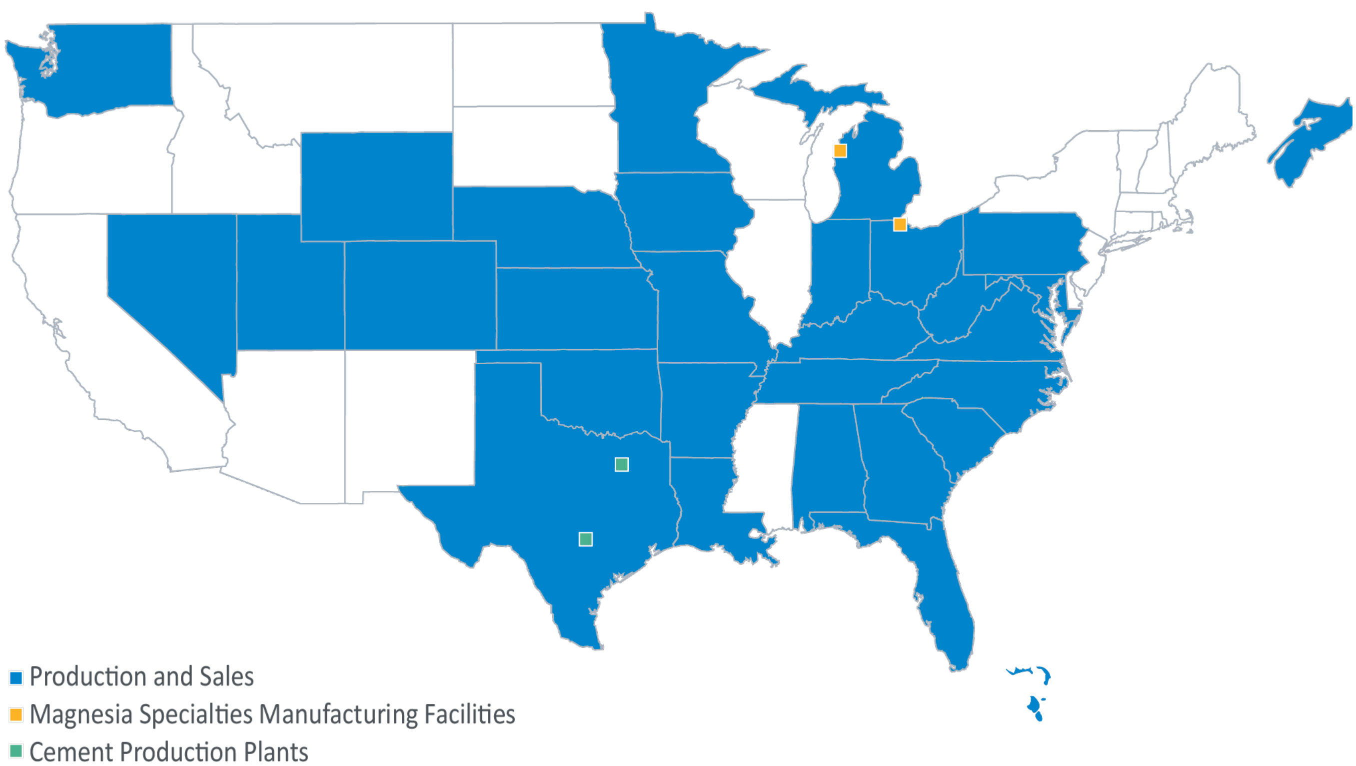
Martin Marietta

2020 ANNUAL REPORT

A World-Class Organization Built for Success

Martin Marietta, a member of the S&P 500 Index, is an American-based company and a leading supplier of building materials, including aggregates, cement, ready mixed concrete and asphalt. Through a network of operations spanning 27 states, Canada and The Bahamas, dedicated Martin Marietta teams supply the resources necessary for building the solid foundations on which our communities thrive. Martin Marietta's Magnesia Specialties business produces high-purity magnesia and dolomitic lime products used worldwide in environmental, industrial, agricultural and specialty applications.



Cover image: Red Oak Quarry in Red Oak, GA

Mission. Vision. Values.

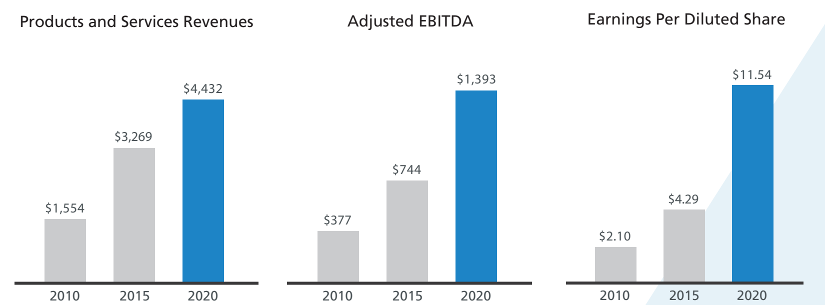
A World-Class Organization Purposefully Built for Enduring Success

Dear Fellow Shareholders and Stakeholders:

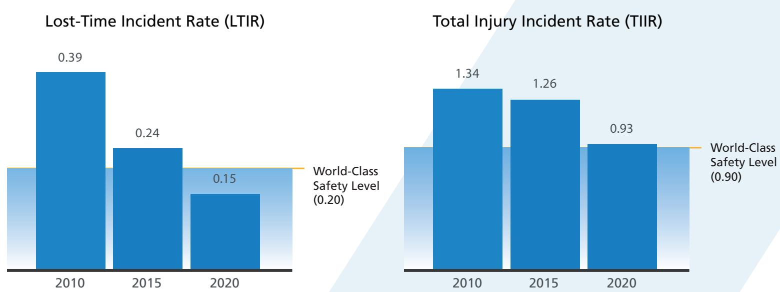
For Martin Marietta, 2020 underscored the resilience and durability of our Company, thanks to the solid foundation we have worked so hard to build and refine. Over the past decade, we have executed against a clear and thoughtful vision: to build a world-class organization committed to the long-term success of our employees, communities and shareholders. While the course was set years ago, it's the work we have undertaken in the years since that enabled our team to deliver Martin Marietta's most profitable year and best safety performance in our history.

Financial Metrics

(in millions, except per share data)



Safety Measures



In 2020, we acknowledged the aspects of our business that were beyond our control and focused on those that we do control, or at least heavily influence. The result was extraordinary. We are both proud and thankful that our workforce, operations and supply chains swiftly navigated challenging circumstances and saw little disruption. This was largely due to our ongoing work to enhance our processes and operational efficiency, but also because of the timely and decisive actions we took to proactively address the pandemic. Using our Values as a guide, we carefully monitored and managed our approaches to sourcing supplies and materials, reallocating resources and adjusting safety and health procedures. Doing so allowed us to deliver uninterrupted service to our customers while steadfastly protecting our employees, their families and the organizational health of the Company.

C. Howard Nye

Chairman, President and Chief Executive Officer

LETTER TO SHAREHOLDERS

World-Class Performance in the COVID-19 World

We extended our track record of financial, operational and safety excellence in a year filled with unprecedented and largely unpredictable events. We achieved full-year consolidated total revenues of $4.7 billion, record gross profit and record Adjusted Earnings Before Interest, Income Taxes, Depreciation, Depletion and Amortization, or Adjusted EBITDA. Notably, 2020 marked our ninth consecutive year of growth for consolidated products and services revenues, consolidated gross profit, Adjusted EBITDA, and earnings per diluted share.

Our record-setting performance demonstrates the successful ongoing execution of our Strategic Operating Analysis and Review (SOAR), our five-year strategic plans. Our actions reinforced Martin Marietta as an aggregates leader in attractive high-growth geographies, aligned our product offerings to leverage strategic cement and targeted downstream opportunities, strengthened our balance sheet, enhanced our talented management team and Board of Directors, and positioned us for continued attractive growth.

As an aggregates-led company, this single product line represents nearly 70% of Martin Marietta's consolidated gross profit and drives our operating results throughout the Building Materials business. In 2020, mix-adjusted aggregates pricing improved across all divisions. Such broad and durable enterprise-wide pricing strength reflects the disciplined execution of our locally-driven commercial strategy and our leading market positions in attractive geographies. Not surprisingly, COVID-19-related headwinds resulted in shipment reductions in all divisions except the West Division, which increased nearly 5% driven by strong underlying market demand and more favorable year-over-year weather conditions. That said, our aggregates operations generated record product gross margin and an 8% improvement in unit profitability, with all divisions contributing to these results.

Our strategic and leading Texas cement business established another record for shipments, which increased 2% to nearly 4 million tons. Strong underlying market demand, coupled with incremental volume from large public and private projects, an expanded distribution network, and a small downstream acquisition in August 2020, contributed to this growth in our largest revenue-generating state. Importantly, they also enhanced our aggregates and cement throughput to drive incremental upstream value. Notably, average selling prices for core cement products increased, demonstrating the resiliency of cement price fundamentals in the state of Texas. The cement business achieved record gross profit and margin, driven by increased shipments, pricing gains, reliability improvements, reduced fuel costs and lower kiln maintenance expenses.

2020 Record Performance Summary

- ✓ Products and Services revenues of $4.4 billion
- ✓ Net earnings attributable to Martin Marietta increased 18% to $721 million
- ✓ Adjusted EBITDA increased 11% to $1.39 billion*
- ✓ Adjusted EBITDA margin as a percentage of total revenues improved 290 basis points to 29.4%
- ✓ Diluted earnings per share increased 18% to $11.54*
- ✓ Cash flow from operations increased 9% to $1.05 billion
- ✓ Reduced debt by $261 million; year-end leverage ratio at 1.9x**

**Adjusted EBITDA and earnings per diluted share included $70 million and $0.87 per diluted share, respectively, of nonrecurring gains on nonoperating land sales and divested assets*

***Included $149 million in external debt repayments and $112 million in COLI loans reedeemed*

Ready mixed concrete shipments increased 3%, excluding shipments from acquired operations and certain non-strategic concrete operations in Arkansas, Louisiana and East Texas (ArkLaTex) that we divested in January 2020. Concrete pricing increased 2%, with solid gains in Colorado offsetting relatively flat pricing in Texas; the latter affected by a higher mix of lower-specification and, resultingly, lower-priced residential sales as well as local market pricing dynamics. Product gross profit grew $1 million on a $4 million revenue increase, with production efficiencies and lower fuel costs offsetting increases in raw materials.

Our Colorado-based asphalt and paving business achieved shipment growth compared with 2019, driven by strong underlying market demand along the Front Range of the Rocky Mountains – home to over 85% of Colorado's rapidly growing population. Increased shipments, combined with higher average selling prices, more than offset expected increases in raw materials and added 100 basis points to products and services gross margin.

Lastly, in our Magnesia Specialties business, dolomitic lime shipments to domestic steel customers slowed as a result of COVID-19-induced manufacturing shutdowns in the automotive industry, as well as ongoing inventory rationalization by international customers related to a global cobalt supply and demand imbalance. In response to the slowdown, our teams quickly took decisive actions and reduced costs, minimizing the impact of declining revenues. Impressively, product gross margin increased 80 basis points to 40.6%. Despite these short-term headwinds, we believe the long-term market trend of increasing demand for lithium ion batteries with cobalt components (i.e., smart phones, electric vehicles) will continue to support the growth of our Magnesia Specialties business.

Notably, we made significant progress in our management of non-strategic assets and nonoperating land, resulting in net sale proceeds of $138 million. In the largest of these strategic divestitures, we sold a depleted sand and gravel location in Austin, Texas, for nearly $100 million. That site is now being developed into a massive automotive manufacturing facility which is intended to be operational by the end of 2021 – and we're supplying the heavy-side building materials.

> "While the course was set years ago, it's the work we have undertaken in the years since that enabled our team to deliver Martin Marietta's most profitable year and best safety performance in our history."

As you might expect from our strong performance and disciplined strategy, Martin Marietta's record-setting results continue to meaningfully benefit our shareholders. We returned $190 million to shareholders through dividends and share repurchases in 2020 and more than $1.8 billion since announcing a 20 million share repurchase authorization in February 2015. In August 2020, our Board of Directors approved a 4% increase in our quarterly cash dividend paid, underscoring its continued confidence in our future performance and cash generation and continuing Martin Marietta's track record of dividend growth.

World-Class Safety and Sustainability – Our Commitment

A foundational component of the Company's long-term strategy is our commitment to health, safety and sustainability. At Martin Marietta, we believe that corporate success depends on our ability to integrate that objective into our long-term strategy, annual planning process, day-to-day operations, and most importantly, our culture. We understand that we have a responsibility to our employees, customers, communities and stakeholders, and the ability to positively impact our world. Indeed, it's part of our broader purpose.

