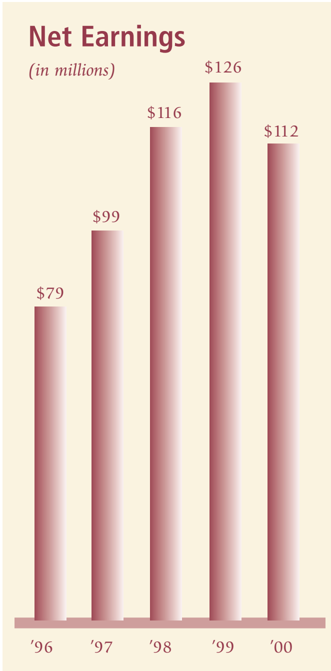
San Antonio, Texas — Creating one of the largest urban parks in the nation.



Indianapolis, Indiana — Music rings out 210 feet below the earth's surface.

(dollars in thousands, except per share)

	2000	1999
Net sales*	**$ 1,333,000**	$ 1,258,827
Earnings from operations	**$ 202,477**	$ 215,289
Net earnings	**$ 112,027**	$ 125,781
Basic earnings per common share	**$ 2.40**	$ 2.70
Diluted earnings per common share	**$ 2.39**	$ 2.68
Cash dividends per common share	**$ 0.54**	$ 0.52
Debt-to-capitalization ratio	**43%**	45%
Common shares outstanding at year-end	**46,783,000**	46,715,000
Number of shareholders of record	**1,439**	1,580



**Net sales exclude freight and delivery revenues; such revenues are included in total revenues in accordance with EITF 00-10, Accounting for Shipping and Handling Fees and Costs, on the Consolidated Statement of Earnings on page 9.*


Stephen P. Zelnak, Jr.

The year 2000 was the most challenging in a decade, as soaring energy prices and a discernible slowdown in building construction activity negatively affected our businesses.

After establishing a long history of record years for sales and earnings, and while revenues continued to grow, during 2000 we experienced our first decline in earnings since 1991.

Expectations for 2000 were high as we began the year anticipating TEA-21 federal transportation funds would have a real impact for the first time since the passage of the legislation in 1998. This infrastructure factor was quickly eclipsed by sharp price increases for diesel fuel, natural gas, liquid asphalt and transportation costs of waterborne material, where fuel escalators caused major cost increases. Increased energy-related costs, as compared to 1999, reduced our net earnings in 2000 by $28 million, or $0.39 per share. In the second half of the year, we began to see reduced building construction demand, particularly in the central and midwestern United States, which reduced our sales and production volume below expectations. We were also disappointed by sluggish spending for highways, despite the significant increase in TEA-21 funding.

Net sales for 2000 increased 6 percent to $1.333 billion; however, net earnings declined 11 percent to $112.0 million, or $2.39 per diluted share. Cash flow, as measured by EBITDA (earnings before interest, taxes, depreciation, depletion and amortization) decreased 3 percent to $347.1 million.

Despite the difficult economic environment, we grew our Company in 2000 with acquisitions in Texas, North Carolina, Tennessee and Ohio. These small acquisitions continued our successful program of growth through contiguous expansion.

We expect to complete the purchase of the remaining interest in Meridian Aggregates Company in the second quarter 2001. This company is a superb fit with Martin Marietta, both strategically and in terms of the quality of its people and operations. Meridian operates 25 aggregates plants and 7 rail-served distribution yards, serving customers in Texas, Oklahoma, Arkansas, Mississippi, Tennessee, Louisiana, Minnesota, Kansas, Nebraska, Wyoming, Colorado, Montana, Washington and California. Along with our 1998 purchase of Redland Stone Products Company in Texas, Meridian is a key component of our western expansion strategy and significantly enhances our rail distribution network.

A major trend in the aggregates industry is the increase in long-distance shipments by rail, barge and oceangoing vessels. In 1994, about 93 percent of Martin Marietta's shipments were by truck and 7 percent by rail. In 2000, truck shipments were 80 percent, rail shipments were 10 percent and water shipments accounted for 10 percent. Five years from now, we expect rail and water shipments to be approximately 30 percent of our total shipments. With the acquisition of Meridian, along with certain plant expansions, Martin Marietta will have the most extensive rail and waterborne aggregates distribution network within the United States and surrounding areas. We believe this will provide a distinct competitive advantage in the future.

During the latter half of 1999, we saw prices of potential business acquisitions escalating, at times, to unreasonable levels. As a result, Martin Marietta placed increased emphasis on internal growth. Major plant construction projects were initiated at our Freeport, Bahamas, quarry and at locations near Hot Springs, Arkansas; Parkersburg, West Virginia; Raleigh, North Carolina; and Dallas/Ft. Worth, Texas. In addition, we signed a long-term agreement with Chemical Lime Company, which will allow us to construct a major rail-connected, aggregates-production plant at their quarry in New Braunfels, Texas. The combination of these six projects will cost-effectively increase our aggregates annual capacity by approximately 12 million tons, with most of this capacity becoming available in the second half of 2001.

In 2000, we also focused on internal improvements designed to motivate employees, reduce costs and improve our overall effectiveness. We introduced a new Reward and Recognition Program to better reward our high achievers. We instituted a new "decision-based" safety program that has improved our already strong safety program. This should result in an even better work environment, as well as reduce the lost time and costs associated with workplace injuries. We introduced a new computerized maintenance system at certain locations, which we anticipate will reduce maintenance costs and enable us to optimize equipment selection decisions. We instituted a formalized process improvement function with the objective of thoroughly analyzing about 150 of our plants over the next three years, to assure that we are incorporating all available "best practices." We will be streamlining core business processes and improving the flow of information throughout the organization by implementing an enterprise-wide information system. We expect these initiatives to take our Company to an even higher level of performance.

In 2000 we placed increased emphasis on internal capacity growth and improvements designed to motivate employees, reduce costs and improve our overall effectiveness.

As we previously indicated, we determined that our Magnesia Specialties operations were not a core focus for Martin Marietta Materials. In February 2001, we announced that we had entered into an agreement to sell the refractories business of our Magnesia Specialties subsidiary to a strategic buyer who will focus on growing this business. We owe a debt of gratitude to our excellent employee group who performed well under adverse competitive conditions in the refractories industry. They will be an asset to the strategic buyer.

During the past year, we continued to focus on certain technologies that we believe offer long-term growth opportunities for our Company. Our composite bridge deck business took some positive steps with new orders booked in Maryland, Oregon and Iowa and our first international order in Seoul, Korea. We believe our product is the best of its kind in the world, and in 2001, our goal will be to increase revenues and backlog and to generate a small positive contribution to earnings. We also made an additional investment in Industrial Microwave Systems, Inc. We own 19 percent of this start-up company, which has key patents for the uniform application of microwave energy in textile drying, food processing and aseptic packaging. We will continue to assess these opportunities to determine if they are long-term fits with our Company.

Looking ahead, we are optimistic that infrastructure demand will play an increasingly important role in demand for aggregates over the next five years or more. During 2000, the U.S. Congress passed airport transportation funding that increases airport monies by 64 percent over the next 3 years. More importantly, appropriations under the TEA-21 transportation program are increasing at a pace well beyond original expectations. Currently, the appropriation of funds for projects is well ahead of actual construction. As this gap narrows, we expect that demand for aggregates in highway construction will grow significantly. While we anticipate residential and commercial construction to slow from the strong pace seen in recent years, we continue to anticipate overall positive growth in 2001 — fueled by infrastructure spending. As a result of this positive supply/demand balance, price increases should allow us to recover some of the higher energy costs which affected us in 2000.

In closing, I want to thank our over 6,000 employees who worked diligently to cope with the challenges of the year and to welcome our new Meridian associates. We continue to believe that the high quality and personal commitment of our people provide a significant competitive advantage.

On behalf of our Board of Directors, I would like to thank you, our shareholders, for your support as we pursue our proven growth strategy. We are confident that we have the right people and the right plan to continue to grow our business, while achieving above-average profitability.

Respectfully,

Stephen P. Zelnak, Jr.

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

March 12, 2001

"The Concert in the Quarry adds a unique venue to the Carmel Symphony's schedule and allows hundreds to experience Martin Marietta Aggregates' hospitality and learn more about this good corporate citizen in our community."

– Mayor Jim Brainard, City of Carmel, Indiana

It's not just what we make, It's what we make possible™ — in our communities, in our environment and in the lives of our children.

Martin Marietta Materials believes that its obligation to support the communities where it has operations is as fundamental as its obligation to observe the local, state and federal regulations that govern its businesses.

Viewing its role as a good corporate neighbor from a local perspective, the Company never forgets that its own employees and their families live in the communities where it does business. This approach provides Martin Marietta the opportunity to tailor programs that address local concerns and benefit each community's needs.

"Government Canyon State Natural Area will provide San Antonians with outdoor opportunities they have never had before. Martin Marietta's contribution is helping us put this land to the best use possible."

– Bonnie Connor, San Antonio City Councilwoman

Building a Better Community

As a good neighbor, Martin Marietta seeks opportunities to partner with its fellow citizens to ensure that community needs are met — often in unique and creative ways.

In Indiana, Martin Marietta responded to a call from its neighbors to support the local arts. In August of 2000, Martin Marietta hosted a concert by the Carmel Symphony Orchestra, and several area church choirs, in an effort to raise money for local music programs. The event was held in a unique setting — 210 feet below the earth's surface on the floor of Martin Marietta's North Indianapolis quarry. The dramatic setting, coupled with symphonic music and an impressive fireworks display, created a sold-out concert that raised thousands of dollars for the symphony.

Global Priorities, Local Perspectives

As the nation's second largest producer of aggregates and a leading producer of magnesia-based products, Martin Marietta Materials has a deep respect for the land and an understanding of its potential uses. Because of this commitment, the Company developed policies to protect, maintain and restore the earth's natural beauty.

In May of 2000, Martin Marietta became the only corporate contributor to a fundraising effort for the expansion of the Government Canyon State Natural Area near San Antonio, Texas. This natural area sits perched above the Edwards Aquifer, San Antonio's sole source of drinking water and is home to endangered wildlife species and well-preserved dinosaur tracks. The acres acquired with the Company's contribution will become part of one of the largest urban parks in the nation, providing San Antonians with recreational facilities and ensuring that this sensitive land is forever protected from development — paying environmental dividends for countless future generations.

Reclaiming and restoring the land is another integral part of Martin Marietta's environmental commitment. One such project, the Raccoon River Park, has been called the "crown jewel" of the West Des Moines, Iowa, park system. After decades of mining sand along the Raccoon River, Martin Marietta donated a portion of the land to the state and the city to be used as park land. Offering a lake, a boat ramp, a swim beach, a nature trail, a softball complex and an expanded source of water for the city, Raccoon River Park is one of the most active, prized recreational sites in the area.

"Raccoon River Park is the crown jewel of the West Des Moines Park system. It has become the gathering spot for the community. This tremendous asset has improved the quality of life for all our citizens."

– Gary Scott, Director of Parks and Recreation, City of West Des Moines

Building Strong Minds

Educating our youth is at the heart of Martin Marietta Materials' community outreach efforts. Every day, the Company hosts tours of quarries and facilities for school children. Employees share their knowledge of geology and mining technology, helping students understand the necessity of aggregates in the construction of roads, homes, playgrounds and schools.

In 2000, Martin Marietta continued its educational outreach by supporting the largest natural sciences museum in the southeastern United States as it completed a major modernization effort. The North Carolina Museum of Natural Sciences' new 200,000 square foot building includes a geology exhibit funded by the Company. The innovative design of the exhibit makes visitors feel as if they are walking underground. Since reopening, museum attendance has more than doubled. Approximately 500,000 people, roughly half of whom were school children, visited the museum in the first six months.

Imagining the Possibilities

Martin Marietta is committed to making a difference in communities long after ribbon-cutting ceremonies are forgotten and newspaper articles fade. In our communities, in our environment and in the lives of our children, Martin Marietta Materials' commitment to being a responsible neighbor is as solid and unyielding as the products it manufactures.

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"The support of companies such as Martin Marietta, is one of the reasons why the museum's attendance has increased. Such generous contributions allow us to provide the public with a unique educational experience that they can't find anywhere else."

– Shirley Robinson, Director of External Affairs, North Carolina Museum of Natural Sciences

REPORT OF ERNST & YOUNG LLP, INDEPENDENT AUDITORS

Board of Directors and Shareholders – Martin Marietta Materials, Inc.

We have audited the accompanying consolidated balance sheet of Martin Marietta Materials, Inc., and subsidiaries at December 31, 2000 and 1999, and the related consolidated statements of earnings, shareholders' equity and cash flows for each of the three years in the period ended December 31, 2000. These financial statements are the responsibility of the Corporation's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of Martin Marietta Materials, Inc., and subsidiaries at December 31, 2000 and 1999, and the consolidated results of their operations and their cash flows for each of the three years in the period ended December 31, 2000, in conformity with accounting principles generally accepted in the United States.

Ernst + Young LLP

Raleigh, North Carolina
January 22, 2001,
except for Note M, as to which the date is February 23, 2001

STATEMENT OF FINANCIAL RESPONSIBILITY

Shareholders – Martin Marietta Materials, Inc.

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

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

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

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

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

Janice K. Henry

Janice K. Henry
Senior Vice President and Chief Financial Officer

CONSOLIDATED STATEMENT OF EARNINGS

for years ended December 31

(add 000, except per share)	**2000**	1999	1998
Net sales	**$ 1,333,000**	$ 1,258,827	$ 1,057,691
Freight and delivery revenues	**184,517**	175,292	143,805
Total revenues	**1,517,517**	1,434,119	1,201,496
Cost of sales	**1,029,429**	948,128	776,043
Freight and delivery costs	**184,517**	175,292	143,805
Total cost of revenues	**1,213,946**	1,123,420	919,848
Gross Profit	**303,571**	310,699	281,648
Selling, general and administrative expenses	**98,768**	92,621	82,041
Research and development	**2,326**	2,789	3,053
Earnings from Operations	**202,477**	215,289	196,554
Interest expense on debt	**41,895**	39,411	23,759
Other income and (expenses), net	**8,239**	18,435	1,347
Earnings before taxes on income	**168,821**	194,313	174,142
Taxes on income	**56,794**	68,532	58,529
Net Earnings	**$ 112,027**	$ 125,781	$ 115,613
Net Earnings Per Common Share			
– Basic	**$ 2.40**	$ 2.70	$ 2.49
– Diluted	**$ 2.39**	$ 2.68	$ 2.48
Average Number of Common Shares Outstanding			
– Basic	**46,753**	46,668	46,454
– Diluted	**46,948**	46,947	46,708
Cash Dividends Per Common Share	**$ 0.54**	$ 0.52	$ 0.50

The notes on pages 13 to 23 are an integral part of these financial statements.

CONSOLIDATED BALANCE SHEET

at December 31

Assets (*add 000*)	**2000**	1999
Current Assets:		
Cash and cash equivalents	$ —	$ 3,403
Receivables, net	**180,915**	197,554
Inventories	**207,534**	172,865
Current deferred income tax benefits	**16,750**	21,899
Other current assets	**19,802**	7,644
Total Current Assets	**425,001**	403,365
Property, plant and equipment, net	**914,072**	846,993
Goodwill, net	**374,994**	375,327
Other intangibles, net	**34,462**	31,497
Other noncurrent assets	**92,910**	85,392
Total Assets	**$ 1,841,439**	$ 1,742,574

Liabilities and Shareholders' Equity (*add 000*)		
Current Liabilities:		
Book overdraft	**$ 4,778**	$ —
Accounts payable	**59,029**	55,872
Accrued salaries, benefits and payroll taxes	**27,021**	24,887
Accrued insurance and other taxes	**23,967**	26,705
Income taxes	**2,498**	4,293
Current maturities of long-term debt and commercial paper	**45,155**	39,722
Other current liabilities	**26,665**	31,217
Total Current Liabilities	**189,113**	182,696
Long-term debt and commercial paper	**601,580**	602,011
Pension, postretirement and postemployment benefits	**84,950**	85,839
Noncurrent deferred income taxes	**86,563**	81,857
Other noncurrent liabilities	**15,947**	16,165
Total Liabilities	**978,153**	968,568
Shareholders' Equity:		
Common stock, $0.01 par value; 100,000,000 shares authorized	**468**	467
Additional paid-in capital	**356,546**	354,046
Retained earnings	**506,272**	419,493
Total Shareholders' Equity	**863,286**	774,006
Total Liabilities and Shareholders' Equity	**$ 1,841,439**	$ 1,742,574

for years ended December 31

(add 000)	**2000**	1999	1998
Cash Flows from Operating Activities:			
Net earnings	**$ 112,027**	$ 125,781	$ 115,613
Adjustments to reconcile net earnings to cash provided by operating activities:			
Depreciation, depletion and amortization	**136,373**	124,754	98,765
Other items, net	**(2,331)**	(6,257)	(4,573)
Changes in operating assets and liabilities:			
Deferred income taxes	**9,457**	(1,345)	(3,457)
Net changes in receivables, inventories and payables	**(13,093)**	(31,513)	(9,661)
Other assets and liabilities, net	**(29,553)**	12,256	25,886
Net Cash Provided by Operating Activities	**212,880**	223,676	222,573
Cash Flows from Investing Activities:			
Additions to property, plant and equipment	**(170,805)**	(137,820)	(123,926)
Acquisitions, net	**(39,327)**	(77,080)	(347,882)
Other investing activities, net	**8,326**	339	(34,014)
Net Cash Used for Investing Activities	**(201,806)**	(214,561)	(505,822)
Cash Flows from Financing Activities:			
Repayments of long-term debt	**(9,369)**	(618)	(1,704)
Increase in long-term debt	**805**	280	198,994
Commercial paper and line of credit, net	**12,518**	15,000	105,000
Debt issue costs	**—**	—	(1,745)
Dividends paid	**(25,248)**	(24,276)	(23,233)
Issuances of common stock	**2,039**	2,022	1,862
Repurchases of common stock	**—**	(12,706)	—
Net Cash (Used for) Provided by Financing Activities	**(19,255)**	(20,298)	279,174
Net Decrease in Cash and Cash Equivalents	**(8,181)**	(11,183)	(4,075)
Cash and Cash Equivalents, beginning of year	**3,403**	14,586	18,661
(Book Overdraft) Cash and Cash Equivalents, end of year	**$ (4,778)**	$ 3,403	$ 14,586

The notes on pages 13 to 23 are an integral part of these financial statements.

(*add 000*)	Common Stock	Additional Paid-In Capital	Retained Earnings	Total Shareholders' Equity
Balance at December 31, 1997	$ 462	$ 335,766	$ 225,608	$ 561,836
Net earnings	—	—	115,613	115,613
Dividends declared ($0.50 a share)	—	—	(23,233)	(23,233)
Net stock transactions	4	13,479	—	13,483
Balance at December 31, 1998	466	349,245	317,988	667,699
Net earnings	—	—	125,781	125,781
Dividends declared ($0.52 a share)	—	—	(24,276)	(24,276)
Net stock transactions	4	17,504	—	17,508
Repurchases of common stock	(3)	(12,703)	—	(12,706)
Balance at December 31, 1999	467	354,046	419,493	774,006
Net earnings	**—**	**—**	**112,027**	**112,027**
Dividends declared ($0.54 a share)	**—**	**—**	**(25,248)**	**(25,248)**
Net stock transactions	**1**	**2,500**	**—**	**2,501**
Balance at December 31, 2000	**$ 468**	**$ 356,546**	**$ 506,272**	**$ 863,286**

The notes on pages 13 to 23 are an integral part of these financial statements.

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Note A: Accounting Policies

Organization. Martin Marietta Materials, Inc. ("Martin Marietta Materials" or the "Corporation") is engaged principally in the construction aggregates business. Aggregates products are used primarily for construction of highways and other infrastructure projects in the United States, and in the domestic commercial and residential construction industries. The Corporation's aggregates products are sold and shipped from a network of approximately 300 quarries and distribution facilities to customers in 27 states, Canada and the Bahamas. North Carolina, Texas, Ohio, Georgia and Iowa account for approximately 60% of total net sales. In addition, the Corporation produces magnesia-based chemicals, refractories and dolomitic lime products used in a wide variety of industrial, environmental and agricultural applications with a majority of its products used by customers in the worldwide steel industry.

Basis of Consolidation and Use of Estimates. The consolidated financial statements include the accounts of the Corporation and its wholly owned and majority-owned subsidiaries. Partially owned affiliates are accounted for at cost or as equity investments depending on the level of ownership interest or the Corporation's ability to exercise control over the affiliate's operations. In particular, the Corporation's 14% investment in Meridian Aggregates Company ("Meridian") is recorded at cost (See Note M).

All significant intercompany balances and transactions have been eliminated in consolidation. The preparation of the Corporation's financial statements in conformity with generally accepted accounting principles 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.

Certain amounts for the prior years have been reclassified to conform to the 2000 presentation. Such reclassification had no impact on previously reported net earnings or financial position.

Revenue Recognition. Substantially all revenues are recognized when finished products are shipped to unaffiliated customers or services have been rendered. Total revenues generally include sales of materials to customers, net of discounts, if any, and include freight and delivery charges billed to customers (see Note A: Accounting Policies — Accounting Changes).

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

At December 31, 2000, the book cash balance amounted to a net overdraft of $4,778,000 which is attributable to the float of the Corporation's outstanding checks.

Inventories Valuation. Inventories are stated at the lower of cost or market. Costs are determined principally by the first-in, first-out ("FIFO") method.

Properties and Depreciation. Property, plant and equipment are stated at cost. Depreciation is computed over estimated service lives, principally by the straight-line method. The estimated service life for buildings ranges from 8 to 30 years; from 1 to 20 years for machinery and equipment; and from 5 to 15 years for land improvements. Depletion of mineral deposits is calculated over estimated recoverable quantities, principally by the units-of-production method. Depreciation and depletion expense was $113,221,000, $103,928,000, and $86,602,000 for the years ended December 31, 2000, 1999 and 1998, respectively.

Repair and Maintenance Costs. Repair and maintenance costs that do not substantially extend the life of the Corporation's machinery and equipment are expensed as incurred.

Intangible Assets. Goodwill represents the excess purchase price paid for acquired businesses over the estimated fair value of identifiable assets and liabilities. Goodwill is amortized ratably over appropriate periods ranging from 10 to 30 years. At December 31, 2000 and 1999, the amounts for accumulated amortization of goodwill were approximately $52,071,000 and $36,104,000, respectively. Other intangibles represent amounts assigned principally to noncompete agreements and are amortized ratably over periods based on related contractual terms, generally 2 to 20 years. At December 31, 2000 and 1999, the amounts for accumulated amortization of other intangibles were approximately $23,075,000 and $22,250,000, respectively. Amortization expense for goodwill and other intangibles was $22,612,000,

$20,290,000 and $12,163,000 for the years ended December 31, 2000, 1999 and 1998, respectively.

The carrying value of goodwill and other intangibles is reviewed, if the facts and circumstances indicate potential impairment. If this review indicates that the carrying value of goodwill and other intangibles is not recoverable, as determined based on estimated cash flows of the business acquired over the remaining amortization period, goodwill and other intangibles are reduced by the estimated shortfall of discounted cash flows.

Stock-Based Compensation. In 1996, the Corporation adopted the Statement of Financial Accounting Standards No. 123, *Accounting for Stock-Based Compensation* ("FAS 123"). In accordance with FAS 123, the Corporation has elected to follow Accounting Principles Board Opinion No. 25, *Accounting for Stock Issued to Employees*, and related interpretations in accounting for certain of its employee stock-based compensation plans.

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

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

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

Related Party Transactions. The Corporation entered into certain agreements with Meridian which require the Corporation to provide certain advisory and consulting services at agreed-upon rates. In 1999, the Corporation provided funds to finance certain Meridian expansion projects at market rates of interest. The Corporation recorded an investment in Meridian, including receivables and a convertible note, of $56,058,000 and $53,511,000 at December 31, 2000 and 1999, respectively, and Meridian-related income of $3,717,000 during 2000 and $3,395,000 during 1999. Further, Meridian provided 475,000 tons of aggregates products to certain operations of the Corporation in 2000 at market rates (see Note M).

Research and Development and Similar Costs. Research and development and similar costs are charged to operations as incurred. Preoperating costs and noncapital-related start-up costs for new facilities and products are generally charged to operations as incurred.

Segment Information. Information concerning business segment data is included in Management's Discussion and Analysis of Financial Condition and Results of Operations on pages 33 through 35.

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 of fixed awards (employee stock options and incentive stock awards) and nonvested stock awards to be issued to employees and nonemployee members of the Corporation's Board of Directors under certain stock-based compensation arrangements. The diluted per-share computations reflect a change in the number of common shares outstanding (the "denominator") to include the number of additional shares that would have been outstanding if the potentially dilutive common shares had been issued. In each year presented, the income available to common shareholders (the "numerator") is the same for both basic and diluted 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)	2000	1999	1998
Basic Earnings per Common Share:			
Weighted-average number of shares	**46,753**	46,668	46,454
Effect of Dilutive Securities:			
Employee fixed awards	**156**	238	235
Employee and Director nonvested stock	**39**	41	19
Diluted Earnings per Common Share:			
Weighted-average number of shares and assumed conversions	**46,948**	46,947	46,708

Accounting Changes. Effective July 1, 2000, the Corporation adopted Statement of Financial Accounting Standards No. 133, *Accounting for Derivative Instruments and Hedging Activities* ("FAS 133"), as amended by Statement of Financial Accounting Standards No. 137, *Accounting for Derivative Instruments and Hedging Activities - Deferral of the Effective Date of FASB Statement No. 133,* and Statement of Financial Accounting Standards No. 138, *Accounting for Certain Derivative Instruments and Certain Hedging Activities an Amendment of FASB Statement No. 133* ("FAS 138"). The adoption of FAS 133 and FAS 138 did not have an impact on net earnings or the financial position of the Corporation, because the Corporation does not currently have any hedging activities, derivative instruments or material contracts that are subject to these accounting standards.

Staff Accounting Bulletin No. 101, *Revenue Recognition in Financial Statements* ("SAB 101"), was adopted for the quarter ended December 31, 2000. The Corporation recognizes substantially all revenues, when finished products are shipped to customers or services have been rendered. Therefore, the adoption of SAB 101 did not have an effect on the Corporation's reported total revenues, net earnings or financial position.

The Corporation adopted Emerging Issues Task Force Issue No. 00-10, *Accounting for Shipping and Handling Fees and Costs* ("EITF 00-10"), beginning with the fourth quarter 2000 reporting. EITF 00-10 requires that amounts billed to customers related to shipping and handling be classified as revenue and that the related costs be included in expenses. Generally, the Corporation's customers accept the aggregates products that they purchase at the quarry location using their own transportation. However, in certain circumstances, the Corporation will arrange for transportation of the purchased aggregates products to the customer for a delivered price. The customer is billed at the delivered price, which includes the price of the aggregates products and the cost of freight and delivery charges.

The Corporation previously offset the revenues related to freight and delivery charges against the freight and delivery costs billed from the transportation provider. Freight and delivery costs for the years ended December 31, 2000, 1999 and 1998, were $184.5 million, $175.3 million and $143.8 million, respectively. The Corporation included freight and delivery charges in total revenues and the related cost of freight and delivery in total cost of revenues beginning with the reporting of the operating results for the quarter and year ended December 31, 2000. Gross profit did not change from amounts that would have been reported prior to the adoption of EITF 00-10. Prior annual and quarterly periods were reclassified upon adoption (see Note A: Accounting Policies — Revenue Recognition).

The Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 140, *Accounting for Transfers and Servicing of Financial Assets and Extinguishment of Liabilities* ("FAS 140"). FAS 140 is effective for transfers and servicing of financial assets and extinguishments of liabilities occurring after March 31, 2001, and should be applied prospectively. Certain disclosures for securitized financial assets are required for December 31, 2000, annual reporting. The adoption of FAS 140 is not expected to have any impact on net earnings or the financial position of the Corporation. No additional disclosures were required at December 31, 2000.