For us, that starts with safety. Through the Company's internally branded Guardian Angel program, we continually enhance and strengthen our safety-focused enterprise culture. We are proud that our nearly 9,000 employees look after each other, with a fidelity to our goals of zero incidents and continuous improvement. In fact, 99.8% of our employees returned home at the end of their shifts without a lost time incident and we reduced total reportable incidents by 25% in 2020. For the fourth consecutive year, we also achieved world-class Lost-Time Incident Rate (LTIR) performance. These superior results are directly attributable to our dedicated and talented employees who have clearly heightened their focus on safety excellence through challenging times. While impressive, we know we can – and plan to – do even better.

A complete understanding of Martin Marietta is best accomplished through an appreciation of not only our financial, operating and safety performance, but also our steadfastness in creating a brighter future through a robust focus on sustainability and environmental responsibility, enhanced diversity and stronger governance.

We believe sustainability is most attainable when viewed as foundational to our industry and business, and embedded in our organization as a part of four vital pillars:

Safe Operations: We are committed to protecting all who come in contact with our products and operations, and creating a culture of responsible leadership. We launched our Why I Work Safely campaign, a company-wide effort to continuously engage our employees in our Guardian Angel safety culture. Employee efforts such as these led to the best safety performance in Martin Marietta's history.

Environmental Stewardship: We remain committed to protecting the Earth's resources and reducing our environmental impact. As we promised investors, Martin Marietta expanded its Environmental Stewardship discussion in our 2019 Sustainability Report, which was published in April 2020 before the Annual Meeting of Shareholders. In addition to disclosing company-wide scope 1 emissions, we introduced long-term goals to reduce Martin Marietta's carbon footprint. The report also described a host of relevant topics including: (i) the sustainable aspects of the life cycle of cement and concrete building materials for a better understanding by our shareholders; (ii) our continued planned installation of pollution control devices at our Magnesia Specialties plant in Manistee, Michigan; and (iii) our increased important work to preserve clean water, manage waste, and improve our interrelationships with biodiversity.

Employee Well-Being: We are devoted to supporting and investing in our employees and to providing programs and resources that enrich their lives personally and professionally. This support extends past an employee's retirement with a fully funded qualified defined benefit pension plan in addition to a 401(k) plan with Company matching funds. We took important steps to adapt our policies and systems to ensure employees could work remotely when possible. We also introduced a new paid time off (PTO) policy and health insurance options to our employees.

Community Well-Being: We are deeply committed to always acting responsibly while supporting the more than 400 communities that our employees and their families call home. To that end, in a difficult year for our communities, we continued to make meaningful charitable contributions, including supplying timely aid and supplies to healthcare workers, first responders and school-aged children.

In 2020, we engaged with a larger number of investors and Environmental, Social and Governance (ESG) organizations than in previous years about our sustainability achievements, corporate governance, long-term performance and goals. Investors have expressed appreciation for the expanded disclosures in our Sustainability Report and public filings. This positive feedback has allowed us to build and enhance mutual understanding with our key stakeholders about our strategy, performance, business practices and their interests. Thank you to those who participated and for your valuable insights. Our 2020 Sustainability Report will be issued in April 2021 and will include additional carbon footprint reporting related to our scope 2 emissions.

A World-Class Board for a World-Class Organization

Finally, it's important to highlight recent appointments to the Martin Marietta Board of Directors. In 2020, we appointed two new directors:

- Anthony R. Foxx, currently Chief Policy Officer and Advisor to the President and Chief Executive Officer of Lyft and former seventeenth United States Secretary of Transportation; and
- David C. Wajsgras, retired President of the Intelligence, Information and Services business of the former Raytheon Company, now part of Raytheon Technologies Corporation.

These highly-qualified independent directors are outstanding additions to the Board. They bring diverse skillsets and backgrounds, as well as extensive experience in finance, operations, technology transformation, executive management, corporate governance and knowledge in both the public and private sectors. With their appointments, the Martin Marietta Board is now comprised of 11 members, 10 of whom are independent and six of whom have joined since 2016. Martin Marietta is committed to strong corporate governance and regularly evaluating the Board's composition, with the goal of assembling the right mix of skills and experience to continue building on our long track record of success. Importantly, it's our belief that our performance is enhanced and greater stakeholder value is derived from a Board reflecting diversity in its broadest sense, including across skillsets, expertise, gender, ethnicity and geography.

A World-Class Foundation Built for Growth

Our team's collective commitment to Martin Marietta's vision and strategic priorities has built a resilient, efficient and cash flow generative business that consistently drives superior shareholder value creation.

With this strong foundation in place, we recently introduced the newest iteration of our long-term strategic plan: SOAR 2025 – Expanding the Platform. This plan builds on the important and intentional work we have done in the past and positions us to capture opportunities for attractive growth and expansion.

With our attractive underlying fundamentals, strategic priorities and best-in-class teams, we are excited about our prospects for driving sustainable growth and superior shareholder value in 2021 and beyond. As market conditions improve, we will continue to prudently balance inorganic growth opportunities with our longstanding, disciplined capital allocation priorities. Having built a robust balance sheet and with a debt-to-EBITDA ratio of 1.9x (as of December 31, 2020), we have significant financial flexibility and ample liquidity to drive accretive organic and external growth, while simultaneously maintaining our financial strength and extending our long track record of returning capital to shareholders.

As we move forward, our steadfast commitment to our Mission, Vision and Values, coupled with the hard work of our industry-leading team of employees and the advice and counsel of our Board of Directors, will continue to be the foundation that drives our success. Our team's sense of duty, hard work, discipline, commitment to innovation, and purpose enable us to strengthen our world-class performance and reputation. Above all, it is the hardworking women and men of Martin Marietta who are capitalizing on our strong position to continue enhancing the short- and long-term value of your investment.

On behalf of all of us at Martin Marietta, we look forward to updating you throughout 2021. Thank you for your continued support. We never take it for granted.

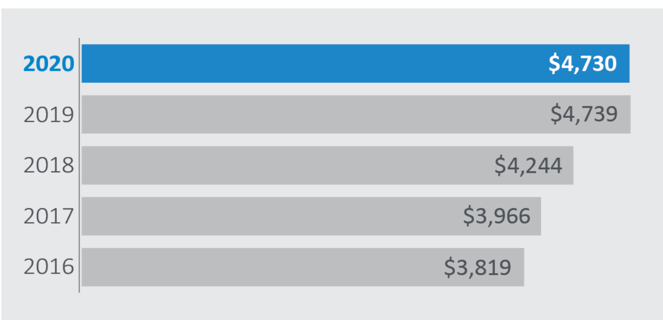
Respectfully yours,

C. Howard Nye
Chairman, President and Chief Executive Officer

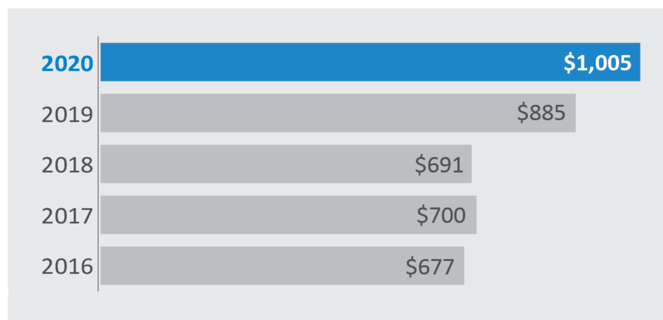
February 19, 2021

(in millions, except per share data)		2020		2019
Total revenues	$	**4,729.9**	$	4,739.1
Earnings from operations[1]	$	**1,005.4**	$	884.9
Net earnings attributable to Martin Marietta	$	**721.0**	$	611.9
Diluted earnings per common share	$	**11.54**	$	9.74
Cash dividends per common share	$	**2.24**	$	2.06
Common shares outstanding at December 31		**62.3**		62.4

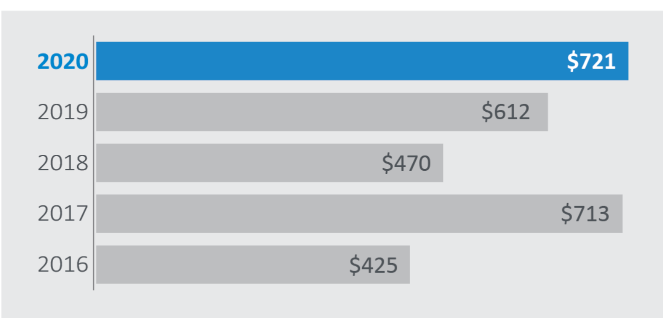
TOTAL REVENUES
(in millions)



EARNINGS FROM OPERATIONS
(in millions)



NET EARNINGS ATTRIBUTABLE TO MARTIN MARIETTA[2] (in millions)



TOTAL RETURN (INCLUSIVE OF DIVIDENDS)
(as of December 31, 2020)

	Martin Marietta Common Stock	S&P 500 Index	S&P 500 Materials Index
1 Yr.	2.6%	18.4%	20.7%
3 Yr.	32.2%	48.9%	28.3%
5 Yr.	117.5%	103.0%	85.4%
10 Yr.	248.9%	267.0%	137.6%

[1] Amount for 2016 may not equal amounts reported in prior years as amounts have been reclassified to reflect the adoption of the Accounting Standards Update 2017-07, *Improving the Presentation of Net Periodic Pension Cost and Net Periodic Postretirement Benefit Cost.*

[2] Amount for 2017 reflects a $258.1 million income tax benefit as a result of the impact of the Tax Cuts and Jobs Act of 2017.

Management's Statement of Responsibility

The management of Martin Marietta Materials, Inc. (the Company or Martin Marietta) is responsible for the consolidated financial statements, the related financial information contained in this Form 10-K and the establishment and maintenance of adequate internal control over financial reporting. The consolidated balance sheets for Martin Marietta, at December 31, 2020 and 2019, and the related consolidated statements of earnings, comprehensive earnings, total equity and cash flows for each of the three years in the period ended December 31, 2020, include amounts based on estimates and judgments and have been prepared in accordance with accounting principles generally accepted in the United States applied on a consistent basis.

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

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

The Company's management recognizes its responsibility to foster a strong ethical climate. Management has issued written policy statements that document the Company's business code of ethics. The importance of ethical behavior is regularly communicated to all employees through the distribution of the *Code of Ethical Business Conduct* 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 independent, nonemployee directors, meets periodically and separately with management, the independent auditors and the internal auditors to review the activities of each. The Audit Committee meets standards established by the Securities and Exchange Commission (SEC) and the New York Stock Exchange as they relate to the composition and practices of audit committees.

Management's Report on Internal Control over Financial Reporting

The management of Martin Marietta is responsible for establishing and maintaining adequate internal control over financial reporting. Management assessed the effectiveness of the Company's internal control over financial reporting as of December 31, 2020. In making this assessment, management used the criteria set forth in *Internal Control—Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 framework). Based on management's assessment under the 2013 framework, management concluded that the Company's internal control over financial reporting was effective as of December 31, 2020.

The consolidated financial statements of the Company as of December 31, 2020 and 2019, and for each of the three years in the period ended December 31, 2020, and the effectiveness of the Company's internal control over financial reporting as of December 31, 2020, have been audited by PricewaterhouseCoopers LLP, an independent registered public accounting firm, whose report appears on the following page.

C. Howard Nye, *Chairman, President and Chief Executive Officer*

James A. J. Nickolas, *Senior Vice President and Chief Financial Officer*

February 19, 2021

To the Board of Directors and Shareholders of Martin Marietta Materials, Inc.

Opinions on the Financial Statements and Internal Control over Financial Reporting

We have audited the accompanying consolidated balance sheets of Martin Marietta Materials, Inc. and its subsidiaries (the "Company") as of December 31, 2020 and 2019, and the related consolidated statements of earnings, comprehensive earnings, total equity and cash flows for each of the three years in the period ended December 31, 2020, including the related notes and schedule of valuation and qualifying accounts for each of the three years in the period ended December 31, 2020 appearing under Item 15(c) (collectively referred to as the "consolidated financial statements"). We also have audited the Company's internal control over financial reporting as of December 31, 2020, based on criteria established in *Internal Control - Integrated Framework* (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Company as of December 31, 2020 and 2019, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2020 in conformity with accounting principles generally accepted in the United States of America. Also in our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2020, based on criteria established in *Internal Control - Integrated Framework* (2013) issued by the COSO.

Change in Accounting Principle

As discussed in Note A to the consolidated financial statements, the Company changed the manner in which it accounts for leases in 2019.

Basis for Opinions

The Company's management is responsible for these consolidated financial statements, for maintaining effective internal control over financial reporting, and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Management's Report on Internal Control over Financial Reporting. Our responsibility is to express opinions on the Company's consolidated financial statements and on the Company's internal control over financial reporting based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) (PCAOB) and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement, whether due to error or fraud, and whether effective internal control over financial reporting was maintained in all material respects.