Note B: Receivables

December 31 (add 000)	2000	1999
Customer receivables	**$ 181,326**	$ 193,380
Other current receivables	**4,728**	8,881
	186,054	202,261
Less allowances	**(5,139)**	(4,707)
Total	**$ 180,915**	$ 197,554

Note C: Inventories

December 31 (add 000)	2000	1999
Finished products	**$ 177,066**	$ 143,776
Products in process and raw materials	**9,548**	9,972
Supplies and expendable parts	**26,692**	25,862
	213,306	179,610
Less allowances	**(5,772)**	(6,745)
Total	**$ 207,534**	$ 172,865

Note D: Property, Plant and Equipment, Net

December 31 (add 000)	2000	1999
Land and improvements	**$ 193,205**	$ 182,670
Mineral deposits	**161,560**	156,870
Buildings	**72,687**	69,273
Machinery and equipment	**1,279,605**	1,170,592
Construction in progress	**106,544**	73,803
	1,813,601	1,653,208
Less allowances for depreciation and depletion	**(899,529)**	(806,215)
Total	**$ 914,072**	$ 846,993

Note E: Long-Term Debt

December 31 (add 000)	**2000**	1999
5.875% Notes, due 2008	**$ 199,141**	$ 199,059
6.9% Notes, due 2007	**124,961**	124,956
7% Debentures, due 2025	**124,226**	124,215
Commercial Paper and Line of Credit, interest rates ranging from 5.50% to 7.61%	**192,518**	180,000
Acquisition notes, interest rates ranging from 5.50% to 10.0%	**4,930**	12,395
Other notes	**959**	1,108
Total	**646,735**	641,733
Less current maturities	**(45,155)**	(39,722)
Long-term debt	**$ 601,580**	$ 602,011

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

During August 1997, the Corporation offered and sold the 6.9% Notes at 99.7% of their principal amount of $125,000,000. The entire amount of these long-term fixed rate debt securities was registered under the Corporation's shelf registration statement on file with the Securities and Exchange Commission. The effective interest rate on these securities is 6.91%. The Notes are not redeemable prior to their maturity on August 15, 2007.

The 7% Debentures were sold at 99.3% of their principal amount of $125,000,000 in December 1995. The entire amount of these long-term fixed rate debt securities was registered under the Corporation's shelf registration statement on file with the Securities and Exchange Commission. The effective interest rate on these securities is 7.05%. The Debentures are not redeemable prior to their maturity on December 1, 2025.

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

The Corporation entered into revolving credit agreements, syndicated with a group of domestic and foreign commercial banks, which provide for borrowings of up to $150,000,000 for general corporate purposes through January 2002 and $300,000,000 for general corporate purposes through August 2001 (collectively the "Agreements"). Borrowings under these credit agreements are unsecured and bear interest, at the Corporation's option, at rates based upon: (i) the Eurodollar rate (as defined on the basis of a LIBOR) plus basis points related to a pricing grid; (ii) a bank base rate (as defined on the basis of a published prime rate or the Federal Funds Rate plus 1/2 of 1%); or (iii) a competitively determined rate (as defined on the basis of a bidding process). These Agreements contain restrictive covenants relating to leverage, requirements for limitations on encumbrances and provisions that relate to certain changes in control.

No borrowings were outstanding under the revolving credit agreements at December 31, 2000. However, the Agreements support a commercial paper program of $450,000,000 of which borrowings of $190,000,000 and $180,000,000 were outstanding at December 31, 2000 and 1999, respectively. Of these amounts, $150,000,000 at December 31, 2000 and 1999, was classified as long-term debt on the Corporation's consolidated balance sheet based on management's ability and intention to maintain this debt outstanding for at least one year. The remaining $40,000,000 at December 31, 2000, and $30,000,000 at December 31, 1999, were classified as current liabilities.

At December 31, 2000, the Corporation had $2,518,000 outstanding under a $10,000,000 line of credit. The effective interest rate was 7.32% on outstanding line of credit balances at December 31, 2000.

Total interest paid was $42,661,000, $37,108,000 and $23,677,000 for the years ended December 31, 2000, 1999 and 1998, respectively.

Excluding commercial paper and line of credit, the Corporation's long-term debt maturities for the five years following December 31, 2000 are:

(add 000)	
2001	$ 2,492
2002	840
2003	219
2004	152
2005	150
Thereafter	450,364
Total	$ 454,217

Amounts reflected in acquisitions, net, in the consolidated statement of cash flows include assumed or incurred indebtedness of $950,000, $9,208,000 and $3,373,000 for the years ended December 31, 2000, 1999 and 1998, respectively. In addition, the amounts reflected in acquisitions, net, for 1999 and 1998 exclude the effect of the issuance of approximately 311,100 and 280,100 shares, respectively, of the Corporation's common stock.

Note F: Financial Instruments

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

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

Customer receivables are due from a large number of customers who are dispersed across wide geographic and economic regions. However, customer receivables are more heavily concentrated in the Corporation's five largest states (see Note A: Accounting Policies — Organization). At December 31, 2000 and 1999, the Corporation had no significant concentrations of credit risk. The estimated fair values of customer receivables approximate their carrying amounts.

The estimated fair values of the Corporation's publicly registered long-term notes and debentures at December 31, 2000, was approximately $414,098,000 compared with a carrying amount of $448,328,000 on the consolidated balance sheet. The fair values of this long-term debt were estimated based on quoted market prices for those instruments publicly traded. The estimated fair value of commercial paper, line of credit and other borrowings approximate their carrying amounts.

Note G: Income Taxes

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

years ended December 31 (add 000)	2000	1999	1998
Federal income taxes:			
Current	**$44,302**	$61,349	$52,663
Deferred	**2,656**	(4,081)	(4,486)
Total federal income taxes	**46,958**	57,268	48,177
State income taxes:			
Current	**9,409**	12,128	11,360
Deferred	**427**	(864)	(1,008)
Total state income taxes	**9,836**	11,264	10,352
Total provision	**$56,794**	$68,532	$58,529

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

years ended December 31	2000	1999	1998
Statutory tax rate	**35.0%**	35.0%	35.0%
Increase (reduction) resulting from:			
Effect of statutory depletion	**(7.7)**	(6.4)	(6.6)
State income taxes	**3.8**	3.8	3.9
Goodwill amortization	**2.7**	2.1	1.0
Other items	**(0.2)**	0.8	0.3
Effective tax rate	**33.6%**	35.3%	33.6%

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

	Deferred Assets (Liabilities)	
(add 000)	2000	1999
Property, plant and equipment	**$(116,748)**	$(89,898)
Goodwill and other intangibles	**4,759**	4,289
Employee benefits	**31,233**	21,395
Financial reserves	**10,192**	7,549
Other items, net	**751**	(3,293)
Total	**$ (69,813)**	$(59,958)

Deferred income taxes on the consolidated balance sheet reflect the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes. The Corporation does not believe a valuation allowance is required at December 31, 2000 or 1999.

The Corporation's total income tax payments were $59,915,000, $71,644,000 and $59,466,000, respectively, during the years ended December 31, 2000, 1999 and 1998.

Note H: Retirement Plans, Postretirement and Postemployment Benefits

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

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

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

years ended December 31 (add 000)	**2000**	1999	1998
Components of net periodic benefit cost:			
Service cost	**$ 6,764**	$ 7,578	$ 5,965
Interest cost	**10,973**	10,071	9,231
Expected return on assets	**(14,886)**	(12,946)	(11,454)
Amortization of:			
Prior service cost	**571**	531	512
Actuarial gain	**(3,005)**	(485)	(464)
Transition asset	**(357)**	(357)	(331)
Net periodic benefit cost	**$ 60**	$ 4,392	$ 3,459

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

	2000	1999	1998
Discount rate	**7.50%**	8.00%	6.75%
Rate of increase in future compensation levels	**5.00%**	5.00%	5.00%
Expected long-term rate of return on assets	**9.00%**	9.00%	9.00%

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

years ended December 31 (add 000)	**2000**	1999
Change in benefit obligation:		
Net benefit obligation at beginning of year	**$130,669**	$144,109
Service cost	**6,764**	7,578
Interest cost	**10,973**	10,071
Actuarial loss/(gain)	**11,697**	(26,718)
Plan amendments	**611**	—
Acquisitions/divestitures	**—**	1,216
Gross benefits paid	**(6,699)**	(5,587)
Net benefit obligation at end of year	**$154,015**	$130,669

years ended December 31 (add 000)	**2000**	1999
Change in plan assets:		
Fair value of plan assets at beginning of year	**$168,943**	$147,187
Actual return on plan assets, net	**(2,372)**	27,291
Employer contributions	**730**	52
Gross benefits paid	**(6,699)**	(5,587)
Fair value of plan assets at end of year	**$160,602**	$168,943

December 31 (add 000)	2000	1999
Funded status of the plan at end of year	**$ 6,587**	$ 38,274
Unrecognized net actuarial gain	**(31,043)**	(63,003)
Unrecognized prior service cost	**4,170**	4,130
Unrecognized net transition asset	**(391)**	(748)
Accrued benefit cost	**$(20,677)**	$(21,347)

December 31 (add 000)	2000	1999
Amounts recognized in the consolidated balance sheet consist of:		
Prepaid benefit cost	**$ 134**	$ 118
Accrued benefit cost	**(20,811)**	(21,465)
Net amount recognized at end of year	**$(20,677)**	$(21,347)

The projected benefit obligation, accumulated benefit obligation and fair value of plan assets for retirement plans with accumulated benefit obligations in excess of plan assets were $5,272,000, $3,350,000 and $0, respectively, as of December 31, 2000 and $3,900,000, $2,478,000 and $0, respectively, as of December 31, 1999.

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

years ended December 31 (add 000)	2000	1999	1998
Components of net periodic benefit cost:			
Service cost	**$1,144**	$2,738	$1,732
Interest cost	**3,886**	3,782	4,034
Expected return on assets	**—**	(35)	(121)
Amortization of:			
Prior service cost	**(394)**	(35)	25
Actuarial gain	**(482)**	(419)	(85)
Net periodic benefit cost	**$4,154**	$6,031	$5,585

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 follows:

years ended December 31 (add 000)	2000	1999
Change in benefit obligation:		
Net benefit obligation at beginning of year	**$46,435**	$62,381
Service cost	**1,144**	2,738
Interest cost	**3,886**	3,782
Participants' contribution	**249**	31
Plan amendments	**—**	(6,410)
Actuarial loss/(gain)	**7,315**	(13,208)
Gross benefit paid	**(3,750)**	(2,879)
Net benefit obligation at end of year	**$55,279**	$46,435

years ended December 31 (add 000)	2000	1999
Change in plan assets:		
Fair value of plan assets at beginning of year	**$ 0**	$ 578
Actual return on plan assets, net	**—**	15
Employer contributions	**3,501**	—
Participants' contributions	**249**	31
Gross benefits paid	**(3,750)**	(624)
Fair value of plan assets at end of year	**$ 0**	$ 0

December 31 (add 000)	2000	1999
Funded status of the plan at end of year	**$(55,279)**	$(46,435)
Unrecognized net actuarial gain	**(2,672)**	(10,469)
Unrecognized prior service cost	**(5,524)**	(5,918)
Accrued benefit cost	**$(63,475)**	$(62,822)

December 31 (add 000)	2000	1999
Amounts recognized in the consolidated balance sheet consist of:		
Accrued benefit cost	**$(63,475)**	$(62,822)
Net amount recognized at end of year	**$(63,475)**	$(62,822)

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

	2000	1999	1998
Discount rate	**7.50%**	8.00%	6.75%
Expected long-term rate of return on assets	**N/A**	9.00%	9.00%

The assumed trend rate for health care inflation used in measuring the net periodic benefit cost and benefit obligation is 8% for 2000, declining to 4.5% in 2005 and remaining at that level thereafter. The assumed health care trend rate has a significant impact on the amounts reported. A one-percentage point change in the assumed health care trend rate would have the following effects at December 31, 2000:

	One Percentage Point	
(add 000)	Increase	(Decrease)
Total service and interest cost components	**$ 553**	**$ (472)**
Postretirement benefit obligation	**$5,608**	**$(4,926)**

In November 1999, the Corporation amended its postretirement medical benefits to, among other things, realign the maximum annual medical benefits available to retirees, modify the retiree premium schedules and limit future retiree participation.

Defined Contribution Plans. The Corporation maintains two defined contribution plans, which cover substantially all employees. These plans, intended to be qualified under Section 401(a) of the Internal Revenue Code, are retirement savings and investment plans for the Corporation's salaried and hourly employees. In addition, the employees of the former Redland Stone Products Company ("Redland Stone") participate in a separate defined contribution plan established prior to the Corporation's acquisition of Redland Stone. The Corporation will continue to support this plan in the near-term. Under certain provisions of these plans, the Corporation, at established rates, matches employees' eligible contributions. The Corporation's matching obligations were $3,695,000 in 2000, $3,144,000 in 1999 and $2,381,000 in 1998.

Postemployment Benefits. The Corporation provides certain benefits to former or inactive employees after employment but before retirement, such as workers' compensation and disability benefits. The Corporation has accrued postemployment benefits of $1,577,000 and $1,734,000 at December 31, 2000 and 1999, respectively.

Note I: Stock Options and Award Plans

In 1994, the shareholders of the Corporation approved the Amended Omnibus Securities Award Plan (the "Amended Omnibus Plan") that provided authorization for the Corporation to repurchase 2,000,000 shares of the Corporation's Common Stock for issuance under the Amended Omnibus Plan. On May 8, 1998, the repurchase authorization was decreased to approximately 1,007,000 shares, which represented the aggregate number of shares that were subject to grants made through May 8, 1998. The shareholders approved, on May 8, 1998, the Martin Marietta Materials, Inc. Stock-Based Award Plan (the "Plan"), as amended from time to time (collectively the "Plans," along with the "Amended Omnibus Plan"). In connection with the Plan, the Corporation was authorized to repurchase up to 5,000,000 shares of the Corporation's Common Stock for issuance under the Plan.

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

Additionally, an incentive stock plan has been adopted under the Plans whereby certain participants elect to use up to 50% of their annual incentive compensation to acquire shares of the Corporation's common stock at a 20% discount to the market value on the date of the incentive compensation award. Certain executive officers are required to participate in the incentive stock plan at certain minimum levels. Stock unit awards, representing 38,222 shares for 2000, 32,648 shares for 1999 and 22,905 shares for 1998, of the Corporation's common stock, were awarded under the incentive stock plan. Such awards are granted in the subsequent year. Under the awards outstanding, participants earn the right to acquire their respective shares at the discounted value generally at the end of a three-year period of additional employment from the date of award or at retirement. All rights of ownership of the common stock convey to the participants upon the issuance of their respective shares at the end of the ownership-vesting period.

The Plans provide that each nonemployee director receives 1,500 non-qualified stock options annually. The Corporation grants the nonemployee directors options to purchase its common stock at a price equal to the market value at the date of grant. These options are excercisable immediately and expire ten years from such date.