Our audits of the consolidated financial statements included performing procedures to assess the risks of material misstatement of the consolidated financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audits also included performing such other procedures as we considered necessary in the circumstances. We believe that our audits provide a reasonable basis for our opinions.

Definition and Limitations of Internal Control over Financial Reporting

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

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

Critical Audit Matters

The critical audit matter communicated below is a matter arising from the current period audit of the consolidated financial statements that was communicated or required to be communicated to the audit committee and that (i) relates to accounts or disclosures that are material to the consolidated financial statements and (ii) involved our especially challenging, subjective, or complex judgments. The communication of critical audit matters does not alter in any way our opinion on the consolidated financial statements, taken as a whole, and we are not, by communicating the critical audit matter below, providing a separate opinion on the critical audit matter or on the accounts or disclosures to which it relates.

Valuation of the Projected Benefit Obligation

As described in Note K to the consolidated financial statements, the Company's net projected benefit obligation for all defined benefit pension plans was $1,111.9 million as of December 31, 2020. As disclosed by management, annually, as of December 31, management remeasures the defined benefit plans' projected benefit obligation based on the present value of projected future benefit payments to all participants for services rendered to date, reflecting expected future pay increases through the participants' expected retirement dates. The key assumptions are the discount rate, the expected long-term rate of return on pension plan assets, the mortality table and mortality improvement scale, and the rate of increase in future compensation levels. The discount rate is generally the most volatile and sensitive estimate. Accordingly, a change in this assumption has the most significant impact on the projected benefit obligation.

The principal considerations for our determination that performing procedures relating to the valuation of the projected benefit obligation is a critical audit matter are (i) the significant judgment by management to determine the projected benefit obligation; (ii) a high degree of auditor judgment, subjectivity, and effort in performing procedures and evaluating the discount rate assumption; and (iii) the audit effort involved the use of professionals with specialized skill and knowledge.

Addressing the matter involved performing procedures and evaluating audit evidence in connection with forming our overall opinion on the consolidated financial statements. These procedures included testing the effectiveness of controls relating to the valuation of the projected benefit obligation, including controls over the discount rate assumption. These procedures also included, among others, testing the completeness and accuracy of underlying data used in the valuation of the projected benefit obligation and the involvement of professionals with specialized skill and knowledge to assist in (i) testing management's process for determining the projected benefit obligation, (ii) evaluating the appropriateness of the actuarial method, and (iii) evaluating the reasonableness of the discount rate assumption.

/s/ PricewaterhouseCoopers LLP
Raleigh, North Carolina
February 19, 2021

We have served as the Company's auditor since 2016.

MARTIN MARIETTA MATERIALS, INC. AND CONSOLIDATED SUBSIDIARIES
CONSOLIDATED STATEMENTS OF EARNINGS

years ended December 31 (in millions, except per share data)	2020	2019	2018
Products and services revenues	$ 4,432.1	$ 4,422.3	$ 3,980.4
Freight revenues	297.8	316.8	263.9
Total revenues	4,729.9	4,739.1	4,244.3
Cost of revenues – products and services	3,175.6	3,239.1	3,009.8
Cost of revenues – freight	301.5	321.0	267.9
Total cost of revenues	3,477.1	3,560.1	3,277.7
Gross Profit	1,252.8	1,179.0	966.6
Selling, general and administrative expenses	305.9	302.7	280.6
Acquisition-related expenses, net	1.3	0.5	13.5
Other operating income, net	(59.8)	(9.1)	(18.2)
Earnings from Operations	1,005.4	884.9	690.7
Interest expense	118.1	129.3	137.1
Other nonoperating (income) and expenses, net	(2.0)	7.3	(22.5)
Earnings before income tax expense	889.3	748.3	576.1
Income tax expense	168.2	136.3	105.7
Consolidated net earnings	721.1	612.0	470.4
Less: Net earnings attributable to noncontrolling interests	0.1	0.1	0.4
Net Earnings Attributable to Martin Marietta	$ 721.0	$ 611.9	$ 470.0
Net Earnings Attributable to Martin Marietta Per Common Share (see Note A)			
– Basic attributable to common shareholders	$ 11.56	$ 9.77	$ 7.46
– Diluted attributable to common shareholders	$ 11.54	$ 9.74	$ 7.43
Weighted-Average Common Shares Outstanding			
– Basic	62.3	62.5	62.9
– Diluted	62.4	62.7	63.1

The accompanying Notes to the Financial Statements are an integral part of these statements.

MARTIN MARIETTA MATERIALS, INC. AND CONSOLIDATED SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE EARNINGS

years ended December 31 (in millions)	**2020**	2019	2018
Consolidated Net Earnings	**$ 721.1**	$ 612.0	$ 470.4
Other comprehensive (loss) earnings, net of tax:			
Defined benefit pension and postretirement plans:			
Net loss arising during period, net of tax of $(8.7), $(4.8) and $(7.6), respectively	**(26.6)**	(14.5)	(22.9)
Amortization of prior service credit, net of tax of $0.0, $(0.2) and $(0.5), respectively	**(0.1)**	(0.6)	(1.5)
Amortization of actuarial loss, net of tax of $3.6, $3.8 and $3.2, respectively	**10.7**	11.7	9.5
Amount recognized in net periodic pension cost due to settlement, net of tax of $0.9, $0.0 and $0.7, respectively	**2.8**	—	2.2
	(13.2)	(3.4)	(12.7)
Foreign currency translation gain (loss)	**0.6**	1.2	(2.1)
Amortization of terminated value of forward starting interest rate swap agreements into interest expense, net of tax of $0.0, $0.0 and $0.2, respectively	**—**	—	0.3
	(12.6)	(2.2)	(14.5)
Consolidated comprehensive earnings	**708.5**	609.8	455.9
Less: Comprehensive earnings attributable to noncontrolling interests	**0.1**	0.1	0.4
Comprehensive Earnings Attributable to Martin Marietta	**$ 708.4**	$ 609.7	$ 455.5

The accompanying Notes to the Financial Statements are an integral part of these statements.

MARTIN MARIETTA MATERIALS, INC. AND CONSOLIDATED SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS

December 31 (in millions, except par value data) **Assets**	**2020**	2019
Current Assets:		
Cash and cash equivalents	**$ 207.3**	$ 21.0
Restricted cash	**97.1**	—
Accounts receivable, net	**575.1**	573.7
Inventories, net	**709.0**	690.8
Other current assets	**79.8**	141.2
Total Current Assets	**1,668.3**	1,426.7
Property, plant and equipment, net	**5,242.3**	5,206.0
Goodwill	**2,414.0**	2,396.8
Other intangibles, net	**508.0**	486.8
Operating lease right-of-use assets, net	**453.0**	481.9
Other noncurrent assets	**295.2**	133.4
Total Assets	**$ 10,580.8**	$ 10,131.6
Liabilities and Equity		
Current Liabilities:		
Accounts payable	**$ 207.8**	$ 229.6
Accrued salaries, benefits and payroll taxes	**82.6**	56.7
Accrued other taxes	**43.5**	43.6
Current maturities of long-term debt	**—**	340.0
Operating lease liabilities	**48.6**	52.7
Other current liabilities	**116.8**	115.9
Total Current Liabilities	**499.3**	838.5
Long-term debt	**2,625.8**	2,433.6
Deferred income taxes, net	**781.5**	733.0
Noncurrent operating lease liabilities	**410.4**	433.9
Other noncurrent liabilities	**370.5**	339.3
Total Liabilities	**4,687.5**	4,778.3
Equity:		
Common stock ($0.01 par value; 100.0 shares authorized; 62.3 and 62.4 shares outstanding at December 31, 2020 and 2019, respectively)	**0.6**	0.6
Preferred stock ($0.01 par value; 10.0 shares authorized; no shares outstanding)	**—**	—
Additional paid-in capital	**3,440.8**	3,418.8
Accumulated other comprehensive loss	**(158.4)**	(145.8)
Retained earnings	**2,607.7**	2,077.2
Total Shareholders' Equity	**5,890.7**	5,350.8
Noncontrolling interests	**2.6**	2.5
Total Equity	**5,893.3**	5,353.3
Total Liabilities and Equity	**$ 10,580.8**	$ 10,131.6

The accompanying Notes to the Financial Statements are an integral part of these statements.

MARTIN MARIETTA MATERIALS, INC. AND CONSOLIDATED SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS

years ended December 31 (in millions)	2020	2019	2018
Cash Flows from Operating Activities:			
Consolidated net earnings	**$ 721.1**	$ 612.0	$ 470.4
Adjustments to reconcile consolidated net earnings to net cash provided by operating activities:			
Depreciation, depletion and amortization	**393.5**	371.5	344.0
Stock-based compensation expense	**30.0**	34.1	29.3
Gains on divestitures and sales of assets	**(73.0)**	(3.1)	(39.3)
Deferred income taxes, net	**43.8**	29.4	85.1
Noncash portion of asset and portfolio rationalization charge	**—**	—	17.0
Other items, net	**2.1**	8.6	(9.0)
Changes in operating assets and liabilities, net of effects of acquisitions and divestitures:			
Accounts receivable, net	**6.1**	(50.4)	(10.6)
Inventories, net	**(19.3)**	(27.7)	(22.0)
Accounts payable	**(34.0)**	25.9	20.1
Other assets and liabilities, net	**(20.2)**	(34.2)	(179.9)
Net Cash Provided by Operating Activities	**1,050.1**	966.1	705.1
Cash Flows from Investing Activities:			
Additions to property, plant and equipment	**(359.7)**	(393.5)	(376.0)
Acquisitions, net of cash acquired	**(65.1)**	—	(1,642.1)
Proceeds from divestitures and sales of assets	**142.3**	8.4	69.1
Payment of railcar construction advances	**—**	—	(79.4)
Reimbursement of railcar construction advances	**—**	—	79.4
Investments in life insurance contracts, net	**(111.2)**	0.6	0.8
Other investing activities, net	**(16.0)**	(1.4)	—
Net Cash Used for Investing Activities	**(409.7)**	(385.9)	(1,948.2)
Cash Flows from Financing Activities:			
Borrowings of long-term debt	**628.1**	625.0	1,000.0
Repayments of long-term debt	**(777.1)**	(975.1)	(910.1)
Debt issuance costs	**(2.0)**	—	(3.9)
Payments on finance lease obligations	**(3.5)**	(11.0)	—
Payments on capital lease obligations	**—**	—	(3.5)
Dividends paid	**(140.3)**	(129.8)	(116.4)
Repurchases of common stock	**(50.0)**	(98.2)	(100.4)
Payments of deferred acquisition consideration	**—**	—	(6.7)
Purchase of the noncontrolling interest in the existing joint venture	**—**	—	(12.8)
Distributions to owners of noncontrolling interest	**—**	(0.6)	—
Proceeds from exercise of stock options	**2.3**	13.7	7.3
Shares withheld for employees' income tax obligations	**(14.5)**	(28.1)	(11.9)
Net Cash Used for Financing Activities	**(357.0)**	(604.1)	(158.4)
Net Increase (Decrease) in Cash, Cash Equivalents and Restricted Cash	**283.4**	(23.9)	(1,401.5)
Cash, Cash Equivalents and Restricted Cash, beginning of year	**21.0**	44.9	1,446.4
Cash, Cash Equivalents and Restricted Cash, end of year	**$ 304.4**	$ 21.0	$ 44.9

The accompanying Notes to the Financial Statements are an integral part of these statements.