A summary of the Corporation's stock-based plans' activity and related information follows:

	Number of Shares		Weighted-
	Available for Grant	Awards Outstanding	Average Exercise Price
December 31, 1997	1,004,148	985,822	$25.84
Additions	5,000,000	—	—
Authorization decrease	(993,000)	—	—
Granted	(360,779)	360,779	$46.31
Exercised	—	(165,612)	$21.09
Terminated	7,166	(7,166)	$30.17
December 31, 1998	4,657,535	1,173,823	$32.78
Granted	(433,155)	433,155	$48.20
Exercised	—	(124,938)	$22.53
Terminated	7,912	(7,912)	$37.56
December 31, 1999	4,232,292	1,474,128	$38.15
Granted	**(507,898)**	**507,898**	**$45.50**
Exercised	**—**	**(74,202)**	**$28.04**
Terminated	**17,931**	**(17,931)**	**$45.98**
December 31, 2000	**3,742,325**	**1,889,893**	**$40.44**

Approximately 997,000, 712,000 and 519,000 outstanding awards were exercisable at December 31, 2000, 1999 and 1998, respectively. Exercise prices for awards outstanding as of December 31, 2000, ranged from $20.00 to $63.44. The weighted-average remaining contractual life of those awards is 7.4 years. The weighted-average exercise price of outstanding exercisable awards at December 31, 2000, is $35.06.

The following table summarizes information for awards outstanding and exercisable at December 31, 2000:

Awards Outstanding

Range of Prices	Number of Shares	Weighted-Average Remaining Life	Weighted-Average Exercise Price
$20.00-$24.25	385,421	4.8	$22.35
$35.50-$48.75	1,480,472	8.0	$44.88
$51.50-$63.44	24,000	8.8	$57.47

Awards Exercisable

Range of Prices	Number of Shares	Weighted-Average Remaining Life	Weighted-Average Exercise Price
$20.00-$24.25	385,421	4.8	$22.35
$35.50-$48.75	599,839	7.4	$42.67
$51.50-$63.44	12,000	8.3	$63.44

In 1996, the Corporation adopted the Shareholder Value Achievement Plan to award shares of the Corporation's common stock to key senior employees based on certain common stock performance criteria over a long-term period. Under the terms of this plan, 250,000 shares of common stock are reserved for grant. Stock units potentially representing 50,804, 16,791 and 24,324 shares of the Corporation's common stock were granted under this plan in 2000, 1999 and 1998, respectively. The Corporation issued 16,023 shares of common stock to key senior employees in January 2001 representing net stock unit awards granted for 1998.

Also, the Corporation adopted the Amended and Restated Common Stock Purchase Plan for Directors, which provides nonemployee Directors the election to receive all or a portion of their total fees in the form of the Corporation's common stock. Under the terms of this plan, 50,000 shares of common stock are reserved for issuance. Currently, Directors are required to defer at least 30% of the retainer portion of their fees in the form of common stock. Directors elected to defer portions of their fees representing 4,699, 3,551 and 6,328 shares of the Corporation's common stock under this plan during 2000, 1999 and 1998, respectively.

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

	2000	1999	1998
Risk-free interest rate	**6.10%**	6.20%	5.40%
Dividend yield	**1.20%**	1.40%	1.80%
Volatility factor	**34.10%**	27.70%	17.90%
Expected life	**7 years**	7 years	7 years

The Black-Scholes valuation model was developed for use in estimating the fair value of traded awards which have no vesting restrictions and are fully transferable. In addition, valuation models require the input of highly subjective assumptions, including the expected stock price volatility factor. Because changes in the subjective input assumptions can materially affect the fair value estimate, in manage-

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ment's opinion, the existing models do not necessarily provide a reliable single measure of the fair value of its stock-based plans.

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

(add 000, *except per share*)	**2000**	1999	1998
Basic earnings per common share:			
Net earnings	**$108,082**	$122,791	$113,658
Earnings per share	**$ 2.31**	$ 2.63	$ 2.45
Diluted earnings per common share:			
Net earnings	**$108,082**	$122,791	$113,343
Earnings per share	**$ 2.30**	$ 2.62	$ 2.43

Note J: Leases

Total rent expense for all operating leases was $31,109,000, $26,761,000 and $23,460,000 for the years ended December 31, 2000, 1999 and 1998, respectively. The Corporation's operating leases generally contain renewal and/or purchase options with varying terms. Total mineral royalties for all leased properties were $22,460,000, $23,482,000 and $19,988,000 for the years ended December 31, 2000, 1999 and 1998, respectively. Future minimum rental and royalty commitments for all non-cancelable operating leases and royalty agreements as of December 31, 2000, are as follows:

(add 000)	
2001	$ 8,952
2002	6,989
2003	5,667
2004	4,373
2005	3,579
Thereafter	40,855
Total	$ 70,415

Note K: Shareholders' Equity

The authorized capital structure of Martin Marietta Materials, Inc., includes 10,000,000 shares of preferred stock with par value of $0.01 a share, none of which is issued currently; however, 100,000 shares of Class A Preferred Stock have been reserved in connection with the Corporation's Shareholders' Rights Plan. In addition, the capital structure includes 100,000,000 shares of common stock, with a par value of $0.01 a share. As of December 31, 2000 and 1999, there were approximately 46,783,000 and 46,715,000 shares, respectively, of the Corporation's common stock issued and outstanding. Approximately 8,307,000 common shares have been reserved for issuance under benefit and stock-based incentive plans.

In 1999, the Corporation repurchased 322,300 shares of its common stock at public market prices at various purchase dates. The repurchase of shares was authorized under the Corporation's stock-based award plans' authorizations (see Note I). There were no shares repurchased in 2000 or 1998. Further, during 1999 and 1998 the Corporation issued 311,100 and 280,100, respectively, restricted shares of common stock for acquisitions.

Under the North Carolina Business Corporation Act, shares of common stock reacquired by a corporation constitute unissued shares. For financial reporting purposes, reacquired shares are recorded as reductions to issued common stock and to additional paid-in capital.

Note L: 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 will have a material adverse effect on the results of the Corporation's operations or on its financial position (see Note A: Accounting Policies — Environmental Matters and Management's Discussion and Analysis of Financial Condition and Results of Operations on page 38).

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

The Corporation currently has no material provisions for estimated costs in connection with expected remediation costs or other environmental-related expenditures, because it is impossible to quantify the impact of all actions regarding environmental matters, particularly the extent and cost of future remediation and other compliance efforts. However, in the opinion of management, it is unlikely that any additional liability the Corporation may incur for known environmental issues or compliance with present environmental-protection laws would have a material adverse effect on the Corporation's consolidated financial position or on its results of operations (see Note A: Accounting Policies — Environmental Matters and Management's Discussion and Analysis of Financial Condition and Results of Operations on page 38).

Letters of Credit. The Corporation has entered into standby letter of credit agreements relating to workers' compensation and auto and general liability self insurance. At December 31, 2000, the Corporation had contingent liabilities under these outstanding letters of credit of approximately $8.4 million.

Note M: Purchase of Meridian and Sale of Magnesia Specialties' Refractories Business

The Corporation expects to complete the purchase of the remaining interest of Meridian under the purchase option terms of the original October 1998, investment agreement, early in the second quarter 2001. The estimated purchase consideration will consist of $235 million, including the original October 1998, investment of $42 million, the retirement of debt, the forgiveness of related party obligations, and amounts estimated for certain other assumed liabilities and transaction costs; plus the assumption of normal balance sheet liabilities. The purchase consideration is subject to adjustment based on actual results and certain other events. This acquisition will be accounted for under the purchase method of accounting and the operating results of Meridian will be included with those of the Corporation from the acquisition date forward.

On February 23, 2001, Martin Marietta Magnesia Specialties Inc. entered into an agreement with a subsidiary of Minerals Technologies Inc. to sell certain assets related to its refractories business. In addition, the Corporation's Magnesia Specialties division will supply the subsidiary of Minerals Technologies with certain refractories products for up to two years after the sale. The Corporation expects to recognize a gain on the sale of assets. However, the gain will be largely reduced by a write-down of certain retained refractories assets, including assets at the division's Manistee, Michigan, operating facility, as the facility is repositioned to focus on production of chemicals products. The agreement contemplates a closing to occur in the second quarter 2001.

Martin Marietta Materials, Inc. ("Martin Marietta Materials" or the "Corporation"), is the nation's second largest producer of construction aggregates and a leading producer of magnesia-based chemicals, refractories and dolomitic lime products, used in a wide variety of industries. The discussion and analysis that follows reflect management's assessment of the financial condition and results of operations of Martin Marietta Materials and should be read in conjunction with the audited consolidated financial statements on pages 9 through 23.

Business Combinations and Sale of Magnesia Specialties' Refractories Business

The Corporation expects to complete the purchase of the remaining interest of Meridian Aggregates Company ("Meridian") under the purchase option terms of the original October 1998, investment agreement early in the second quarter 2001. The estimated purchase consideration will consist of $235 million, including the original October 1998, investment of $42 million, the retirement of debt, the forgiveness of related party obligations, and amounts estimated for certain other assumed liabilities and transaction costs; plus the assumption of normal balance sheet liabilities. The estimated purchase consideration is subject to certain other adjustments. This acquisition will be accounted for under the purchase method of accounting and the operating results of Meridian will be included with those of the Corporation from the acquisition date forward. Additional information regarding this acquisition, and the related financing, is contained in Note M to the audited consolidated financial statements on page 23, under "Business Environment" on pages 27 through 33 and "Liquidity and Cash Flows" and "Capital Structure and Resources" on pages 35 through 38.

While management believes that the consolidation of the aggregates and other construction materials industries is continuing, acquisition asking prices during 2000 escalated, at times, to what management considered to be an unreasonable level. Therefore, the Corporation focused more on internal growth and capacity expansion during 2000, when compared with the acquisition activity of recent years. In 2000, the Corporation completed five acquisitions, for a combined $39.3 million in cash and certain other consideration. The Corporation also entered into a long-term operating agreement with Chemical Lime Company whereby Martin Marietta Materials will process aggregates materials and provide certain operating services. These transactions strategically expanded the Corporation's aggregates and other businesses in Texas, North Carolina, Tennessee and Ohio. The acquisitions in 2000 were accounted for under the purchase method of accounting, and the operating results of the businesses acquired were included with those of the Corporation from the acquisition dates forward. In addition, the Corporation invested an additional $1.4 million in Industrial Microwave Systems. The "Liquidity and Cash Flows" discussion, which follows, includes the impact of these transactions on financing and investing activities.

During 2000, the Corporation finalized the purchase price allocation of the ten transactions completed in 1999. The post-closing adjustments relating to working capital and other fair value adjustments were finalized without a significant impact on the preliminary purchase price allocation.

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

	Goodwill (in millions)	% of Total Assets	% of Shareholders' Equity
2000	**$375.0**	**20.4%**	**43.4%**
1999	$375.3	21.5%	48.5%

On February 23, 2001, the Corporation entered into an agreement with a wholly owned subsidiary of Minerals Technologies Inc. to sell certain assets related to its refractories business. In an accompanying manufacturing agreement, Magnesia Specialties agreed to supply the subsidiary of Minerals Technologies with certain refractories products for up to two years after the sale. During 2000, the refractories business contributed $57.3 million to net sales.

Management expects to recognize a gain on the sale, however, the gain will be largely offset by a write-down of certain assets of the refractories business, including assets at the Manistee, Michigan, operating facility, as the facility is repositioned to focus on production of chemicals products. The decline in net sales will be somewhat mitigated during the operative period of the manufacturing agreement. Further Magnesia Specialties' earnings from operations will decline, due to the elimination of the refractories business earnings contribution and the division's inability to proportionately eliminate fixed costs associated with shared production facilities and overhead costs. The agreement contemplates a closing to occur in the second quarter 2001.

The sale of Magnesia Specialties' refractories business will lessen the Magnesia Specialties division's dependence on the steel industry over time. In fact, excluding the refractories business, Magnesia Specialties' sales to the steel industry would account for 43% of the division's 2000 net sales, as compared to 68%, including refractories.

As a result of the Corporation's study of various alternatives related to Magnesia Specialties, the Corporation has determined that the Woodville, Ohio, operation will be transferred to the MidAmerica Division of the Aggregates division. The Woodville, Ohio, operation produces and sells dolomitic lime to the steel industry and produces and sells more than 1.0 million tons per year of aggregates to construction businesses.

The Corporation continues to evaluate strategic options, including possible divestiture of the remaining Magnesia Specialties' chemicals business, with a goal of creating additional value for the Corporation. However, there can be no assurance that management will pursue these opportunities, if any. Additional information regarding this transaction is contained in Note M to the audited consolidated financial statements on page 23 and in the "Business Environment" discussion that follows.

Results of Operations

The Corporation's Aggregates division's business is characterized by a high level of dependence on construction-sector spending and Magnesia Specialties' product lines, particularly refractories and dolomitic lime products, are used principally within the steel industry. Therefore, the Corporation's operating results are highly dependent upon activity within the construction and steel-related marketplaces, both of which are subject to interest rate fluctuations and economic cycles within the public and private business sectors. Factors, such as seasonal and other weather-related conditions, also affect the Aggregates division's production schedules and levels of profitability. Accordingly, the financial results for a particular year, or year-to-year comparisons of reported results, may not be indicative of future operating results. Further, the Corporation's sales and earnings are predominantly derived from its Aggregates division. The following comparative analysis and discussion should be read in that context.

As discussed in "New Accounting Standards" on pages 38 and 39, the Corporation adopted Emerging Issues Task Force Issue No. 00-10, *Accounting for Shipping and Handling Fees and Costs*, beginning with the fourth quarter 2000. As a result, total revenues include sales of materials to customers, net of allowances, plus freight and delivery costs billed to customers. The reconciliation of total revenues and total cost of revenues to amounts previously reported is as follows:

years ended December 31, (in millions)	**2000**	1999	1998
Net sales	**$1,333.0**	$1,258.8	$1,057.7
Freight and delivery revenues	**184.5**	175.3	143.8
Total revenues	**1,517.5**	1,434.1	1,201.5
Cost of sales	**1,029.4**	948.1	776.1
Freight and delivery costs	**184.5**	175.3	143.8
Total cost of revenues	**1,213.9**	1,123.4	919.9
Gross profit	**$ 303.6**	$ 310.7	$ 281.6

The comparative analysis in this Management's Discussion and Analysis of Financial Condition and Results of Operations is based on net sales and cost of sales, which exclude freight and delivery revenues and costs, and is consistent with the basis by which management reviews the Corporation's operating results.

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The Corporation's 2000 net earnings of $112.0 million, or $2.39 per diluted share, reflect a decrease of 11%, compared with 1999 net earnings of $125.8 million, or $2.68 per diluted share. The 1999 net earnings were 9% higher than 1998 net earnings of $115.6 million, or $2.48 per diluted share. The Corporation's consolidated net sales of $1.333 billion in 2000 reflect an increase of $74.2 million, or 6%, over 1999 net sales of $1.259 billion. The 1998 consolidated net sales were $1.058 billion. Consolidated earnings from operations were $202.5 million in 2000 and $215.3 million in 1999, reflecting a decrease of $12.8 million, or 6%, in 2000 and an increase of $18.7 million, or 10%, in 1999, both over the prior year. The Corporation's 1998 operating earnings were $196.6 million.