CONSOLIDATED STATEMENTS OF TOTAL EQUITY

(in millions, except per share data)	Shares of Common Stock	Common Stock	Additional Paid-In Capital	Accumulated Other Comprehensive Loss	Retained Earnings	Total Shareholders' Equity	Non-controlling Interests	Total Equity
Balance at December 31, 2017	62.9	$ 0.6	$ 3,368.1	$ (129.1)	$ 1,440.1	$ 4,679.7	$ 2.8	$ 4,682.5
Consolidated net earnings	–	–	–	–	470.0	470.0	0.4	470.4
Other comprehensive loss	–	–	–	(14.5)	–	(14.5)	–	(14.5)
Dividends declared ($1.84 per common share)	–	–	–	–	(116.4)	(116.4)	–	(116.4)
Issuances of common stock for stock award plans	0.1	–	14.2	–	–	14.2	–	14.2
Shares withheld for employees' income tax obligations	–	–	(11.9)	–	–	(11.9)	–	(11.9)
Repurchases of common stock	(0.5)	–	–	–	(100.4)	(100.4)	–	(100.4)
Stock-based compensation expense	–	–	29.3	–	–	29.3	–	29.3
Noncontrolling interest acquired in business combination	–	–	–	–	–	–	9.0	9.0
Purchase of the noncontrolling interest in the existing joint venture	–	–	(3.6)	–	–	(3.6)	(9.2)	(12.8)
Balance at December 31, 2018	62.5	0.6	3,396.1	(143.6)	1,693.3	4,946.4	3.0	4,949.4
Consolidated net earnings	–	–	–	–	611.9	611.9	0.1	612.0
Other comprehensive loss	–	–	–	(2.2)	–	(2.2)	–	(2.2)
Dividends declared ($2.06 per common share)	–	–	–	–	(129.8)	(129.8)	–	(129.8)
Issuances of common stock for stock award plans	0.3	–	16.7	–	–	16.7	–	16.7
Shares withheld for employees' income tax obligations	–	–	(28.1)	–	–	(28.1)	–	(28.1)
Repurchases of common stock	(0.4)	–	–	–	(98.2)	(98.2)	–	(98.2)
Stock-based compensation expense	–	–	34.1	–	–	34.1	–	34.1
Distribution to owners of noncontrolling interest	–	–	–	–	–	–	(0.6)	(0.6)
Balance at December 31, 2019	62.4	0.6	3,418.8	(145.8)	2,077.2	5,350.8	2.5	5,353.3
Consolidated net earnings	**–**	**–**	**–**	**–**	**721.0**	**721.0**	**0.1**	**721.1**
Other comprehensive loss	**–**	**–**	**–**	**(12.6)**	**–**	**(12.6)**	**–**	**(12.6)**
Dividends declared ($2.24 per common share)	**–**	**–**	**–**	**–**	**(140.5)**	**(140.5)**	**–**	**(140.5)**
Issuances of common stock for stock award plans	**0.1**	**–**	**6.8**	**–**	**–**	**6.8**	**–**	**6.8**
Shares withheld for employees' income tax obligations	**–**	**–**	**(14.8)**	**–**	**–**	**(14.8)**	**–**	**(14.8)**
Repurchases of common stock	**(0.2)**	**–**	**–**	**–**	**(50.0)**	**(50.0)**	**–**	**(50.0)**
Stock-based compensation expense	**–**	**–**	**30.0**	**–**	**–**	**30.0**	**–**	**30.0**
Balance at December 31, 2020	**62.3**	**$ 0.6**	**$ 3,440.8**	**$ (158.4)**	**$ 2,607.7**	**$ 5,890.7**	**$ 2.6**	**$ 5,893.3**

The accompanying Notes to the Financial Statements are an integral part of these statements.

Notes to Financial Statements

Note A: Accounting Policies

Organization. Martin Marietta is a natural resource-based building materials company. The Company supplies aggregates (crushed stone, sand and gravel) through its network of approximately 300 quarries, mines and distribution yards in 27 states, Canada and The Bahamas. In the western United States, Martin Marietta also provides cement and downstream products, namely, ready mixed concrete, asphalt and paving services, in markets where the Company also has a leading aggregates position. Specifically, the Company has two cement plants and several cement distribution facilities in Texas and Louisiana, and 120 ready mixed concrete plants and eight asphalt plants in Texas, Colorado and Wyoming. Asphalt operations and paving services are exclusively in Colorado. The Company's heavy-side building materials are used in infrastructure, nonresidential and residential construction projects. Aggregates are also used in agricultural, utility and environmental applications and as railroad ballast. The aggregates, cement, ready mixed concrete and asphalt and paving product lines are reported collectively as the Building Materials business.

Effective July 1, 2020, the Company made organizational changes, consolidating its operational management and operating divisions in connection with the retirement of two senior executives as of the end of the second quarter. The Mid-Atlantic Division and Southeast Division were combined to form the East Division. Additionally, the Southwest Aggregates Division and the Cement and Southwest Ready Mix Division were combined to form the Southwest Division. Subsequent to these changes, the Building Materials business consists of four divisions: East, Central, Southwest and West. Each division, as well as the Magnesia Specialties business, represents an operating segment.

As of December 31, 2020, the Building Materials business contains the following reportable segments: East Group and West Group. The East Group, whose operations were previously reported in the Mid-America and Southeast Groups, consists of the East and Central Divisions and operates in Alabama, Florida, Georgia, Indiana, Iowa, Kansas, Kentucky, Maryland, Minnesota, Missouri, eastern Nebraska, North Carolina, Ohio, Pennsylvania, South Carolina, Tennessee, Virginia, West Virginia, Nova Scotia and The Bahamas. The West Group is comprised of the Southwest and West Divisions and operates in Arkansas, Colorado, Louisiana, western Nebraska, Nevada, Oklahoma, Texas, Utah, Washington and Wyoming. In addition to these states, the Company sells to customers in New York, Delaware, New Mexico and Mississippi. The following states accounted for 71% of the Building Materials business' 2020 total revenues: Texas, Colorado, North Carolina, Georgia and Iowa. Effective January 1, 2020, the Company moved the management of its one quarry in the state of Washington from the East Group to the West Group, resulting in an immaterial change to its reportable segments. Prior-year segment disclosures have been reclassified to conform to current-year presentation.

The Company also operates a Magnesia Specialties business, which produces magnesia-based chemical products used in industrial, agricultural and environmental applications, and dolomitic lime sold primarily to customers for steel production and land stabilization. Magnesia Specialties' production facilities are located in Ohio and Michigan, and products are shipped to customers worldwide. During 2020, there were no changes to the Magnesia Specialties reportable segment.

Basis of Presentation and Use of Estimates. The Company's consolidated financial statements are presented in conformity with accounting principles generally accepted in the United States, which requires management to make certain estimates and assumptions about future events. These estimates and the underlying assumptions affect the amounts of assets and liabilities reported, disclosures about contingent assets and liabilities and reported amounts of revenues and expenses. Such estimates include the valuation of accounts receivable, inventories, goodwill, other intangible assets and other long-lived assets as well as assumptions used in the calculation of income tax expense, retirement and postemployment benefits, stock-based compensation, the allocation of the purchase price to the fair values of assets acquired and liabilities assumed as part of business combinations and revenue recognition for service contracts. These estimates and assumptions are based on management's judgment. Management evaluates estimates and assumptions on an ongoing basis using historical experience and other factors, including the current economic environment, and adjusts such estimates and assumptions when facts and circumstances dictate. Changes in credit, equity and energy markets and changes in construction activity increase the uncertainty inherent in certain estimates and assumptions. As future events and their effects, including the impact of the coronavirus (COVID-19) pandemic and the related responses, cannot be determined with precision, actual results could differ significantly from estimates. Changes in estimates, including those resulting from changes in the economic environment, are reflected in the consolidated financial statements for the period in which the change in estimate occurs. During the year ended December 31, 2019, the Company identified a prior-period error that overstated its earnings from a nonconsolidated equity affiliate. The pretax noncash adjustment was deemed immaterial to prior periods and was therefore corrected as an out-of-period expense of $15.7 million that was recorded in other nonoperating expenses, consistent with the recurring classification of equity earnings from the nonconsolidated affiliate.

Basis of Consolidation. The consolidated financial statements include the accounts of the Company and its wholly-owned and majority-owned subsidiaries. Partially-owned affiliates are either consolidated or accounted for using the cost method or the equity method, depending on the level of ownership interest or the Company's ability to exercise control over the affiliates' operations. Intercompany balances and transactions between subsidiaries have been eliminated in consolidation.

Revenue Recognition. Total revenues include sales of products and services provided to customers, net of discounts or allowances, if any, and include freight and delivery costs billed to customers. Revenues for product sales are recognized when control of the promised good is transferred to unaffiliated customers, typically when finished products are shipped. Revenues derived from the paving business are recognized using the percentage-of-completion method under the cost-to-cost approach. Under the cost-to-cost approach, recognized contract revenue is determined by multiplying the total estimated contract revenue by the estimated percentage of completion. Contract costs are recognized as incurred. The percentage of completion is determined on a contract-by-contract basis using project costs incurred to date as a percentage of total estimated project costs. The Company believes the cost-to-cost approach is appropriate, as the use of asphalt in a paving contract is relatively consistent with the performance of the related paving services. Paving contracts, notably with governmental entities, may contain performance bonuses based on quality specifications. Given the uncertainty of meeting the criteria until the performance obligation is completed, performance bonuses are recognized as revenues when and if achieved. Performance bonuses were not material to the Company's consolidated results of operations for the years ended December 31, 2020, 2019 and 2018. Freight revenues reflect delivery arranged by the Company using a third party on behalf of the customer and are recognized consistently with the timing of the product revenues.

Freight and Delivery Costs. Freight and delivery costs represent pass-through transportation costs incurred and paid by the Company to third-party carriers to deliver products to customers. These costs are then billed to the customers.

Cash, Cash Equivalents and Restricted Cash. Cash equivalents are comprised of highly-liquid instruments with original maturities of three months or less from the date of purchase.

As of December 31, 2020, the Company had $97.1 million of restricted cash, which was invested in an account designated for the purchase of like-kind exchange replacement assets under Section 1031 of the Internal Revenue Code (Section 1031). The Company is restricted from utilizing the cash for purposes other than the purchase of the qualified assets for 180 days from receipt of the proceeds from the sale of the exchanged property. Any unused cash at the end of the 180 days will be transferred to unrestricted accounts of the Company and can then be used for general corporate purposes. The Company did not use $47.2 million within the allowable 180-day period and transferred that amount to unrestricted cash in January 2021. The Company has until March 9, 2021 to utilize the remaining funds to purchase qualified assets under Section 1031.

In connection with Accounting Standards Update (ASU) 2016-18, *Statement of Cash Flows (Topic 230)*, the statement of cash flows reflects cash flow changes and balances for cash, cash equivalents and restricted cash on an aggregated basis.

The following table reconciles cash, cash equivalents and restricted cash as reported on the consolidated balance sheets to the aggregated amounts presented on the consolidated statements of cash flows:

December 31 (in millions)	**2020**	2019	2018
Cash and cash equivalents	**$ 207.3**	$ 21.0	$ 44.9
Restricted cash	**97.1**	—	—
Total cash, cash equivalents and restricted cash presented in the consolidated statements of cash flows	**$ 304.4**	$ 21.0	$ 44.9

Accounts Receivable. Accounts receivable are stated at cost. The Company does not typically charge interest on customer accounts receivable. The Company records an allowance for credit losses, which includes a provision for probable losses based on historical write-offs, adjusted for current conditions as deemed necessary, and a specific reserve for accounts deemed at risk. The allowance is the Company's estimate for receivables as of the balance sheet date that ultimately will not be collected. Any changes in the allowance are reflected in earnings in the period in which the change occurs. The Company writes-off accounts receivable when it becomes probable, based upon customer facts and circumstances, that such amounts will not be collected.

Inventories Valuation. Finished products and in process inventories are stated at the lower of cost or net realizable value using standard costs, which approximate the first-in, first-out method. Carrying value for parts and supplies are determined by the weighted-average cost method. The Company records an allowance for finished product inventories based on an analysis of future demand and inventory on hand in excess of historical sales for a twelve-month period or an annual average for a period of up to five years. The Company also establishes an allowance for parts over five years old and supplies over a year old.

Post-production stripping costs, which represent costs of removing overburden and waste materials to access mineral deposits, are a component of inventory production costs and recognized as incurred.

Property, Plant and Equipment. Property, plant and equipment are stated at cost.

The estimated service lives for property, plant and equipment are as follows:

Class of Assets	Range of Service Lives
Buildings	5 to 30 years
Machinery & Equipment	2 to 20 years
Land Improvements	5 to 60 years

The Company begins capitalizing quarry development costs at a point when reserves are determined to be proven or probable, economically mineable and when demand supports investment in the market. Capitalization of these costs ceases when production commences. Capitalized quarry development costs are classified as land improvements and depreciated over the life of the reserves.

The Company reviews relevant facts and circumstances to determine whether to capitalize or expense pre-production stripping costs when additional pits are developed at an existing quarry. If the additional pit operates in a separate and distinct area of the quarry, these costs are capitalized as quarry development costs and depreciated over the life of the uncovered reserves. Additionally, a separate asset retirement obligation is created for additional pits when the liability is incurred. Once a pit enters the production phase, all post-production stripping costs are charged to inventory production costs as incurred.

Mineral reserves and mineral interests acquired in connection with a business combination are valued using an income approach for the estimated life of the reserves. The Company's aggregates reserves average approximately 90 years, based on 2020 production levels.

Depreciation is computed based on estimated service lives using the straight-line method. Depletion of mineral reserves is calculated based on proven and probable reserves using the units-of-production method on a quarry-by-quarry basis.

Property, plant and equipment are reviewed for impairment whenever facts and circumstances indicate that the carrying amount of an asset group may not be recoverable. An impairment loss is recognized if expected future undiscounted cash flows over the estimated remaining service life of the related asset group are less than the asset group's carrying value.