Source: National average price per gallon of diesel fuel for industrial consumers from the February 2001, *Petroleum Marketing Monthly* issued by the Energy Information Administration. The 2000 average price per gallon of diesel fuel reflects the average of actual diesel fuel prices through November 2000.

In 2000, the Corporation's results reflected the impact of sharp increases in energy-related costs, a slowdown in demand for construction-related spending and weather-related events. The Corporation's Aggregates division's energy-related costs include diesel fuel, liquid asphalt, natural gas and barge freight costs. Diesel fuel is used primarily to operate mobile equipment in quarry production, liquid asphalt and natural gas are used in the production of asphalt and the barge freight related to waterborne transportation includes fuel escalators that adjust barge freight rates, generally on a quarterly basis. Unanticipated escalation in energy-related costs in the Aggregates business, based on comparable operating levels at heritage locations, reduced the Corporation's 2000 net earnings by $24.5 million when compared to the prior year. Historically, selling prices are increased annually and do not include escalators for increases in specific underlying costs.

Construction-related demand was affected by unexpected delays in the ramp-up of the Transportation Equity Act for the 21st Century ("TEA-21") spending and the increasingly slowing economy. The extended lag between the appropriation of federal highway funds and actual highway construction, contributed to total value of construction work on highways and bridges declining in 2000, when compared to 1999. The decline in commercial and residential construction demand experienced during 2000 was spurred, in part, by the high interest rate environment, which caused a slowdown in the economy. This slowdown most significantly affected the Corporation's operations in the midwestern and central areas of the United States.

Unusual weather patterns continued to negatively affect the Corporation's revenues and earnings. North Carolina, the Corporation's largest revenue and production state, experienced a record snowfall in the first quarter 2000, and prolonged wet weather continued to affect operations in the state throughout the spring and parts of the summer and fall. Operations in Texas experienced uncharacteristically wet weather during the last half of the year and, along with operations in the midwestern, central and southeastern regions of the United States, were negatively affected by an early, severe winter.

The combination of declining construction demand and adverse weather conditions reduced the Corporation's aggregates shipments below the prior year's.

Shipments (*thousands of tons*)	**2000**	1999
Heritage Aggregates Operations	**156,386**	162,995
Acquisitions	**8,529**	2,214
Aggregates Division	**164,915**	165,209

While volume declined in 2000, average selling prices continued to increase for both heritage aggregates operations (which exclude acquisitions that have not been included in prior-year operations for a full year) and the Aggregates division as a whole. Heritage aggregates operations' average selling prices increased 3.7%, and average selling prices for the Aggregates division, which includes all acquisitions from the date of acquisition, increased 3.6% during 2000.

The Corporation's Magnesia Specialties division contributed $8.2 million to operating earnings, a $1.0 million increase when compared to 1999. Higher-than-expected costs for natural gas, which is used to operate certain of the division's kilns, negatively affected earnings from operations by $3.3 million in 2000, when compared to 1999. Despite the weak economic performance of the steel industry and higher natural gas costs, the division made a solid contribution to 2000's operating results, primarily based upon the strength of its first-half 2000 performance.

The Corporation's operating margin of 15.2% in 2000 declined from 17.1% in 1999, primarily as a result of energy-related costs and lower volumes at heritage aggregates operations. Lower margin asphalt, ready mixed and paving operations associated with certain acquisitions, also contributed to the operating margin reduction. Improving margins at Magnesia Specialties in 2000 slightly offset the decline.

Other income and expenses, net, for the year ended December 31, 2000, was $8.2 million in income, compared to income of $18.4 million and $1.3 million in 1999 and 1998, respectively. In addition to other offsetting amounts, other income and expenses, net, is comprised generally of interest income, gains and losses associated with the disposition of certain assets, gains and losses related to certain receivables, costs associated with the commercialization of certain new technologies and net equity earnings from nonconsolidated investments. In 2000, other income includes a nonrecurring insurance settlement related to Hurricane Floyd. Other income in 1999 included nonrecurring settlements from antitrust claims and a higher-than-normal level of planned property sales, both principally relating to the Aggregates division.

Interest expense for the year ended December 31, 2000, was $41.9 million. This reflects an increase of $2.5 million, or 6%, in 2000 over 1999. Interest expense was $39.4 million in 1999, an increase of $15.7 million, or 66%, over 1998 interest expense of $23.8 million. The increased interest expense in 2000 results primarily from the impact of increased balances of outstanding debt throughout the year and increased interest rates on the Corporation's variable rate commercial paper program. The interest expense increase from 1999, as compared to 1998, resulted primarily from the full-year impact of borrowings to finance the acquisition of Redland Stone Products Company ("Redland Stone").

The Corporation's effective income tax rate for 2000 was 33.6%, compared with 35.3% in 1999 and 33.6% in 1998. The variance in the effective income tax rates for these years, when compared to the federal corporate tax rate of 35%, is due to the effects of several factors. The Corporation's effective tax rates for these years include state income taxes and reflect the effects of differences in financial and tax accounting, arising from the net permanent benefit associated with the depletion allowances for mineral reserves, nondeductible amortization of certain goodwill balances, foreign operating earnings and earnings from nonconsolidated investments.

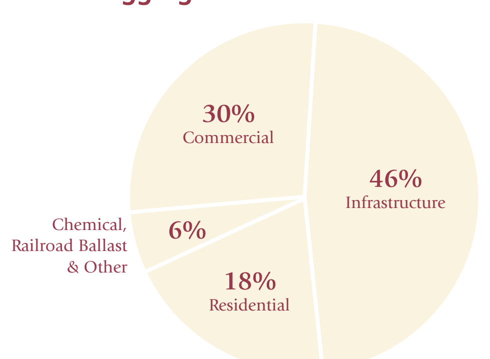
The Corporation's debt-to-capitalization ratio decreased from 45% at December 31, 1999, to 43% at December 31, 2000, with total debt, including commercial paper obligations, increasing from $641.7 million to $646.7 million and shareholders' equity increasing from $774.0 million to $863.3 million. During 2000, the Corporation paid common stock dividends of $25.2 million, or $0.54 per common share. Additional information regarding the Corporation's debt and capital structure is contained in Note E to the audited consolidated financial statements on pages 16 and 17 and under "Liquidity and Cash Flows" and "Capital Structure and Resources" on pages 35 through 38.

Business Environment

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

The Aggregates division markets its products primarily to the construction industry, with 46% of its aggregates shipments made to contractors in connection with highway and other public infrastructure projects and the balance

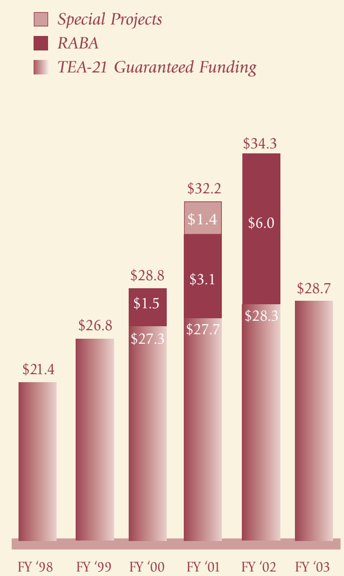
2000 Aggregates Division Markets



of its shipments made primarily to contractors in connection with commercial and residential construction projects. Accordingly, the Corporation's profitability is sensitive to national, as well as regional and local, economic conditions and particularly to cyclical swings in construction spending. The cyclical swings in construction spending are affected by fluctuations in interest rates, changes in the levels of infrastructure funding by the public sector, and demographic and population shifts. Further, the Corporation's asphalt, ready mixed and road paving operations generally follow trends in the construction industry.

While construction spending in the public and private market sectors is affected by changes in economic cycles, there has been a tendency for the level of spending for infrastructure projects in the public-sector portion of this market to be more stable than spending for projects in the private sector. Governmental appropriations and expenditures are less interest-rate sensitive than private-sector spending, and generally improved levels of funding have enabled highway and other infrastructure projects to register improvement over the past few years. However, in 2000, the total value of construction work on highways and bridges was less than 1999. The Corporation believes public-works projects consumed more than 50% of the total annual aggregates consumption in the United States during 2000, which has consistently been the case for each year since 1990. Additionally, since public sector-related shipments account for 46% of the Corporation's 2000 aggregates shipments, the Aggregates division also enjoys the benefit of the high level of public-works construction projects. Accordingly, the Corporation's management believes the Corporation's exposure to fluctuations in commercial and residential, or private sector, construction spending is lessened somewhat by the division's broad mix of public sector-related shipments.

Federal Funding for Highways *(in billions)*



Source: American Road and Transportation Builders Association. This chart depicts estimated funding under TEA-21, as originally passed in 1998, compared to actual funding authorizations through fiscal 2001. Fiscal 2002 RABA is estimated; no RABA estimates are available for fiscal 2003.

Public-sector construction projects are funded through a combination of federal, state and local sources, with TEA-21 providing the principal source of federal funding. Congress passed TEA-21 legislation on June 9, 1998. TEA-21 provides federal transportation funding authorization of $218 billion ($168 billion for highway construction and $50 billion for other programs) over a six-year period ending in 2003. TEA-21 increases funding by approximately 40% over the prior federal funding level and increases funding for highway construction alone by an average of 44%.

In a change from previous legislation, TEA-21 provides a minimum funding guarantee firewall for the Highway Account of the Highway Trust Fund and minimum percentage of funding guarantees for each state. TEA-21 requires that 100% of the federal gasoline tax revenues collected be directed into the Highway Trust Fund, as a minimum funding guarantee. Further, TEA-21 includes a highway funding distribution formula that guarantees that each state will receive a minimum percentage of highway funding, equal to 90.5% of the state's share of total gasoline tax contributions. Many states in the South are expected to experience an increase in funding in excess of the 44% national average, as a result of the revised highway funding distribution formula. Highway construction spending is expected to increase further as state departments of transportation match, as required, the federal funds received under TEA-21.

The federal transportation appropriation bill for fiscal 2001 fully funded the guaranteed highway funding level authorized under TEA-21 of $27.7 billion. Further, the fiscal 2001 transportation appropriations bill includes an additional $3.1 billion for guaranteed highway funding under the revenue aligned budget authority ("RABA") provisions of TEA-21. The additional $3.1 billion of guaranteed funding results from the adjustment of TEA-21 Federal-Aid Highways authorizations as gasoline tax receipt projections were amended to reflect actual receipts. The fiscal 2001 federal transportation appropriations bill also included $1.4 billion for demonstration projects, other specific projects and compensation for emergency repairs to highways damaged by natural disasters. Annual highway funds, under all TEA-21 programs, are available to be obligated by state departments of transportation during the year of appropriation. Once obligated, TEA-21 funds are available until expended. Unobligated highway funds are carried over into the following year.

Funding for federal transportation appropriations is subject to balanced budget and other proposals that may affect the additional funding available for the Highway Fund. Congress must also annually appropriate highway funding levels, and there is no assurance that Congress will continue to follow the TEA-21 legislated minimum funding guarantee firewall or the highway funding distribution formula.

In December 2000, the American Road and Transportation Builders Association ("ARTBA") released its 2001 highway construction forecast, including an overview of highway construction in 2000. ARTBA's research indicated that the total value of construction work on highways and bridges in 2000 was running behind the pace of 1999. The research further cites a number of reasons for the decline, many of which the Corporation has noted as contributing to the lag between the appropriation of highway funds and the actual commencement of construction. The reasons for the extended lag in highway construction cited in the ARTBA research include the following: insufficient backlog of projects ready for construction when federal highway funding unexpectedly increased; increased environmental reviews and permitting requirements and related litigation; inadequate staffing at some state departments of transportation, coupled with a reluctance to outsource preliminary engineering to the private sector; a shortfall of matching funds or a reduction of state funding for highway programs, in some states; and a growing diversion of federal highway funds, by certain states, to Federal Transit Administration projects under the mass transit provisions of TEA-21.

ARTBA forecasts a 7% to 10% growth in the highway construction market in 2001, supported by the full funding of the 2001 federal highway obligation authority under TEA-21 and, as indicated earlier, additional funding under RABA and other appropriations. The ARTBA research cautions that these funding increases will not immediately translate into increased highway growth, due to the lag between funding and construction. However, the 2001 forecast is further supported by the fact that the pace of state obligation of federal highway funds increased 6.5% for fiscal year 2000, when compared to 1999. ARTBA also indicates that state spending for preliminary engineering and right-of-way acquisitions, necessary steps before highway projects can move to construction, increased, suggesting that states have been getting more projects ready for construction.

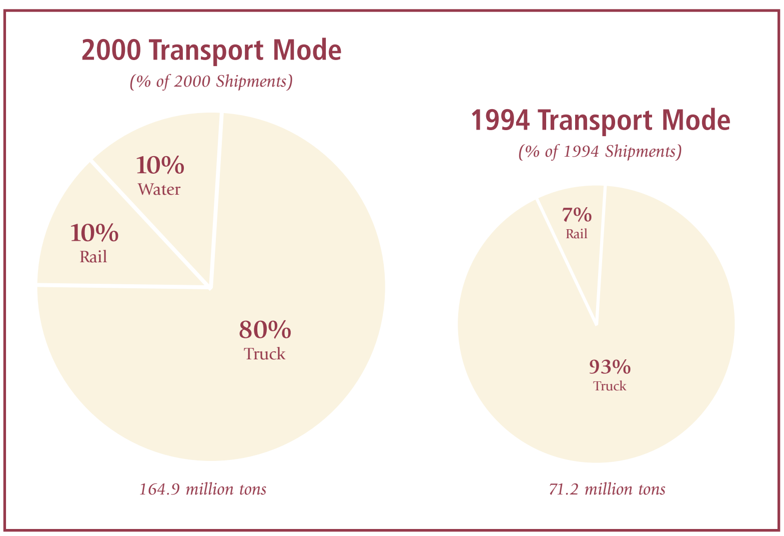
The Aviation Investment and Reform Act for the 21st Century ("AIR-21") provides funding for airport improvements throughout the United States. Congress approved $3.2 billion for the Aviation Improvement Program under AIR-21 for fiscal year 2001, which represents a 64% increase over fiscal year 2000 funding of $1.95 billion. Management does not expect that the funding increases will have an impact on aggregates demand until 2002 or 2003, due to the lag between funding, design and engineering, and actual construction.