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

Leases. If the Company determines a contract is or contains a lease at inception of the agreement, the Company records right-of-use (ROU) assets, which represent the Company's right to use an underlying leased asset, and leased liabilities, which represent the Company's obligation to make lease payments. The ROU asset and lease liability are recorded on the consolidated balance sheet at the present value of the future lease payments over the lease term at commencement date. The Company determines the present value of lease payments based on the implicit interest rate, which may be explicitly stated in the lease, if available, or may be the Company's estimated collateralized incremental borrowing rate based on the term of the lease. Initial ROU assets also include any lease payments made at or before commencement date and any initial direct costs incurred and are reduced by lease incentives. Certain of the Company's leases contain renewal and/or termination options. The Company recognizes renewal or termination options as part of its ROU assets and lease liabilities when the Company has the unilateral right to renew or terminate and it is reasonably certain these options will be exercised.

Some leases require the Company to pay non-lease components, which may include taxes, maintenance, insurance and certain other expenses applicable to the leased property, and are primarily variable costs. The Company accounts for lease and non-lease components as a single amount, with the exception of railcar and fleet vehicle leases, for which the Company separately accounts for the lease and non-lease components.

Leases are evaluated and determined to be either operating leases or finance leases. The lease is a finance lease if it: transfers ownership to the underlying asset by the end of the lease term; includes a purchase option that is reasonably certain to be exercised; has a lease term for the major part of the remaining economic life of the underlying asset; has a present value of the sum of the lease payments that equals or exceeds substantially all of the fair value of the underlying asset; or is for an underlying asset that is of a specialized nature and is expected to have no alternative use to the lessor at the end of the lease term. If none of these terms exist, the lease is an operating lease.

Leases with an initial lease term of one year or less are not recorded on the balance sheet. Costs for these leases are expensed as incurred.

In the consolidated statements of earnings, operating lease expense, which is recognized on a straight-line basis over the lease term, and the amortization of finance lease ROU assets are included in cost of revenues or selling, general and administrative expenses. Accretion on the liabilities for finance leases is included in interest expense.

Goodwill and Other Intangible Assets. Goodwill represents the excess purchase price paid for acquired businesses over the estimated fair value of identifiable assets and liabilities. Other intangible assets represent amounts assigned principally to contractual agreements and are either amortized ratably over the useful lives to the Company or not amortized if deemed to have an indefinite useful life.

The Company's reporting units, which represent the level at which goodwill is tested for impairment, are based on the operating segments of the Building Materials business. Goodwill is assigned to the respective reporting unit(s) based on the location of acquisitions at the time of consummation. Goodwill is tested for impairment by comparing each reporting unit's fair value to its carrying value, which represents a Step-1 approach. However, prior to Step 1, the Company may perform a qualitative assessment and evaluate macroeconomic conditions, industry and market conditions, cost factors, overall financial performance and other business or reporting unit-specific events that contribute to the fair value of a reporting unit. If the Company concludes it is more-likely-than-not (i.e., a likelihood of more than 50%) that a reporting unit's fair value is higher than its carrying value, the Company is not required to perform any further goodwill impairment testing for that reporting unit. Otherwise, the Company proceeds to Step 1, and if a reporting unit's fair value exceeds its carrying value, there is no impairment. A reporting unit with a carrying value in excess of its fair value results in an impairment charge equal to the difference.

The carrying values of goodwill and other indefinite-lived intangible assets are reviewed for impairment annually, as of October 1. An interim review is performed between annual tests if facts and circumstances indicate potential impairment. The carrying value of other amortizable intangible assets is reviewed if facts and circumstances indicate potential impairment. If a review indicates the carrying value is impaired, a charge is recorded.

Retirement Plans and Postretirement Benefits. The Company sponsors defined benefit retirement plans and also provides other postretirement benefits. The Company recognizes the funded status, defined as the difference between the fair value of plan assets and the benefit obligation, of its pension plans and other postretirement benefits as an asset or liability on the consolidated balance sheets. Actuarial gains or losses that arise during the year are recognized as a component of accumulated other comprehensive earnings or loss. Those amounts are amortized over the participants' average remaining service period and recognized as a component of net periodic benefit cost. The amount amortized is determined using a corridor approach and represents the excess over 10% of the greater of the projected benefit obligation or pension plan assets.

Insurance Reserves. The Company has insurance coverage with large deductibles for workers' compensation, automobile liability, marine liability and general liability claims, and is also self-insured for health claims. The Company records insurance reserves based on an actuarial-determined analysis, which calculates development factors that are applied to total case reserves within the insurance programs. While the Company believes the assumptions used to calculate these liabilities are appropriate, significant differences in actual experience and/or significant changes in these assumptions may materially affect insurance costs.

Stock-Based Compensation. The Company has stock-based compensation plans for employees and its Board of Directors. The Company recognizes all forms of stock-based awards that vest as compensation expense. The compensation expense is the fair value of the awards at the measurement date and is recognized over the requisite service period. Forfeitures are recognized as they occur.

The fair value of restricted stock awards, incentive compensation stock awards and Board of Directors' fees paid in the form of common stock are based on the closing price of the Company's common stock on the grant dates. The fair value of performance stock awards as of the grant dates is determined using a Monte Carlo simulation methodology.

Environmental Matters. The Company records a liability for an asset retirement obligation at fair value in the period in which it is incurred. The asset retirement obligation is recorded at the acquisition date of a long-lived tangible asset if the fair value can be reasonably estimated. A corresponding amount is capitalized as part of the asset's carrying amount. The fair value is affected by management's assumptions regarding the scope of the work, inflation rates and asset retirement dates.

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

Income Taxes. Deferred income taxes, net, on the consolidated balance sheets reflect the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes, net of valuation allowances. The effect of changes in enacted tax rates on deferred income tax assets and liabilities is charged or credited to income tax expense in the period of enactment.

Uncertain Tax Positions. The Company recognizes a tax benefit when it is more-likely-than-not, based on the technical merits, that a tax position would be sustained upon examination by a taxing authority. The amount to be recognized is measured as the largest amount of tax benefit that is greater than 50% likely of being realized upon ultimate settlement with a taxing authority that has full knowledge of all relevant information. The Company's unrecognized tax benefits are recorded in other liabilities on the consolidated balance sheets or as an offset to the deferred tax asset for tax carryforwards where available.

The Company records interest accrued in relation to unrecognized tax benefits as income tax expense. Penalties, if incurred, are recorded as operating expenses in the consolidated statements of earnings.

Sales Taxes. Sales taxes collected from customers are recorded as liabilities until remitted to taxing authorities and therefore are not reflected in the consolidated statements of earnings.

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

Consolidated Comprehensive Earnings and Accumulated Other Comprehensive Loss. Consolidated comprehensive earnings for the Company consist of consolidated net earnings, adjustments for the funded status of pension and postretirement benefit plans, foreign currency translation adjustments and the amortization of the value of terminated forward starting interest rate swap agreements into interest expense, and are presented in the Company's consolidated statements of comprehensive earnings.

Accumulated other comprehensive loss consists of unrecognized gains and losses related to the funded status of the pension and postretirement benefit plans and foreign currency translation, and is presented on the Company's consolidated balance sheets.

The components of the changes in accumulated other comprehensive loss and related cumulative noncurrent deferred tax assets are as follows:

years ended December 31 (in millions)	Pension and Postretirement Benefit Plans	Foreign Currency	Unamortized Value of Terminated Forward Starting Interest Rate Swap	Total
		2020		
Accumulated other comprehensive loss at beginning of period	**$ (144.9)**	**$ (0.9)**	**$ —**	**$ (145.8)**
Other comprehensive (loss) earnings before reclassifications, net of tax	**(26.6)**	**0.6**	**—**	**(26.0)**
Amounts reclassified from accumulated other comprehensive loss, net of tax	**13.4**	**—**	**—**	**13.4**
Other comprehensive (loss) earnings, net of tax	**(13.2)**	**0.6**	**—**	**(12.6)**
Accumulated other comprehensive loss at end of period	**$ (158.1)**	**$ (0.3)**	**$ —**	**$ (158.4)**
Cumulative noncurrent deferred tax assets at end of period	**$ 89.4**	**$ —**	**$ —**	**$ 89.4**
		2019		
Accumulated other comprehensive loss at beginning of period	$ (141.5)	$ (2.1)	$ —	$ (143.6)
Other comprehensive (loss) earnings before reclassifications, net of tax	(14.5)	1.2	—	(13.3)
Amounts reclassified from accumulated other comprehensive loss, net of tax	11.1	—	—	11.1
Other comprehensive (loss) earnings, net of tax	(3.4)	1.2	—	(2.2)
Accumulated other comprehensive loss at end of period	$ (144.9)	$ (0.9)	$ —	$ (145.8)
Cumulative noncurrent deferred tax assets at end of period	$ 85.2	$ —	$ —	$ 85.2
		2018		
Accumulated other comprehensive loss at beginning of period	$ (128.8)	$ —	$ (0.3)	$ (129.1)
Other comprehensive loss before reclassifications, net of tax	(22.9)	(2.1)	—	(25.0)
Amounts reclassified from accumulated other comprehensive loss, net of tax	10.2	—	0.3	10.5
Other comprehensive (loss) earnings, net of tax	(12.7)	(2.1)	0.3	(14.5)
Accumulated other comprehensive loss at end of period	$ (141.5)	$ (2.1)	$ —	$ (143.6)
Cumulative noncurrent deferred tax assets at end of period	$ 84.2	$ —	$ —	$ 84.2

Reclassifications out of accumulated other comprehensive loss are as follows:

years ended December 31 (in millions)	**2020**	2019	2018	**Affected line items in the consolidated statements of earnings**
Pension and postretirement benefit plans:				
Settlement charge	**$ 3.7**	$ —	$ 2.9	
Amortization of:				
Prior service credit	**(0.1)**	(0.8)	(2.0)	
Actuarial loss	**14.3**	15.5	12.7	
	17.9	14.7	13.6	Other nonoperating (income) and expenses, net
Tax effect	**(4.5)**	(3.6)	(3.4)	Income tax expense
Total	**$ 13.4**	$ 11.1	$ 10.2	
Unamortized value of terminated forward starting interest rate swap:				
Additional interest expense	**$ —**	$ —	$ 0.5	Interest expense
Tax effect	**—**	—	(0.2)	Income tax expense
Total	**$ —**	$ —	$ 0.3	

Earnings Per Common Share. The Company computes earnings per common share (EPS) pursuant to the two-class method. The two-class method determines EPS for common stock and participating securities according to dividends or dividend equivalents and their respective participation rights in undistributed earnings. The Company paid nonforfeitable dividend equivalents during the vesting period on its restricted stock awards and incentive stock awards made prior to 2016, which results in these being considered participating securities.

The numerator for basic and diluted earnings per common share is net earnings attributable to Martin Marietta, reduced by dividends and undistributed earnings attributable to the Company's participating securities. The denominator for basic earnings per common share is the weighted-average number of common shares outstanding during the period. Diluted earnings per common share is computed assuming that the weighted-average number of common shares is increased by the conversion, using the treasury stock method, of awards issued to employees and nonemployee members of the Company's Board of Directors under certain stock-based compensation arrangements if the conversion is dilutive.

The following table reconciles the numerator and denominator for basic and diluted earnings per common share:

years ended December 31 (in millions)	**2020**	2019	2018
Net earnings attributable to Martin Marietta	**$ 721.0**	$ 611.9	$ 470.0
Less: distributed and undistributed earnings attributable to unvested participating securities	**0.6**	0.9	0.8
Basic and diluted net earnings attributable to common shareholders attributable to Martin Marietta	**$ 720.4**	$ 611.0	$ 469.2
Basic weighted-average common shares outstanding	**62.3**	62.5	62.9
Effect of dilutive employee and director awards	**0.1**	0.2	0.2
Diluted weighted-average common shares outstanding	**62.4**	62.7	63.1

Reclassifications. Certain reclassifications were made to the comparative years' financial statements and notes to the financial statements to conform to the December 31, 2020 presentation. Such reclassifications had no impact on the Company's previously reported results of operations, financial position or cash flows.

New Accounting Pronouncements

Credit Losses

Effective January 1, 2020, the Company adopted ASU 2016-13, *Financial Instruments – Credit Losses* (ASU 2016-13), which includes a current expected credit loss (CECL) model that requires an entity to estimate credit losses expected over the life of an exposure or pool of exposures based on historical information, current information and reasonable and supportable forecasts at the time the asset is recognized and is remeasured at each reporting period. ASU 2016-13 primarily relates to the Company's receivables, but the scope also includes retainage and contract assets related to its paving business. The adoption of ASU 2016-13 did not have a material impact on the Company's financial position or statement of earnings and comprehensive earnings, but the Company amended its allowance for credit losses policy for the implementation of ASU 2016-13.

Defined Benefit Plan Disclosures

Effective for the year ended December 31, 2020, the Company adopted ASU 2018-14, *Compensation—Retirement Benefits—Defined Benefit Plans—General* (ASU 2018-14), which simplifies disclosures requirements for defined benefit plans. ASU 2018-14 requires explanations for significant gains and losses related to changes in the benefit obligation; eliminates sensitivity disclosures for a one-percent change in the assumed health care cost trend rate; and eliminates the disclosure of the estimated amounts in accumulated other comprehensive income/loss expected to be recognized in net periodic benefit costs over the next year. Disclosures in Note K have been modified on a retrospective basis for all years presented.

Leases

Effective January 1, 2019, the Company adopted ASC 842, which applies to virtually all leases, excluding mineral interest royalty agreements. ASC 842 requires the modified retrospective transition approach, applying the new standard to all leases existing at the date of initial application. It further states that an entity may use either 1) its effective date or 2) the beginning of the earliest comparative period presented in the financial statements as its date of initial application. The Company used the effective date as the date of initial application. As such, financial information and disclosures required under ASC 842 are not provided for dates and periods prior to January 1, 2019.

The lease standard provides a number of practical expedients for transition accounting. The Company elected the "package of practical expedients", which permitted the Company to not reassess its prior conclusions about lease identification, lease classification and initial direct costs. The Company elected the practical expedients pertaining to the use of hindsight and to land easements. Applying the hindsight practical expedient resulted in longer lease terms for many leases.

The adoption of ASC 842 resulted in the recognition of ROU assets and lease liabilities of $502.5 million and $501.6 million, respectively, for operating leases and $10.9 million and $12.1 million, respectively, for finance leases. The adoption did not have a material impact on the Company's consolidated statement of earnings or consolidated statement of cash flows.

Note B: Revenue Recognition

Performance Obligations. Performance obligations are contractual promises to transfer or provide a distinct good or service for a stated price. The Company's product sales agreements are single-performance obligations that are satisfied at a point in time. Performance obligations within paving service agreements are satisfied over time, primarily ranging from one day to two years. For product revenues and freight revenues, customer payment terms are generally 30 days from invoice date. Customer payments for the paving operations are based on a contractual billing schedule and are due 30 days from invoice date.

Future revenues from unsatisfied performance obligations at December 31, 2020, 2019 and 2018 were $110.1 million, $136.1 million and $78.1 million, respectively, where the remaining periods to complete these obligations ranged from one month to 22 months.

Sales Taxes. The Company is deemed to be an agent when collecting sales taxes from customers. Sales taxes collected are recorded as liabilities until remitted to taxing authorities and are not reflected in the consolidated statements of earnings as revenues and expenses.

Revenue by Category. The following table presents the Company's total revenues by category for each reportable segment:

years ended December 31 (in millions)	Products and Services		Freight		Total	
			2020			
East Group	**$**	**1,826.6**	**$**	**122.5**	**$**	**1,949.1**
West Group		**2,384.6**		**153.5**		**2,538.1**
Total Building Materials business		**4,211.2**		**276.0**		**4,487.2**
Magnesia Specialties		**220.9**		**21.8**		**242.7**
Total	**$**	**4,432.1**	**$**	**297.8**	**$**	**4,729.9**
			2019			
East Group	$	1,814.5	$	134.5	$	1,949.0
West Group		2,357.9		160.9		2,518.8
Total Building Materials business		4,172.4		295.4		4,467.8
Magnesia Specialties		249.9		21.4		271.3
Total	$	4,422.3	$	316.8	$	4,739.1
			2018			
East Group	$	1,539.8	$	103.3	$	1,643.1
West Group		2,172.0		141.5		2,313.5
Total Building Materials business		3,711.8		244.8		3,956.6
Magnesia Specialties		268.6		19.1		287.7
Total	$	3,980.4	$	263.9	$	4,244.3

Service revenues, which solely include the paving operations located in Colorado, were $287.6 million, $250.6 million and $219.6 million for the years ended December 31, 2020, 2019 and 2018, respectively.

Contract Balances. Costs in excess of billings relate to the conditional right to consideration for completed contractual performance and are contract assets on the consolidated balance sheets. Costs in excess of billings are reclassified to accounts receivable when the right to consideration becomes unconditional. Billings in excess of costs relate to customers invoiced in advance of contractual performance and are contract liabilities on the consolidated balance sheets. The following table presents information about the Company's contract balances:

December 31 (in millions)	**2020**		2019	
Costs in excess of billings	**$**	**2.2**	$	2.8
Billings in excess of costs	**$**	**14.0**	$	7.8

Revenues recognized from the beginning balance of contract liabilities for the years ended December 31, 2020 and 2019 were $6.9 million and $6.6 million, respectively.

Retainage, which primarily relates to the paving services, represents amounts that have been billed to customers but payment withheld until final acceptance of the performance obligation by the customer. Included in *Other current assets* on the Company's consolidated balance sheets, retainage was $10.6 million and $10.2 million at December 31, 2020 and 2019, respectively.

Policy Elections. When the Company arranges third-party freight to deliver products to customers, the Company has elected the delivery to be a fulfillment activity rather than a separate performance obligation. Further, the Company acts as a principal in the delivery arrangements and, as required by the revenue standard, the related revenues and costs are presented gross and are included in the consolidated statements of earnings.

Note C: Goodwill and Other Intangible Assets

The following table shows the changes in goodwill by reportable segment and in total:

December 31 (in millions)	East Group	West Group	Total
		2020	
Balance at beginning of period	**$ 574.3**	**$ 1,822.5**	**$ 2,396.8**
Acquisitions	**—**	**17.3**	**17.3**
Goodwill reclassified from/(allocated to) assets held for sale	**0.1**	**(0.1)**	**—**
Divestitures	**—**	**(0.1)**	**(0.1)**
Transfer of operations from East Group to West Group	**(1.9)**	**1.9**	**—**
Balance at end of period	**$ 572.5**	**$ 1,841.5**	**$ 2,414.0**
		2019	
Balance at beginning of period	$ 576.1	$ 1,823.0	$ 2,399.1
Measurement period adjustments	(1.6)	—	(1.6)
Goodwill allocated to assets held for sale	(0.2)	—	(0.2)
Divestitures	—	(0.5)	(0.5)
Balance at end of period	$ 574.3	$ 1,822.5	$ 2,396.8

Intangible assets subject to amortization consist of the following:

December 31 (in millions)	Gross Amount	Accumulated Amortization	Net Balance
		2020	
Noncompetition agreements	**$ 4.2**	**$ (4.1)**	**$ 0.1**
Customer relationships	**91.3**	**(35.6)**	**55.7**
Operating permits	**460.8**	**(48.4)**	**412.4**
Use rights and other	**16.3**	**(13.0)**	**3.3**
Trade names	**12.8**	**(12.3)**	**0.5**
Total	**$ 585.4**	**$ (113.4)**	**$ 472.0**
		2019	
Noncompetition agreements	$ 6.3	$ (6.2)	$ 0.1
Customer relationships	65.6	(30.4)	35.2
Operating permits	459.0	(42.3)	416.7
Use rights and other	16.7	(12.1)	4.6
Trade names	12.8	(10.9)	1.9
Total	$ 560.4	$ (101.9)	$ 458.5

Intangible assets deemed to have an indefinite life that are therefore not amortized consist of the following:

December 31 (in millions)	Building Materials Business	Magnesia Specialties	Total
		2020	
Operating permits	**$ 6.6**	**$ —**	**$ 6.6**
Use rights	**26.7**	**—**	**26.7**
Trade names	**0.2**	**2.5**	**2.7**
Total	**$ 33.5**	**$ 2.5**	**$ 36.0**
		2019	
Operating permits	$ 6.6	$ —	$ 6.6
Use rights	19.0	—	19.0
Trade names	0.2	2.5	2.7
Total	$ 25.8	$ 2.5	$ 28.3

During 2020, the Company acquired $35.2 million of intangible assets, consisting of the following:

(in millions, except year data)	Amount	Weighted-average amortization period
Subject to amortization:		
Customer relationships	$ 25.8	15 years
Operating permits	1.9	35 years
Total subject to amortization	$ 27.7	16 years
Not subject to amortization:		
Use Rights	$ 7.5	N/A
Total	$ 35.2	

Total amortization expense for intangible assets for the years ended December 31, 2020, 2019 and 2018 was $13.4 million, $13.0 million and $13.9 million, respectively.

The estimated amortization expense for intangible assets for each of the next five years and thereafter is as follows:

(in millions)	
2021	$ 14.1
2022	12.9
2023	12.5
2024	12.3
2025	12.2
Thereafter	408.0
Total	$ 472.0

Note D: Business Combinations

In August 2020, the Company acquired certain assets, including a sand and gravel plant and four ready mixed concrete operations. This acquisition provides customer expansion in the Dallas/Fort Worth, Texas market and the ability to internally source ready mixed concrete raw materials from the Company's legacy aggregates and cement operations. The Company determined fair values of the assets acquired and liabilities assumed. As of December 31, 2020, the measurement period is closed. The impact of this acquisition is not material to the Company's operating results; therefore, pro-forma financial information is not included.

Note E: Accounts Receivable, Net

December 31 (in millions)		2020		2019
Customer receivables	**$**	**572.6**	$	564.4
Other current receivables		**8.4**		14.0
Total accounts receivable		**581.0**		578.4
Less: allowance for estimated credit losses		**(5.9)**		(4.7)
Accounts receivable, net	**$**	**575.1**	$	573.7

Of the total accounts receivable, net, balances, $3.9 million and $2.9 million at December 31, 2020 and 2019, respectively, were due from unconsolidated affiliates.

Note F: Inventories, Net

December 31 (in millions)		2020		2019
Finished products	**$**	**667.0**	$	643.6
Products in process		**37.1**		41.9
Raw materials		**35.3**		32.4
Supplies and expendable parts		**149.9**		141.5
Total inventories		**889.3**		859.4
Less: allowances		**(180.3)**		(168.6)
Inventories, net	**$**	**709.0**	$	690.8

Note G: Property, Plant and Equipment, Net

December 31 (in millions)		2020		2019
Land and land improvements	**$**	**1,231.9**	$	1,135.0
Mineral reserves and interests		**2,529.7**		2,509.8
Buildings		**164.2**		163.4
Machinery and equipment		**4,782.0**		4,548.6
Construction in progress		**209.4**		258.4
Finance lease right-of-use assets		**37.8**		18.3
Total property, plant and equipment		**8,955.0**		8,633.5
Less: accumulated depreciation, depletion and amortization		**(3,712.7)**		(3,427.5)
Property, plant and equipment, net	**$**	**5,242.3**	$	5,206.0

Depreciation, depletion and amortization expense related to property, plant and equipment was $376.3 million, $354.4 million and $326.1 million for the years ended December 31, 2020, 2019 and 2018, respectively. Depreciation, depletion and amortization expense for 2020 and 2019 includes amortization of right-of-use assets from finance leases and for 2018 includes amortization of machinery and equipment under capital leases.

Interest expense of $4.2 million, $5.1 million and $3.0 million was capitalized during 2020, 2019 and 2018, respectively.

At December 31, 2020 and 2019, $46.0 million and $49.7 million, respectively, of the Building Materials business' property, plant and equipment, net, were located in foreign countries, namely The Bahamas and Canada.

Note H: Long-Term Debt

December 31 (in millions)	2020	2019
4.25% Senior Notes, due 2024	**$ 397.6**	$ 397.0
7% Debentures, due 2025	**124.5**	124.4
3.450% Senior Notes, due 2027	**297.6**	297.3
3.500% Senior Notes, due 2027	**495.8**	495.3
2.500% Senior Notes, due 2030	**490.1**	—
6.25% Senior Notes, due 2037	**228.2**	228.1
4.250% Senior Notes, due 2047	**591.9**	591.7
Floating Rate Senior Notes, due 2020, interest rate of 2.55% at December 31, 2019	—	299.7
Trade Receivable Facility, interest rate of 2.42% at December 31, 2019	—	340.0
Other notes	**0.1**	0.1
Total debt	**2,625.8**	2,773.6
Less: current maturities	—	(340.0)
Long-term debt	**$ 2,625.8**	$ 2,433.6

On March 5, 2020, the Company issued $500.0 million aggregate principal amount of 2.500% Senior Notes due 2030 (the 2.500% Senior Notes). The 2.500% Senior Notes are carried net of original issue discount, which is being amortized by the effective interest method over the life of the issue. The 2.500% Senior Notes are redeemable prior to December 15, 2029 at their make-whole redemption price at a discount rate of the U.S. Treasury Rate plus 30 basis points, or on or after December 15, 2029 at a redemption price equal to 100% of the principal amount plus accrued and unpaid interest to the date of redemption. The Company used the net proceeds for general corporate purposes, including the repayment of $300.0 million of Floating Rate Senior Notes at maturity in May 2020. At December 31, 2019, the Floating Rate Senior Notes due May 2020 were classified as noncurrent long-term debt on the consolidated balance sheet as the Company had the intent and ability to refinance the notes on a long-term basis.