The Corporation's capital expansion program is focused on taking advantage of TEA-21; state and local spending, including a recently approved $3.1 billion public college and university education construction bond in North Carolina; and other infrastructure growth, through investment in both permanent and portable quarrying operations. However, there is no guarantee that the Corporation will fully benefit from the expected increase in public-works construction projects.

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

The Clean Air Act, originally passed in 1963 and periodically updated by amendments, is the United States' national air pollution control program that granted the Environmental Protection Agency ("EPA") the authority to set limits on the level of various air pollutants. Recently, environmental groups have been successful in lawsuits against federal and certain state departments of transportation, asserting that highway construction should be delayed until the municipal area is in compliance with the Clean Air Act. The EPA lists several major metropolitan areas in the Corporation's markets, including Atlanta, Georgia, and Houston/Galveston and Dallas/Forth Worth, Texas, as non-attainment areas with deadlines to reduce air pollutants or face fines or control by the EPA. Other environmental groups have published lists of targeted municipal areas, including areas within the Corporation's marketplace, for environmental and suburban growth control. The effect of these initiatives on the Corporation's growth is typically localized, and further challenges are expected as these initiatives gain momentum across the United States.

The general economy continued its record-setting pace of expansion early in 2000, with productivity growth, high levels of technology spending and investment in technology-related stocks. Against this backdrop, the Federal Reserve believed that consumer demand was increasing at a rate in excess of productivity-driven gains in supply and, when coupled with a tightening labor supply, could trigger increases in inflation that would undermine the economy's growth. In response, the Federal Reserve Open Market Committee increased the federal funds rate three times through the first five months of 2000, on the heels of three prior rate hikes, beginning in June 1999. However, as the second half of 2000 progressed, the United States' economy began to slow, as a year of rising interest rates softened housing activity and consumer spending declined. Further, the mid-year reduction in the value of technology-related stocks and rising energy prices contributed to economic slowdown. As cost pressures build, led by energy prices, consumer demand moderates and credit conditions tighten, some economists now predict that the 2001 economy is on track for its weakest growth rate performance since 1991. In recognition of the changing economic climate, the Federal Reserve lowered the federal funds rate by 100 basis points in January 2001, and many economists expect more rate reductions in the near term. The current federal funds rate reduction is anticipated to have an impact on the level of construction spending. However, as discussed previously, public-works construction spending is principally driven by the level of gasoline tax revenues and the appropriation guidelines under TEA-21. As such, the volatility of public-works construction spending to interest rate changes is somewhat mitigated.



The Aggregates division's operations are concentrated in the southeastern, southwestern, midwestern and central regions of the nation, therefore, the division's — and, consequently, the Corporation's — operating performance and financial results depend on the strength of these specific regional economies. In recent years, economic growth in the United States, particularly in the Southeast and Southwest, has been generally strong. However, if federal appropriation levels are reduced, if a reduction occurs in state and local spending, or if the specific regional economies decline, the Aggregates division could be adversely affected. The Aggregates division's top five revenue-generating states, namely North Carolina, Texas, Ohio, Georgia and Iowa, accounted for approximately 60% of 2000 net sales.

A growing percentage of the Corporation's aggregates shipments are being moved by rail or water through a distribution yard network. In 1994, 93% of the Corporation's aggregates shipments were moved by truck, while the balance was moved by rail. In contrast, the Corporation's aggregates shipments moved 80% by truck, 10% by rail and 10% by water in 2000. Further, the acquisition of Meridian and its rail-based distribution network, coupled with the extensive use of rail service in the Southwest Division, increases the Corporation's dependence on and exposure to railroad performance, including track congestion, crew availability and power failures, and the ability to renegotiate favorable railroad shipping contracts.

Seasonal changes and other weather-related conditions can also significantly affect the aggregates industry. Consequently, the Aggregates division's production and shipment levels coincide with general construction activity levels, most of which occur in the division's markets in the spring, summer and fall. The division's operations that are concentrated principally in the north central region of the Midwest generally experience more severe winter weather conditions than the division's operations in the Southeast and Southwest. North Carolina, the Corporation's largest revenue generating state at 20% of 2000 net sales, is at risk for Atlantic Ocean hurricane activity and has experienced hurricane-related losses in recent years.

Currently, management believes the construction industry's overall consumption levels, and the Corporation's heritage shipments, will remain at constant levels or increase by up to 2% in 2001. This rate of heritage growth is built on an expected 5% to 9% growth in infrastructure-related aggregates volume, comparable to the ARTBA forecast. However, within the construction industry, management believes the anticipated increases in public-works construction will be offset by decreases in the residential and commercial construction markets, as a result of a slowing economy. The continued impact of the factors cited in the ARTBA forecast could negatively affect anticipated infrastructure aggregates volume growth. Due to the high level of fixed costs associated with aggregates production, the Corporation's operating leverage can be substantial. Therefore, a slowdown in shipments and the resultant reduction in production would impact earnings. Currently, the Corporation's overall aggregates production and shipments volumes are expected to grow by approximately 12% to 15%, including heritage growth, the purchase of Meridian and several smaller acquisitions, and capacity expansion programs that are currently in process. Coupled with anticipated price increases of 3% to 4% in 2001, net sales are expected to increase 15% to 19%. Based on current economic forecasts, which predict negligible to modest growth in gross national product, and moderating energy costs, net earnings are expected to increase at a rate of 10% to 15%, after interest costs and goodwill amortization on new acquisitions, and excluding any impact on operating earnings related to the sale of Magnesia Specialties' refractories business. The Meridian acquisition is expected to be neutral to slightly accretive to earnings, while the smaller acquisitions could have a slightly dilutive to neutral effect on 2001 earnings. Management cannot guarantee that the Corporation will achieve these expectations for 2001.

Over the next five years, management expects that the Aggregates division's business and financial results will continue to grow, as a result of increased infrastructure construction spending generated by TEA-21, coupled with moderate growth in residential and commercial construction. Further, the Aggregates division will generally follow national, regional and local general economic, construction and industry trends.

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

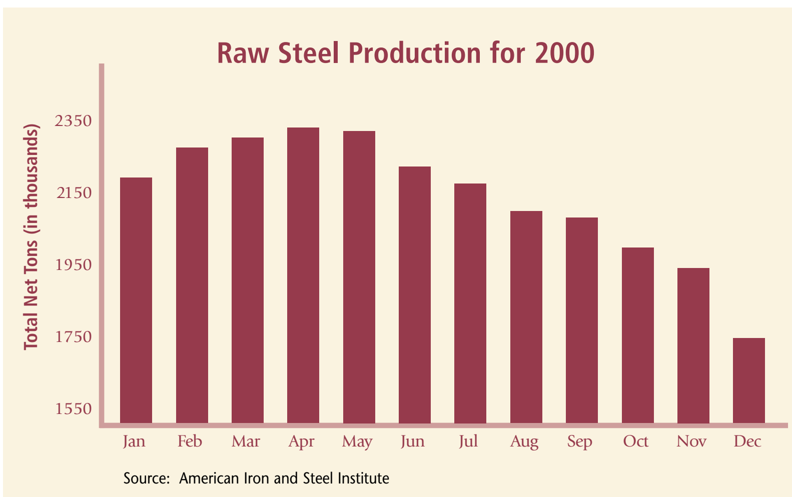
During 2000, the Corporation expanded its market opportunities by consummating five transactions for the acquisition of aggregates and other operations, entering into a long-term aggregates operating agreement and either opened, or began the process of opening, three new quarry locations.

The Corporation's aggregates reserves, including its Meridian acquisition, exceed 50 years of production, based on current levels of activity.

Through its Magnesia Specialties division, the Corporation also manufactures and markets magnesia-based products, including heat-resistant refractories products for the steel industry and magnesia-based chemicals products for industrial, agricultural and environmental uses, including wastewater treatment and acid neutralization. Magnesia Specialties' products used within the steel industry, particularly refractories products and dolomitic lime, accounted for approximately 68% of the division's net sales for 2000. Accordingly, the division's profitability is dependent on the production of steel and the related marketplace, and a significant portion of the division's product pricing structure is affected by current economic trends within the steel industry. Further, due to the high level of fixed costs associated with production, the division's operating leverage can be substantial.

The United States' steel demand remained strong through the first six months of 2000, although the level of foreign steel imports remained high. However, as the steel industry moved into late summer, steel demand generally slowed, matching the demand for durable goods in the economy, and steel inventory levels grew. As the year progressed, the dramatic increases in energy-related costs, particularly natural gas, coupled with a slowdown in demand and continued high levels of steel imports, led to rapidly deteriorating performance in the steel industry. As a result, the viability of certain steel producers is questionable and steel producer bankruptcies have increased in recent months.

The performance of the Magnesia Specialties division's steel-related products followed the steel industry's performance in 2000. As a result, Magnesia Specialties' improved operating earnings during the first-six months of 2000, compared with the prior-year period, were largely offset by performance in the second half of the year. While, for the full year, refractories and dolomitic lime products experienced increased volumes, refractories pricing declined. Further consolidation among manufacturers of refractory brick removed a significant periclase customer from the market during the year. The division's chemicals products, excluding fuel additive shipments to utilities, had solid sales in 2000, as a result of continued diversification in chemicals used as flame retardants, in wastewater treatment and in reducing stack pollution. However, competitive pricing pressures continued throughout 2000. As discussed in "Results of Operations," higher-than-expected costs for natural gas negatively affected earnings from operations in 2000, when compared to 1999. Overall, sales for the division declined in 2000, while operating earnings showed improvement, in spite of the rising cost of natural gas.



The division's performance will continue to be directly tied to the steel industry, and without both short- and long-term relief in natural gas costs, and with the absence of federal restrictions on foreign steel imports, the prospects for long-term improvement are weak. Management is minimizing production to keep inventory levels low until natural gas pricing returns to more economically feasible levels. The continued pressure on natural gas prices could raise production costs above the prevailing competitive market price for certain products. The Magnesia Specialties division has further exposure, if the financial condition of the steel industry continues to deteriorate. Management expects sales and earnings from operations of the Magnesia Specialties division to decline in 2001, dependent in part on natural gas prices and conditions in the steel industry and resulting from the anticipated sale of the refractories business.

Approximately 16% of the Magnesia Specialties division's products are sold in foreign jurisdictions, with no single country accounting for 10% or more of the division's sales. While the division's products are manufactured and sold principally in the United States, the division also markets its products in Canada, Mexico, Europe (principally England and Germany) and the Pacific Rim (primarily Korea). As a result of these foreign market sales, the division's financial results could be affected by factors such as changes in foreign currency exchange rates or weak economic conditions in the foreign markets in which the division distributes its products. To mitigate the short-term effects of changes in currency exchange rates on the division's operations, the division principally uses the U.S. dollar as the functional currency in foreign transactions.

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The union contract for the division's employees at its Woodville, Ohio, operating facility was extended in June 2000 and expires in June 2001.

The Corporation continued research and development activities during 2000 in several technological product areas. Composite materials have been used for bridge deck installation and replacement, and research is continuing on a variety of other construction-related uses. Management believes that additional funds for innovative technologies in roadways, from the TEA-21 program, offer opportunities to put new bridge decks in service and to focus more attention on the long-life and low-maintenance costs expected from the composite materials. The Corporation also made an additional investment in a start-up company in 2000, Industrial Microwave Systems ("IMS"). IMS has proprietary technology for use in industrial heating and drying applications, as well as food processing and aseptic packaging.

As expected, the Corporation had limited revenue in 2000 from ECO-MIN® fertilizer, a patented soil remineralization product, and SC27™ soil inoculant, a microbial soil enhancer, both used to enhance plant growth. Further, as expected, these technologies did not generate profits in 2000.

The Corporation will continue to pursue opportunities that provide proprietary technology in high growth-rate markets that it understands, that require limited research and development with minimal capital investment relative to revenue and profit generation potential, and that have the potential to provide above-average returns while minimizing risk. There can be no assurance that these technologies can achieve profitability.

Generally, the impact of inflation on the Corporation's businesses has become less significant with the benefit of continued moderate inflation rates. However, energy-related inflation affects, among other things, the costs of operating mobile equipment used in quarry operations, waterborne transportation of aggregates materials, asphalt production and fuel for kiln operations. In fact, as previously discussed, energy-related inflation had a significantly negative affect on 2000 operations, when compared to 1999 operations. Wage inflation, triggered by low unemployment and the resulting increase in labor costs, is somewhat mitigated by increases in productivity. Generally, when the Corporation incurs higher capital costs to replace productive facilities and equipment, increased capacity and productivity, and various other offsetting factors, counterbalance increased depreciation costs.

The Corporation is replacing its existing information systems with an enterprise-wide information solution through J.D. Edwards World Solutions Company. The capital requirements for this project are expected to be $24 million, with $16 million expected to be expended in 2001. Management expects to complete the system design and implementation phase of several significant processes during 2001, including the implementation of the general ledger and financial reporting package. However, the full system implementation will take a period of two to three years. The Corporation believes it has deployed sufficient manpower and capital to successfully complete the project.

Discussion of Business Segments

The Corporation conducts its operations through two reportable business segments: Aggregates and Magnesia Specialties. The Aggregates division is the second largest producer of construction aggregates in the United States. The Corporation's sales and earnings are predominantly derived from its aggregates segment, which processes and sells granite, limestone, sand and gravel and other aggregates products for use primarily by commercial customers. The division's products are used principally in domestic construction of highways and other infrastructure projects and for commercial and residential buildings. The Aggregates division also includes the operations of its other construction materials businesses. These businesses, acquired through continued selective vertical integration by the Corporation, include primarily asphalt, ready mixed concrete and road paving operations. The Corporation's Magnesia Specialties division produces refractories materials and dolomitic lime used in basic steel production and chemicals products used in industrial, agricultural and environmental applications. The magnesia-based products segment generally derives a major portion of its sales and earnings from the products used in the steel industry.

The Corporation's evaluation of performance and allocation of resources is based primarily on earnings from operations. Earnings from operations is total revenues less cost of revenues; selling, general and administrative expenses; and research and development, and excludes interest expense and other income (expense). The accounting policies of the reportable segments are the same as those described in Note A to the audited consolidated financial statements on pages 13 through 15. Assets employed by segment include assets directly identified with those operations. Corporate headquarters' assets consist primarily of cash and cash equivalents, and property, plant and equipment for corporate operations. All debt, and the related interest expense, is held at corporate headquarters. Property additions include property, plant and equipment that has been purchased through acquisitions in the amount of $15,325,000 in 2000, $44,747,000 in 1999 and $154,445,000 in 1998.

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, 2000.