The Company's 4.25% Senior Notes due 2024, 7% Debentures due 2025, 3.450% Senior Notes due 2027, 3.500% Senior Notes due 2027, 2.500% Senior Notes due 2030, 6.25% Senior Notes due 2037 and 4.250% Senior Notes due 2047 (collectively, the Senior Notes) are senior unsecured obligations of the Company, ranking equal in right of payment with the Company's existing and future unsubordinated indebtedness. Upon a change-of-control repurchase event and a resulting below-investment-grade credit rating, the Company would be required to make an offer to repurchase all outstanding Senior Notes, with the exception of the 7% Debentures due 2025, at a price in cash equal to 101% of the principal amount of the Senior Notes, plus any accrued and unpaid interest.

The Senior Notes are carried net of original issue discount, which is being amortized by the effective interest method over the life of the issue. The Senior Notes are redeemable prior to their respective maturity dates at a make-whole redemption price. The principal amount, effective interest rate and maturity date for the Senior Notes are as follows:

	Principal Amount (in millions)	Effective Interest Rate	Maturity Date
4.25% Senior Notes	$ 400.0	4.25%	July 2, 2024
7% Debentures	$ 125.0	7.12%	December 1, 2025
3.450% Senior Notes	$ 300.0	3.47%	June 1, 2027
3.500% Senior Notes	$ 500.0	3.53%	December 15, 2027
2.500% Senior Notes	$ 500.0	2.71%	March 15, 2030
6.25% Senior Notes	$ 230.0	6.45%	May 1, 2037
4.250% Senior Notes	$ 600.0	4.27%	December 15, 2047

The Company has a credit agreement with JPMorgan Chase Bank, N.A., as Administrative Agent, Truist Bank, Deutsche Bank Securities, Inc., and Wells Fargo Bank, N.A., as Co-Syndication Agents, and the lenders party thereto (the Credit Agreement), which provides for a $700.0 million five-year senior unsecured revolving facility (the Revolving Facility). Borrowings under the

Revolving Facility bear interest, at the Company's option, at rates based upon the London Inter-bank Offered Rate (LIBOR) or a base rate, plus, for each rate, a margin determined in accordance with a ratings-based pricing grid.

The Credit Agreement requires the Company's ratio of consolidated net debt-to-consolidated earnings before interest, taxes, depreciation, depletion and amortization, as defined, for the trailing-twelve months (the Ratio) to not exceed 3.50x as of the end of any fiscal quarter, provided that the Company may exclude from the Ratio debt incurred in connection with certain acquisitions during the quarter or three preceding quarters so long as the Ratio calculated without such exclusion does not exceed 3.75x. Additionally, if no amounts are outstanding under both the Revolving Facility and the trade receivable securitization facility (discussed later), consolidated debt, including debt for which the Company is a co-borrower (see Note O), shall be reduced by the Company's unrestricted cash and cash equivalents in excess of $50.0 million, such reduction not to exceed $200.0 million, for purposes of the covenant calculation. The Company was in compliance with the Ratio at December 31, 2020.

The Revolving Facility expires on December 5, 2024, with any outstanding principal amounts, together with interest accrued thereon, due in full on that date. Available borrowings under the Revolving Facility are reduced by any outstanding letters of credit issued by the Company under the Revolving Facility. At December 31, 2020 and 2019, the Company had $2.6 million and $2.3 million, respectively, of outstanding letters of credit issued under the Revolving Facility and $697.4 million and $697.7 million, respectively, available for borrowing under the Revolving Facility. The Company paid the bank group an upfront loan commitment fee that is being amortized over the life of the Revolving Facility. The Revolving Facility includes an annual facility fee.

The Company, through a wholly-owned special-purpose subsidiary, has a $400.0 million trade receivable securitization facility (the Trade Receivable Facility). On September 23, 2020, the Company extended the maturity to September 22, 2021. The Trade Receivable Facility, with Truist Bank, Regions Bank, PNC Bank, N.A., The Bank of Tokyo-Mitsubishi UFJ, Ltd., New York Branch, and certain other lenders that may become a party to the facility from time to time, is backed by eligible trade receivables, as defined. Borrowings are limited to the lesser of the facility limit or the borrowing base, as defined. These receivables are originated by the Company and then sold or contributed to the wholly-owned special-purpose subsidiary. The Company continues to be responsible for the servicing and administration of the receivables purchased by the wholly-owned special-purpose subsidiary. Borrowings under the Trade Receivable Facility bear interest at a rate equal to asset-backed commercial paper costs of conduit lenders plus 0.85% for borrowings funded by conduit lenders and one-month LIBOR plus 1.00%, subject to change in the event that this rate no longer reflects the lender's cost of lending, for borrowings funded by all other lenders. The Trade Receivable Facility contains a cross-default provision to the Company's other debt agreements. At December 31, 2020, there were no borrowings outstanding under the Trade Receivable Facility and $340.0 million of borrowings outstanding at December 31, 2019.

The Company's long-term debt maturities for the five years following December 31, 2020, and thereafter are:

(in millions)	
2021	$ —
2022	0.1
2023	—
2024	397.6
2025	124.5
Thereafter	2,103.6
Total	$ 2,625.8

Note I: Financial Instruments

The Company's financial instruments include temporary cash investments, restricted cash, accounts receivable, notes receivable, accounts payable, publicly-registered long-term notes, debentures and other long-term debt.

Temporary cash investments are placed primarily in money market funds, money market demand deposit accounts or offshore time deposit accounts with financial institutions. The Company's cash equivalents have maturities of less than three months. Due to the short maturity of these investments, they are carried on the consolidated balance sheets at cost, which approximates fair value.

Restricted cash is held in a trust account with a third-party intermediary. Due to the short-term nature of this account, the fair value of restricted cash approximates its carrying value.

Accounts receivable are due from a large number of customers, primarily in the construction industry, and are dispersed across wide geographic and economic regions. However, accounts receivable are more heavily concentrated in certain states, namely Texas, Colorado, North Carolina, Georgia and Iowa. The estimated fair values of accounts receivable approximate their carrying amounts.

Notes receivable are primarily promissory notes with customers and are not publicly traded. Management estimates that the fair value of notes receivable approximates its carrying amount.

Accounts payable represent amounts owed to suppliers and vendors. The estimated fair value of accounts payable approximates its carrying amount due to the short-term nature of the payables.

The carrying values and fair values of the Company's long-term debt were $2.63 billion and $3.08 billion, respectively, at December 31, 2020 and $2.77 billion and $2.94 billion, respectively, at December 31, 2019. The estimated fair value of the Company's publicly-registered long-term debt was estimated based on Level 2 of the fair value hierarchy using quoted market prices. The estimated fair values of other borrowings, which primarily represent variable-rate debt, approximate their carrying amounts as the interest rates reset periodically.

Note J: Income Taxes

The components of the Company's income tax expense are as follows:

years ended December 31 (in millions)	**2020**	2019	2018
Federal income taxes:			
Current	**$ 91.9**	$ 83.9	$ 15.3
Deferred	**45.4**	31.1	69.6
Total federal income taxes	**137.3**	115.0	84.9
State income taxes:			
Current	**21.0**	20.5	6.0
Deferred	**8.7**	(1.5)	14.1
Total state income taxes	**29.7**	19.0	20.1
Foreign income taxes:			
Current	**1.2**	2.8	(1.4)
Deferred	**—**	(0.5)	2.1
Total foreign income taxes	**1.2**	2.3	0.7
Income tax expense	**$ 168.2**	$ 136.3	$ 105.7

For the year ended December 31, 2018, the benefit related to the utilization of federal net operating loss (NOL) carryforwards, reflected in current tax expense, was $5.8 million. Additionally, for the year ended December 31, 2018, the Company completed the accounting for the impact of the 2017 Tax Cuts and Jobs Act and recorded a net income tax benefit of $18.9 million, primarily related to the accelerated deductions for pension funding, inventory and insurance prepayments that were claimed on the Company's 2017 income tax returns.

For the years ended December 31, 2020, 2019 and 2018, foreign pretax earnings were $8.9 million, $15.1 million and $5.7 million, respectively.

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

years ended December 31	**2020**	2019	2018
Statutory income tax rate	**21.0%**	21.0%	21.0%
(Reduction) increase resulting from:			
Effect of statutory depletion	**(2.8)**	(3.4)	(3.4)
State income taxes, net of federal tax benefit	**2.6**	2.0	2.8
Railroad track maintenance credits	**(1.3)**	—	—
Change in tax status of subsidiary	—	(1.7)	—
Impact from 2017 Tax Cuts and Jobs Act	—	—	(3.3)
Other items	**(0.6)**	0.3	1.2
Effective income tax rate	**18.9%**	18.2%	18.3%

The statutory depletion deduction for all years is calculated as a percentage of sales, subject to certain limitations. Due to these limitations, the impact of changes in the sales volumes and earnings may not proportionately affect the Company's statutory depletion deduction and the corresponding impact on the effective income tax rate.

In 2020, the Company financed third-party railroad track maintenance. In exchange, the Company received a federal income tax credit and deduction.

The Company recognized a net tax benefit from the change in tax status of a subsidiary from a partnership to a corporation in 2019, which reduced income tax expense and increased consolidated net earnings by $15.2 million, or $0.24 per diluted share.

The principal components of the Company's deferred tax assets and liabilities are as follows:

December 31	**Deferred Assets (Liabilities)**	
(in millions)	**2020**	2019
Deferred tax assets related to:		
Inventories	**$ 69.6**	$ 62.6
Valuation and other reserves	**34.7**	22.3
Net operating loss carryforwards	**9.0**	10.5
Accumulated other comprehensive loss	**89.4**	85.2
Lease liabilities	**105.6**	114.7
Other items, net	**2.3**	2.9
Gross deferred tax assets	**310.6**	298.2
Valuation allowance on deferred tax assets	**(8.1)**	(9.0)
Total net deferred tax assets	**302.5**	289.2
Deferred tax liabilities related to:		
Property, plant and equipment	**(743.3)**	(700.8)
Goodwill and other intangibles	**(154.6)**	(151.7)
Right-of-use assets	**(111.3)**	(112.1)
Partnerships and joint ventures	**(27.4)**	(27.4)
Employee benefits	**(47.4)**	(30.2)
Total deferred tax liabilities	**(1,084.0)**	(1,022.2)
Deferred income taxes, net	**$ (781.5)**	$ (733.0)

The Company had $3.1 million and $4.1 million of domestic federal NOL carryforwards at December 31, 2020 and 2019, respectively. The Company had domestic state NOL carryforwards of $137.1 million and $161.0 million at December 31, 2020 and 2019, respectively. These carryforwards have various expiration dates through 2040. At December 31, 2020 and 2019, deferred tax assets associated with these carryforwards were $9.0 million and $10.5 million, respectively, net of the federal benefit of the state deduction, for which valuation allowances of $8.1 million and $9.0 million, respectively, were recorded. The Company also had domestic state tax credit carryforwards of $1.0 million and $1.1 million at December 31, 2020 and 2019, respectively, which have various expiration dates through 2040. At December 31, 2020 and 2019, deferred tax assets associated with these carryforwards were $0.8 million and $0.9 million, respectively, net of the federal benefit of the state deduction.

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

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

The Company expects to permanently reinvest the earnings from its wholly-owned Canadian and Bahamian subsidiaries, and accordingly, has not provided deferred taxes on the subsidiaries' undistributed net earnings or basis differences. The Company believes that the tax liability that would be incurred upon repatriation is immaterial at December 31, 2020.

The following table summarizes the Company's unrecognized tax benefits, excluding interest and correlative effects of $0.2 million, $1.7 million and $0.6 million for the years ended December 31, 2020, 2019 and 2018 respectively:

years ended December 31 (in millions)	**2020**	2019	2018
Unrecognized tax benefits at beginning of year	**$ 25.5**	$ 24.1	$ 22.4
Gross increases – tax positions in prior years	**0.2**	0.4	0.9
Gross decreases – tax positions in prior years	**—**	—	—
Gross increases – tax positions in current year	**0.1**	1.8	1.8
Gross decreases – tax positions in current year	**(0.2)**	(0.8)	(1.0)
Lapse of statute of limitations	**(17.4)**	—	—
Unrecognized tax benefits at end of year	**$ 8.2**	$ 25.5	$ 24.1
Amount that, if recognized, would favorably impact the effective tax rate	**$ 6.4**	$ 15.5	$ 12.8

Unrecognized tax benefits are reversed as a discrete event if an examination of applicable tax returns is not initiated by a federal or state tax authority within the statute of limitations or upon effective settlement with federal or state tax authorities. For the year ended December 31, 2020, $9.7 million was reversed into income upon the statute of limitations expiration for the 2016 and all prior open tax years. Management believes its accrual for unrecognized tax benefits is sufficient to cover uncertain tax positions reviewed during audits by taxing authorities.