Selected Financial Data by Business Segment

years ended December 31
(in thousands)

Net sales	**2000**	1999	1998
Aggregates	**$1,202,581**	$1,125,636	$ 920,767
Magnesia Specialties	**130,419**	133,191	136,924
Total	**$1,333,000**	$1,258,827	$1,057,691
Gross profit			
Aggregates	**$ 276,640**	$ 283,998	$ 249,516
Magnesia Specialties	**26,931**	26,701	32,132
Total	**$ 303,571**	$ 310,699	$ 281,648
Selling, general and administrative expenses			
Aggregates	**$ 82,088**	$ 75,568	$ 64,106
Magnesia Specialties	**16,680**	17,053	17,935
Total	**$ 98,768**	$ 92,621	$ 82,041
Earnings from operations			
Aggregates	**$ 194,232**	$ 208,011	$ 184,648
Magnesia Specialties	**8,245**	7,278	11,906
Total	**$ 202,477**	$ 215,289	$ 196,554

Assets employed	**2000**	1999	1998
Aggregates	**$1,703,752**	$1,598,948	$1,423,031
Magnesia Specialties	**99,913**	105,362	117,549
Corporate headquarters	**37,774**	38,264	48,009
Total	**$1,841,439**	$1,742,574	$1,588,589
Depreciation, depletion and amortization			
Aggregates	**$ 125,697**	$ 114,457	$ 89,487
Magnesia Specialties	**8,532**	8,468	8,738
Corporate headquarters	**2,144**	1,829	540
Total	**$ 136,373**	$ 124,754	$ 98,765
Property additions			
Aggregates	**$ 174,797**	$ 177,318	$ 260,112
Magnesia Specialties	**6,817**	3,942	6,874
Corporate headquarters	**4,516**	1,307	11,385
Total	**$ 186,130**	$ 182,567	$ 278,371

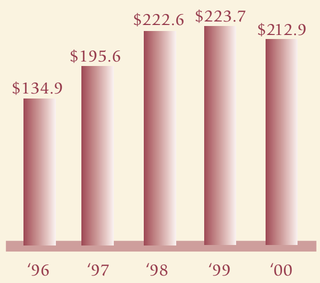
Aggregates. The Aggregates division's net sales increased 7% to $1.203 billion for the year ended December 31, 2000, compared with the prior year's net sales. This increase in net sales reflects a 0.3 million ton decrease in total aggregates tons shipped during 2000 to 164.9 million tons, offset by increases in volumes in asphalt and other construction-related operations and prices. The decrease in total aggregates tons shipped during 2000 is discussed in "Results of Operations." The division's heritage aggregates operations, which exclude acquired operations that have not been included in prior-year operations for a full year, experienced pricing improvements during 2000 of approximately 3.7% in average net selling price, while the division's overall aggregates average net selling price increased 3.6%, when compared with the prior year's prices. As in 1999, the pricing structure in acquired operations reflects lower overall average net selling prices, principally because of differences in product groups, production costs, demand and competitive conditions, when compared with product sales from the Corporation's heritage aggregates operations.

The division's operating earnings for the full year 2000 decreased 7% to $194.2 million from the prior year's earnings from operations of $208.0 million. As discussed previously in "Results of Operations," the division's operating earnings for the year decreased, principally as a result of higher-than-expected energy-related costs, a slowdown of construction activity and weather-related events.

For the year ended December 31, 1999, the Aggregates division had net sales of $1.126 billion, which were $204.9 million, or 22% higher than the 1998 net sales of $920.8 million. This improvement reflects a 15.7 million-ton increase in total aggregates tons shipped during 1999 to 165.2 million-tons and an increase of approximately 3.6% in the division's aggregates average net selling price, when compared with the prior year's. Earnings from operations in the year were $208.0 million, an increase of 13% over the division's operating earnings for 1998. The division's increased operating profits during 1999 were principally a result of the acquisition of Redland Stone, which was somewhat offset by the impact of weather-related events and weakening agricultural and commercial construction demand. Operating results in 1998 reflected record volume, 5.1% price increases at heritage aggregates locations and growth from acquisitions.

Consolidated Operating Cash Flow

(in millions)



Magnesia Specialties. For the year ended December 31, 2000, the Magnesia Specialties division had net sales of $130.4 million, a decrease of $2.8 million, or 2%, from 1999 net sales of $133.2 million. The division's earnings from operations for 2000 of $8.2 million increased $1.0 million, or 13%, when compared to 1999 earnings from operations. As discussed earlier, the division's improvement during 2000 was the result of stronger performance in the steel industry in the first half of 2000. This improvement was significantly offset by higher-than-expected natural gas prices and deteriorating performance in the steel industry during the second half of 2000. Balanced production and shipment levels in 2000, along with effective cost controls, also provided a favorable year-over-year comparison between 2000 and 1999.

Magnesia Specialties division's 1999 net sales of $133.2 million were 3% below the prior year's. The division's operating earnings for 1999 of $7.3 million were 39% below the 1998 operating earnings. The division's results continued to reflect the poor performance of the steel industry through decreased demand and the resultant adjustment in the division's production levels. The Magnesia Specialties division's 1998 net sales of $136.9 million were 2% below the prior year's, and operating earnings for 1998 of $11.9 million were 14% below 1997 operating earnings.

Liquidity and Cash Flows

A primary source of the Corporation's liquidity during the past three years has been cash generated from its operating activities. Cash provided by its operations was $212.9 million in 2000, as compared to $223.7 million in 1999 and $222.6 million in 1998. These cash flows were derived, substantially, from net earnings before deduction of certain noncash charges for depreciation, depletion and amortization of its properties and intangible assets. Depreciation, depletion and amortization were as follows:

years ended December 31

(in thousands)	2000	1999	1998
Depreciation	**$108,540**	$ 98,559	$82,268
Depletion	**4,681**	5,369	4,334
Amortization	**23,152**	20,826	12,163
Total	**$136,373**	$124,754	$98,765

Working capital increases for 2000, included in the above-referenced cash provided by operations, were due primarily to increases in the value of the Aggregates division's inventories because of increases in inventory quantity, valuation and changes in mix; offset by a reduction in receivables, primarily as a result of reduced shipping levels in the fourth quarter. The 1999 working capital increases were due primarily to increases in Aggregates division's inventories, as a result of expected increases in demand in 2000, and an increase in receivables balances, primarily associated with the increased level of sales. The 1998 working capital increases included an increase in the Magnesia Specialties division's inventories as a result of strong production in 1998, coupled with reduced demand in certain product areas, and a decrease in overall trade accounts payable balances, partially offset by a decrease in receivables resulting from accelerated cash collections. Other assets and liabilities, net, include changes to both current and noncurrent balance sheet accounts. In addition to other offsetting amounts, other assets and liabilities, net, changed in 2000, principally due to a reduction in the accrual of certain postretirement benefits and the payment of certain obligations accrued in the previous year. In 1999, other assets and liabilities, net, changed principally due to the decline in the rate of increase in certain self insurance reserves, as compared to a significant increase in 1998, as a result of higher-than-average claims.

Net cash used for investing activities was $201.8 million in 2000, a decrease of $12.8 million from $214.6 million reported in 1999. Of that amount, the Corporation used $39.3 million for the purchase of five Aggregates division-related acquisitions, compared with $77.1 million in 1999 for the purchase of ten Aggregates division-related acquisitions and $347.9 million in 1998 that financed the acquisition of Redland Stone and nine other acquisitions. Additions to property, plant and equipment, excluding acquisitions, of $170.8 million were 24% higher in 2000, compared with 1999. Comparable full-year capital expenditures were $137.8 million in 1999 and $123.9 million in 1998. The Corporation's acquisition and capital expenditures reflect planned strategic growth and capital spending activities that are consistent with management's strategy for investment and expansion within the consolidating aggregates industry. For the years 1999 and 2000, the Corporation's management had planned a more significant increase in property, plant and equipment additions. However, as anticipated net sales growth in the heritage operations was affected by weather-related conditions and softening construction demand, management scaled back capacity expansion to better match the timing of market expansion. Other investing activities included, among other items, proceeds from the sale of surplus land and equipment; in 2000, the Corporation's additional investment in IMS; in 1999, the Corporation's initial 19% investment in IMS and loans to Meridian; and in 1998, the Corporation's initial investment in Meridian.

Approximately $19.3 million of cash was used for financing activities during 2000, compared with $20.3 million in 1999. In 1998, $279.2 million of cash was provided by financing activities. The Corporation incurred $4.0 million of net indebtedness in 2000, excluding $1.0 million reflected in acquisitions, net. Net indebtedness of $14.7 million was incurred in 1999, excluding $9.2 million reflected in acquisitions, net. During 1998, the Corporation incurred $302.3 million of net indebtedness, principally in connection with the consummation of the Redland Stone acquisition. In 2000, the Board of Directors approved total cash dividends on the Corporation's common stock of $0.54 a share. Regular quarterly dividends were authorized and paid by the Corporation at a rate of $0.13 a share for the first and second quarters and at a rate of $0.14 a share for the third and fourth quarters. During 2000, the Corporation issued stock under its stock-based award plans, providing $2.0 million in cash. Comparable cash provided by issuance of common stock was $2.0 million and $1.9 million in 1999 and 1998, respectively. Further, during 1999 and 1998, the Corporation issued approximately 311,100 and 280,100 restricted shares of common stock, respectively, for acquisitions. The Corporation used cash of $12.7 million during 1999 to finance the repurchase of 322,300 shares of its common stock, at public market prices, at various purchase dates. The repurchase of shares was authorized under the Corporation's 6 million-share authorization from the Board of Directors for the Stock-Based Award Plan and the Amended Omnibus Securities Award Plan. There were no shares repurchased in 2000 or 1998.

The Corporation anticipates incurring additional indebtedness in connection with the Meridian acquisition. The funds for the consummation of the Meridian acquisition are expected to be initially provided through borrowings under the Corporation's United States' commercial paper program. The Corporation expects to subsequently repay a portion of its commercial paper borrowings with the proceeds from the planned issuance of publicly registered debt.

Capital Structure and Resources

Long-term debt, including current maturities of long-term debt and commercial paper, increased to $646.7 million at the end of 2000, from $641.7 million at the end of 1999. Total debt represented approximately 43% of total capitalization at December 31, 2000, compared with 45% at December 31, 1999. The Corporation's debt at December 31, 2000, was principally in the form of publicly issued long-term, fixed-rate notes and debentures and United States' commercial paper (see Note E to the audited consolidated financial statements on pages 16 and 17). Shareholders' equity grew to $863.3 million at December 31, 2000, from $774.0 million at December 31, 1999.

The Corporation has $450 million in revolving credit facilities, syndicated through a group of commercial domestic and foreign banks, which support a United States' commercial paper program of a comparable amount. The credit facilities consist of a five-year, unsecured revolving credit agreement in the amount of $150 million (the "Long-Term Credit Agreement"), which expires in January 2002, and a 364-day unsecured revolving credit agreement in the amount of $300 million (the "Short-Term Credit Agreement"), which expires in August 2001 (see Note E to audited consolidated financial statements on pages 16 and 17). The Corporation amended its revolving credit agreements, in connection with extending the term of its Short-Term Credit Agreement, to modify certain restrictive covenants relating to leverage. The Corporation's management believes it will be able to extend its Short-Term Credit Agreement for an additional 364-day period beyond August 2001 and extend its Long-Term Credit Agreement for an additional five-year term beyond January 2002.

No borrowings were outstanding under either of the revolving credit agreements at December 31, 2000. However, the Long- and Short-Term Credit Agreements support commercial paper borrowings of $190 million outstanding at December 31, 2000, of which $150 million has been classified as long-term debt on the Corporation's consolidated balance sheet, based on management's ability and intention to maintain this debt outstanding for at least one year. The remaining outstanding commercial paper of $40 million has been classified as current on the Corporation's consolidated balance sheet.

At December 31, 2000, the Corporation had $2.5 million outstanding under a $10 million, variable-rate line of credit. The effective interest rate on the outstanding balance at December 31, 2000, was 7.32%.

As discussed earlier, the Corporation's operations are highly dependent upon the interest rate-sensitive construction and steelmaking industries. Consequently, these marketplaces could experience lower levels of economic activity in an environment of rising interest rates or escalating costs (see "Business Environment" on pages 27 through 33). Aside from these inherent risks, the Corporation's earnings are affected also by changes in short-term interest rates, as a result of its outstanding commercial paper obligations and temporary cash investments, including overnight investments in Eurodollars. However, management believes that the Corporation's exposure to short-term interest rate market risk is not material.

Long-term interest rates influence assumptions used to develop the costs for the Corporation's employee retirement and postretirement benefit plans. The Corporation's retirement and postretirement benefit expense in 2000 was reduced as a result of the increased discount rate for the retirement and postretirement benefit plans, favorable 1999 investment returns on employee retirement plan assets and certain changes to the postretirement benefit plan. The Corporation's management anticipates an increase in retirement and postretirement benefit expense in 2001, as a result of the decrease in the discount rate and lower investment returns experienced in 2000, as compared to 1999. There is no assurance that retirement and postretirement benefit expense will continue at current levels, due to the underlying volatility of interest rates and investment returns (see Note H to the audited consolidated financial statements on pages 18 through 20).

Certain agreements expose the Corporation to foreign currency fluctuations. However, management believes this exposure is not material to the Corporation.

The Corporation has entered into standby letter of credit agreements relating to workers' compensation and auto and general liability self insurance. On December 31, 2000, the Corporation had contingent liabilities under these outstanding letters of credit of approximately $8.4 million.

The 5.875% Notes, due December 1, 2008, with an effective rate of 6.03%, were issued in December 1998, in the aggregate principal amount of $200 million, through private placement in connection with the acquisition of Redland Stone. The 5.875% Notes were subsequently registered with the Securities and Exchange Commission (the "Commission") in February 1999. The initial purchasers in the private placement offering exchanged their outstanding notes for registered notes with substantially identical terms.

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

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

The Corporation's senior unsecured debt has been rated "A-" by Standard & Poor's and "A3" by Moody's. The Corporation's $450 million commercial paper program is rated "A-2" by Standard & Poor's, "P-2" by Moody's and "F-2" by Fitch IBCA, Duff & Phelps. The Corporation's senior unsecured debt was downgraded from "A" to "A-" by Standard and Poor's and its commercial paper program was lowered from "A-1" to "A-2" by Standard and Poor's and from "F-1" to "F-2" by Fitch, as a result of the additional debt required to finance the acquisition of Meridian. While management believes its credit ratings will remain at an investment-grade level, no assurance can be given that these ratings will remain at the above-mentioned levels.

Environmental Matters

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

The Corporation records appropriate financial statement accruals for environmental matters in the period in which liability is established and the appropriate amount can be estimated reasonably. Among the variables that management must assess in evaluating costs associated with environmental issues are the evolving environmental regulatory standards. The nature of these matters makes it difficult to estimate the amount of any costs that may be necessary for future remedial measures. The Corporation currently has no material provisions for estimated costs in connection with expected remediation or other environmental-related expenditures because it is impossible to quantify the impact of all actions regarding environmental matters, particularly the extent and cost of future remediation and other compliance efforts. However, in the opinion of management, it is unlikely that any additional liability the Corporation may incur for known environmental issues or compliance with present environmental-protection laws would have a material adverse effect on the Corporation's consolidated financial position or on its results of operations (see Note L to the audited consolidated financial statements on pages 22 and 23).

New Accounting Standards

Effective July 1, 2000, the Corporation adopted Statement of Financial Accounting Standards No. 133, *Accounting for Derivative Instruments and Hedging Activities* ("FAS 133"), as amended by Statement of Financial Accounting Standards No. 137, *Accounting for Derivative Instruments and Hedging Activities - Deferral of the Effective Date of FASB Statement No. 133,* and Statement of Financial Accounting Standards No. 138, *Accounting for Certain Derivative Instruments and Certain Hedging Activities an Amendment of FASB Statement No. 133* ("FAS 138"). The adoption of FAS 133 and FAS 138 did not have an impact on net earnings or the financial position of the Corporation because the Corporation does not currently have any hedging activities, derivative instruments or material contracts that are subject to these accounting standards.

The Corporation adopted Staff Accounting Bulletin No. 101, *Revenue Recognition in Financial Statements* ("SAB 101"), for the quarter ended December 31, 2000. The Corporation recognizes substantially all revenues, net of discounts, if any, when finished products are shipped to customers or services have been rendered. Therefore, the adoption of SAB 101 had no effect on the Corporation's reported total revenues, net earnings or financial position.

The Corporation adopted Emerging Issues Task Force Issue No. 00-10, *Accounting for Shipping and Handling Fees and Costs* ("EITF 00-10"), beginning with the fourth quarter 2000 reporting. EITF 00-10 requires that amounts billed to customers related to shipping and handling be classified as revenue and that the related costs be included in costs. Generally, the Corporation's customers accept the aggregates products that they purchase at the quarry location using their own transportation. However, in certain circumstances, the Corporation arranges for transportation of the purchased aggregates products to the customer for a delivered price. The customer is billed at the delivered price, which includes the price of the aggregates products and the cost of freight and delivery charges.

Freight and delivery costs for the years ended December 31, 2000, 1999 and 1998, were $184.5 million, $175.3 million and $143.9 million respectively. The Corporation included freight and delivery charges in total revenues and the related cost of freight and delivery in total cost of revenues beginning with the reporting of the operating results for the quarter and year ended December 31, 2000. Gross profit did not change from amounts reported prior to the adoption of EITF 00-10; however, gross profit margins have decreased, as a result of an increase in total revenues. Prior annual and quarterly periods have been reclassified.

The Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 140, *Accounting for Transfers and Servicing of Financial Assets and Extinguishment of Liabilities* ("FAS 140"). FAS 140 is effective for transfers and servicing of financial assets and extinguishments of liabilities occurring after March 31, 2001, and should be applied prospectively. Certain disclosures for securitized financial assets were required for the December 31, 2000, annual reporting. The adoption of FAS 140 did not have any impact on net earnings or the financial position of the Corporation.

Cautionary Statements

This Annual Report contains statements that constitute "forward-looking statements" within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934. Investors are cautioned that all forward-looking statements involve risks and uncertainties, including those arising out of economic, climatic, political, regulatory, competitive and other factors, including inaccurate assumptions. Investors are also cautioned that it is not possible to predict or identify all such factors. Consequently, the reader should not consider any such list to be a complete statement of all potential risks or uncertainties. The forward-looking statements in this document are intended to be subject to the safe harbor protection provided by Sections 27A and 21E. These forward-looking statements are made as of the date hereof based on management's current expectations and the Corporation does not undertake an obligation to update such statements, whether as a result of new information, future events or otherwise. For a discussion identifying some important factors that could cause actual results to vary materially from those anticipated in the forward-looking statements, see the Corporation's filings with the Securities and Exchange Commission including, but not limited to, the discussion of "Competition" in the Corporation's Annual Report on Form 10-K for the fiscal year ended December 31, 2000 (Form 10-K); "Management's Discussion and Analysis of Financial Condition and Results of Operations" on pages 24 through 39 of this Annual Report; and "Note A: Accounting Policies" on pages 13 through 15 and "Note L: Commitments and Contingencies" on pages 22 and 23 of the Notes to Financial Statements of the Audited Consolidated Financial Statements included in this Annual Report, incorporated by reference into the Form 10-K.

QUARTERLY PERFORMANCE

unaudited

(add 000, except per share)	Net Sales[1]		Gross Profit		Net Earnings		Basic Earnings Per Common Share[2]	
Quarter	**2000**	1999	**2000**	1999	**2000**	1999	**2000**	1999
First	**$ 276,131**	$ 241,061	**$ 44,358**	$ 39,742	**$ 7,330**	$ 7,940	**$ 0.16**	$ 0.17
Second	**362,474**	328,865	**96,832**	90,227	**42,122**	41,273	**0.90**	0.88
Third	**380,305**	353,792	**95,426**	99,661	**42,051**	43,951	**0.90**	0.94
Fourth	**314,090**	335,109	**66,955**	81,069	**20,524**	32,617	**0.44**	0.70
Totals	**$ 1,333,000**	$ 1,258,827	**$ 303,571**	$ 310,699	**$ 112,027**	$ 125,781	**$ 2.40**	$ 2.70

			Per Common Share					
	Diluted Earnings Per Common Share[2]		Dividends Paid		Stock Prices			
					High	Low	High	Low
Quarter	**2000**	1999	**2000**	1999	**2000**		1999	
First	**$ 0.16**	$ 0.17	**$ 0.13**	$ 0.13	**$ 49.38**	**$ 35.50**	$ 61	$ 49 3/16
Second	**0.90**	0.88	**0.13**	0.13	**$ 54.25**	**$ 40.45**	$ 68 1/8	$ 54 7/8
Third	**0.90**	0.94	**0.14**	0.13	**$ 46.94**	**$ 35.24**	$ 60 3/8	$ 35 1/4
Fourth	**0.44**	0.70	**0.14**	0.13	**$ 44.10**	**$ 32.25**	$ 42 5/8	$ 35 3/8
Totals	**$ 2.39**	$ 2.68	**$ 0.54**	$ 0.52				

[1] *Net sales exclude freight and delivery revenues; such revenues are included in total revenues in accordance with EITF 00-10, Accounting for Shipping and Handling Fees and Costs on the Consolidated Statement of Earnings on page 9.*

[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.*

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(add 000, except per share)	2000	1999	1998	1997	1996
Consolidated Operating Results					
Net sales	**$ 1,333,000**	$ 1,258,827	$ 1,057,691	$ 900,863	$ 721,947
Freight and delivery revenues	**184,517**	175,292	143,805	128,326	102,974
Total revenues	**1,517,517**	1,434,119	1,201,496	1,029,189	824,921
Cost of sales, other costs and expenses	**1,130,523**	1,043,538	861,137	738,093	601,271
Freight and delivery costs	**184,517**	175,292	143,805	128,326	102,974
Cost of operations	**1,315,040**	1,218,830	1,004,942	866,419	704,245
Earnings from Operations	**202,477**	215,289	196,554	162,770	120,676
Interest expense on debt	**41,895**	39,411	23,759	16,899	10,121
Other income and (expenses), net	**8,239**	18,435	1,347	5,341	8,398
Earnings before taxes on income	**168,821**	194,313	174,142	151,212	118,953
Taxes on income	**56,794**	68,532	58,529	52,683	40,325
Net Earnings	**$ 112,027**	$ 125,781	$ 115,613	$ 98,529	$ 78,628
Basic Earnings Per Common Share	**$ 2.40**	$ 2.70	$ 2.49	$ 2.14	$ 1.71
Diluted Earnings Per Common Share	**$ 2.39**	$ 2.68	$ 2.48	$ 2.13	$ 1.71
Cash Dividends Per Common Share	**$ 0.54**	$ 0.52	$ 0.50	$ 0.48	$ 0.46
Condensed Consolidated Balance Sheet Data					
Current deferred income tax benefits	**$ 16,750**	$ 21,899	$ 18,978	$ 16,873	$ 15,547
Current assets – other	**408,251**	381,466	350,410	305,139	255,619
Property, plant and equipment, net	**914,072**	846,993	777,528	591,420	408,820
Goodwill, net	**374,994**	375,327	348,026	148,481	39,952
Other intangibles, net	**34,462**	31,497	27,952	26,415	23,216
Other noncurrent assets	**92,910**	85,392	65,695	17,385	25,764
Total	**$ 1,841,439**	$ 1,742,574	$ 1,588,589	$ 1,105,713	$ 768,918
Current liabilities – other	**$ 143,958**	$ 142,974	$ 136,576	$ 106,804	$ 86,871
Current maturities of long-term debt and commercial paper	**45,155**	39,722	15,657	1,431	1,273
Long-term debt and commercial paper	**601,580**	602,011	602,113	310,675	125,890
Pension and postretirement benefits	**84,950**	85,839	76,209	63,070	52,646
Noncurrent deferred income taxes	**86,563**	81,857	75,623	50,008	13,592
Other noncurrent liabilities	**15,947**	16,165	14,712	11,889	7,669
Shareholders' equity	**863,286**	774,006	667,699	561,836	480,977
Total	**$ 1,841,439**	$ 1,742,574	$ 1,588,589	$ 1,105,713	$ 768,918

Board of Directors

Stephen P. Zelnak, Jr.
Chairman, Board of Directors
President and Chief Executive Officer
Martin Marietta Materials, Inc.

Richard G. Adamson
Retired Vice President, Strategic Development
Martin Marietta Corporation

Marcus C. Bennett
Retired Executive Vice President and Chief Financial Officer
Lockheed Martin Corporation

Bobby F. Leonard
Retired Vice President, Human Resources
Martin Marietta Corporation

William E. McDonald
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Sprint Corporation

Frank H. Menaker, Jr.
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James M. Reed
Retired Vice Chairman and Chief Financial Officer
Union Camp Corporation

William B. Sansom
Chairman and Chief Executive Officer
The H. T. Hackney Co.

Richard A. Vinroot
Partner
Robinson, Bradshaw & Hinson, P.A.

COMMITTEES

Audit Committee

Mr. Reed, *Chairman*
Messrs. Adamson, McDonald and Menaker

Compensation Committee

Mr. Leonard, *Chairman*
Messrs. Bennett, McDonald and Sansom

Ethics, Environment, Safety and Health Committee

Mr. Sansom, *Chairman*
Messrs. Adamson, Menaker and Vinroot

Executive Committee

Mr. Bennett, *Chairman*
Messrs. Reed and Zelnak

Finance Committee

Mr. Bennett, *Chairman*
Messrs. Leonard, Reed and Zelnak

Corporate Officers

Standing, left to right:

Bruce A. Deerson
Vice President and General Counsel

Donald J. Easterlin, III
Vice President, Business Development

Jonathan T. Stewart
Senior Vice President, Human Resources

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

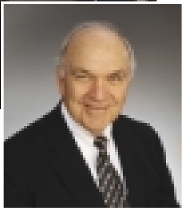
Philip J. Sipling
Executive Vice President

Janice K. Henry
Senior Vice President and
Chief Financial Officer

Seated, left to right:

Roselyn R. Bar
Corporate Secretary and
Deputy General Counsel

Daniel G. Shephard
Vice President and Treasurer



Operating Officers

Top row, left to right:

Donald M. Moe
Senior Vice President

Robert C. Meskimen
Senior Vice President

Geoffrey C. Harris
Vice President

J. Michael Pertsch
Senior Vice President

Bottom row, left to right:

H. Donovan Ross
Vice President

Bruce A. Vaio
Vice President

George S. Seamen
Vice President

Inset:

Thomas E. Bronson
Vice President – Elect

Martin Marietta Aggregates
Raleigh, North Carolina

Stephen P. Zelnak, Jr., *President*
Philip J. Sipling, *Executive Vice President*
Donald M. Moe, *Senior Vice President*

Carolina Division
Raleigh, North Carolina

Donald M. Moe, *President*

Mideast Division
Richmond, Virginia

George S. Seamen, *President*

Southwest Division
San Antonio, Texas

Bruce A. Vaio, *President*

Central Division
New Orleans, Louisiana

H. Donovan Ross, *President*

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MidAmerica Division
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Southeast Division
Atlanta, Georgia

J. Michael Pertsch, *President*

Martin Marietta Magnesia Specialties
Raleigh, North Carolina

Philip J. Sipling, *Chairman, Board of Directors*
Daniel G. Shephard, *President*

Sales, Marketing and Operations
Baltimore, Maryland
John R. Harman, *Vice President Magnesia Chemicals*

Manistee, Michigan
William F. Sawhill, *Vice President Refractory Products and Operations*

Notice of Proxy

A formal notice of the Annual Meeting of Shareholders of the Corporation, together with a proxy, will be mailed to each shareholder approximately four weeks prior to the meeting. Proxies will be requested by the Board of Directors at the meeting.

Annual Report on Form 10-K

Shareholders may obtain, without charge, a copy of Martin Marietta Materials' Annual Report on Form 10-K, as filed with the Securities and Exchange Commission for the fiscal year ended December 31, 2000, by writing to:

Martin Marietta Materials, Inc.
Attention: Corporate Secretary
2710 Wycliff Road
Raleigh, North Carolina 27607-3033

Transfer Agent & Registrar

First Union National Bank
Shareholder Services Group
1525 West W. T. Harris Boulevard – 3C3
Charlotte, North Carolina 28262-1153
Telephone: (800) 829-8432

Inquiries regarding your account records, issuance of stock certificates, distribution of dividends and IRS Form 1099 should be directed to First Union National Bank.

Common Stock

Listed: New York Stock Exchange
Stock Symbol: MLM

Independent Auditors

Ernst & Young LLP
3200 Beechleaf Court
Raleigh, North Carolina 27604-1063

Corporate Headquarters

2710 Wycliff Road
Raleigh, North Carolina 27607-3033
Telephone: (919) 781-4550

Investor Relations

Martin Marietta Materials' press releases, quarterly shareholders' letters and filings with the Securities and Exchange Commission can be accessed via the Corporation's Web site.

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Web site Address: www.martinmarietta.com

Photography by: Patrick H. Corkery
Michael Back

Martin Marietta Materials

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