The Company anticipates that it is reasonably possible that its unrecognized tax benefits may decrease up to $4.4 million, excluding interest and correlative effects, during the twelve months ending December 31, 2021, due to the expiration of the statutes of limitations for the 2017 tax year.

The Company's tax years subject to federal, state or foreign examinations are 2016 through 2020.

Note K: Retirement Plans, Postretirement and Postemployment Benefits

The Company sponsors defined benefit retirement plans that cover substantially all employees. Additionally, the Company provides other postretirement benefits for certain employees, including medical benefits for retirees and their spouses and retiree life insurance. Employees starting on or after January 1, 2002 are not eligible for postretirement welfare plans. The Company also provides certain benefits, such as disability benefits, to former or inactive employees after employment but before retirement.

The measurement date for the Company's defined benefit plans, postretirement benefit plans and postemployment benefit plans is December 31.

Defined Benefit Retirement Plans. Retirement plan assets are invested in listed stocks, bonds, hedge funds, real estate and cash equivalents. Defined retirement benefits for salaried employees are based on each employee's years of service and average compensation for a specified period of time before retirement. Defined retirement benefits for hourly employees are generally stated amounts for specified periods of service.

The Company 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 generally provides for a lump-sum payment of vested benefits. When these benefit payments exceed the sum of the service and interest costs for the SERP during a year, the Company recognizes a pro rata portion of the SERP's unrecognized actuarial loss as settlement expense.

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

years ended December 31 (in millions)	**2020**	2019	2018
Service cost	**$ 39.2**	$ 30.8	$ 31.7
Interest cost	**37.1**	37.6	33.2
Expected return on assets	**(58.4)**	(47.9)	(46.0)
Amortization of:			
Prior service cost	**0.7**	—	0.1
Actuarial loss	**14.5**	16.0	12.8
Settlement charge	**3.7**	—	2.9
Net periodic benefit cost	**$ 36.8**	$ 36.5	$ 34.7

The components of net periodic benefit cost, other than service cost, are included in the line item *Other nonoperating (income) and expenses, net*, in the consolidated statements of earnings. Based on the roles of the employees, service cost is included in *Cost of revenues – products and services* or *Selling, general and administrative expenses* line items in the consolidated statements of earnings.

The expected return on assets is calculated by applying an annually selected expected long-term rate of return assumption to the estimated fair value of the plan assets during the year, giving consideration to contributions and benefits paid.

The Company recognized the following amounts in consolidated comprehensive earnings:

years ended December 31 (in millions)	**2020**	2019	2018
Actuarial loss	**$ 34.7**	$ 11.7	$ 32.1
Net prior service cost	**—**	6.4	—
Amortization of:			
Prior service cost	**(0.7)**	—	(0.1)
Actuarial loss	**(14.5)**	(16.0)	(12.8)
Settlement charge	**(3.7)**	—	(2.9)
Total	**$ 15.8**	$ 2.1	$ 16.3

Accumulated other comprehensive loss includes the following amounts that have not yet been recognized in net periodic benefit cost:

December 31	**2020**		2019	
(in millions)	**Gross**	**Net of tax**	Gross	Net of tax
Prior service cost	**$ 5.8**	**$ 3.7**	$ 6.4	$ 4.0
Actuarial loss	**245.9**	**157.1**	229.4	144.5
Total	**$ 251.7**	**$ 160.8**	$ 235.8	$ 148.5

The defined benefit plans' change in projected benefit obligation is as follows:

years ended December 31 (in millions)	**2020**	2019
Net projected benefit obligation at beginning of year	**$ 977.8**	$ 847.9
Service cost	**39.2**	30.8
Interest cost	**37.1**	37.6
Actuarial loss	**104.0**	95.2
Plan amendments	**—**	6.4
Gross benefits paid	**(46.2)**	(40.1)
Net projected benefit obligation at end of year	**$ 1,111.9**	$ 977.8

Actuarial losses in 2020 and 2019 are primarily attributable to lower discount rates compared with the prior year.

The Company's change in plan assets, funded status and amounts recognized on the Company's consolidated balance sheets are as follows:

years ended December 31 (in millions)	**2020**	2019
Fair value of plan assets at beginning of year	**$ 868.0**	$ 717.9
Actual return on plan assets, net	**127.7**	131.3
Employer contributions	**88.4**	58.9
Gross benefits paid	**(46.2)**	(40.1)
Fair value of plan assets at end of year	**$ 1,037.9**	$ 868.0

December 31 (in millions)	**2020**	2019
Funded status of the plan at end of year	**$ (74.0)**	$ (109.8)
Accrued benefit cost	**$ (74.0)**	$ (109.8)

December 31 (in millions)	**2020**	2019
Amounts recognized on consolidated balance sheets consist of:		
Noncurrent asset	**$ 42.0**	$ —
Current liability	**(7.2)**	(6.4)
Noncurrent liability	**(108.8)**	(103.4)
Net amount recognized at end of year	**$ (74.0)**	$ (109.8)

The accumulated benefit obligation for all defined benefit pension plans was $974.0 million and $878.7 million at December 31, 2020 and 2019, respectively.

Benefit obligations and fair value of plan assets for pension plans with accumulated benefit obligations in excess of plan assets are as follows:

December 31 (in millions)	**2020**	2019
Projected benefit obligation	**$ 116.6**	$ 107.1
Accumulated benefit obligation	**$ 99.8**	$ 96.4
Fair value of plan assets	**$ 0.6**	$ 0.6

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

	2020	2019
Discount rate	**3.16%**	3.69%
Rate of increase in future compensation levels	**4.50%**	4.50%

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

	2020	2019	2018
Discount rate	**3.69%**	4.38%	3.76%
Rate of increase in future compensation levels	**4.50%**	4.50%	4.50%
Expected long-term rate of return on assets	**6.75%**	6.75%	6.75%

The expected long-term rate of return on assets is based on a building-block approach, whereby the components are weighted based on the allocation of pension plan assets.

As of December 31, 2020 and 2019, the Company estimated the remaining lives of participants in the pension plans using the Pri-2012 Base tables. The no-collar table was used for salaried participants and the blue-collar table was used for hourly participants; both tables were adjusted to reflect the experience of the Company's participants. The Company used the MP-2020 and MP-2018 mortality improvement scale for the years 2020 and 2019, respectively.

The target allocation for 2020 and the actual pension plan asset allocation by asset class are as follows:

	Percentage of Plan Assets		
Asset Class	**2020 Target Allocation**	*December 31* **2020**	2019
Equity securities	56%	**61%**	64%
Debt securities	24%	**24%**	28%
Real estate	10%	**8%**	5%
Private infrastructure	6%	**5%**	0%
Hedge funds	4%	**2%**	3%
Total	100%	**100%**	100%

The Company's investment strategy is for approximately 45% of equity securities, excluding hedge funds and real estate, to be invested in mid-sized to large capitalization U.S. funds, with the remaining invested in small capitalization, emerging markets and international funds. Debt securities, or fixed income investments, are invested in funds benchmarked to the Barclays U.S. Aggregate Bond Index.

The fair values of pension plan assets by asset class and fair value hierarchy level are as follows:

	Fair Value Measurements				
December 31 (in millions)	**Quoted Prices in Active Markets for Identical Assets (Level 1)**	**Significant Observable Inputs (Level 2)**	**Significant Unobservable Inputs (Level 3)**	**Net Asset Value**	**Total Fair Value**
			2020		
Equity securities[1]:					
Mid-sized to large cap	$ —	$ —	$ —	**$ 302.3**	**$ 302.3**
Small cap, international and emerging growth funds	—	—	—	**328.4**	**328.4**
Debt securities[1]:					
Core fixed income	—	—	—	**248.2**	**248.2**
Real estate	—	—	—	**80.4**	**80.4**
Private Infrastructure	—	—	—	**50.2**	**50.2**
Hedge funds	—	—	—	**24.9**	**24.9**
Cash equivalents	**3.5**	—	—	—	**3.5**
Total	**$ 3.5**	**$ —**	**$ —**	**$ 1,034.4**	**$ 1,037.9**
			2019		
Equity securities[1]:					
Mid-sized to large cap	$ —	$ —	$ —	$ 262.5	$ 262.5
Small cap, international and emerging growth funds	—	—	—	290.3	290.3
Debt securities[1]:					
Core fixed income	—	—	—	242.9	242.9
Real estate	—	—	—	42.9	42.9
Hedge funds	—	—	—	26.4	26.4
Cash equivalents	3.0	—	—	—	3.0
Total	$ 3.0	$ —	$ —	$ 865.0	$ 868.0

[1] These investments are common collective investment trusts valued using the net asset value (NAV) unit price provided by the fund administrator. The NAV is based on the value of the underlying assets owned by the fund.

Real estate investments are stated at estimated fair value, which is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair values of real estate investments generally do not reflect transaction costs that may be incurred upon disposition of the real estate investments and do not necessarily represent the prices at which the real estate investments would be sold or repaid, since market prices of real estate investments can only be determined by negotiation between a willing buyer and seller. An independent valuation consultant is employed to determine the fair value of the real estate investments. The value of hedge funds is based on the values of the sub-fund investments. In determining the fair value of each sub-fund's investment, the hedge funds' Board of Trustees uses the values provided by the sub-funds and any other considerations that may, in its judgment, increase or decrease such estimated value. Private infrastructure assets represent investments in a fund that is stated at fair value. For financial assets in the fund that are actively traded in organized financial markets, fair value is based on exchange-quoted market prices. For investments in the fund for which there is no quoted market price, fair value is determined by the Trustees/General Partner based on discounted expected future cash flows prepared by third-party professionals.

In 2020 and 2019, the Company made combined pension plan and SERP contributions of $88.4 million and $58.9 million, respectively. The Company currently estimates that it will contribute $82.6 million to its pension plans in 2021.

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

(in millions)		
2021	$	43.7
2022	$	52.1
2023	$	48.5
2024	$	52.4
2025	$	53.3
Years 2026 - 2030	$	288.4

Postretirement Benefits. The net periodic postretirement benefit credit for postretirement plans includes the following components:

years ended December 31 (in millions)	**2020**	2019	2018
Service cost	**$ —**	$ 0.1	$ 0.1
Interest cost	**0.4**	0.6	0.5
Amortization of:			
Prior service credit	**(0.8)**	(0.8)	(2.1)
Actuarial gain	**(0.2)**	(0.5)	(0.2)
Total net periodic benefit credit	**$ (0.6)**	$ (0.6)	$ (1.7)

The components of net periodic benefit credit, other than service cost, are included in the line item *Other nonoperating (income) and expenses, net,* in the consolidated statements of earnings.

The Company recognized the following amounts in consolidated comprehensive earnings:

years ended December 31 (in millions)	**2020**	2019	2018
Actuarial loss (gain)	**$ 0.5**	$ 1.0	$ (1.7)
Amortization of:			
Prior service credit	**0.8**	0.8	2.1
Actuarial gain	**0.2**	0.5	0.2
Total	**$ 1.5**	$ 2.3	$ 0.6

Accumulated other comprehensive loss includes the following amounts that have not yet been recognized in net periodic benefit credit:

December 31	**2020**		2019	
(in millions)	**Gross**	**Net of tax**	**Gross**	**Net of tax**
Prior service credit	**$ (2.2)**	**$ (1.4)**	$ (3.0)	$ (1.9)
Actuarial gain	**(2.0)**	**(1.3)**	(2.7)	(1.7)
Total	**$ (4.2)**	**$ (2.7)**	$ (5.7)	$ (3.6)

The postretirement health care plans' change in benefit obligation is as follows:

years ended December 31 (in millions)		**2020**		2019
Net benefit obligation at beginning of year	**$**	**13.0**	$	13.3
Service cost		**—**		0.1
Interest cost		**0.4**		0.6
Participants' contributions		**0.7**		1.2
Actuarial loss		**0.5**		1.0
Gross benefits paid		**(2.0)**		(3.2)
Net benefit obligation at end of year	**$**	**12.6**	$	13.0

The postretirement health care plans' change in plan assets, funded status and amounts recognized on the Company's consolidated balance sheets are as follows:

years ended December 31 (in millions)		**2020**		2019
Fair value of plan assets at beginning of year	**$**	**—**	$	—
Employer contributions		**1.3**		2.0
Participants' contributions		**0.7**		1.2
Gross benefits paid		**(2.0)**		(3.2)
Fair value of plan assets at end of year	**$**	**—**	$	—

December 31 (in millions)		**2020**		2019
Funded status of the plan at end of year	**$**	**(12.6)**	$	(13.0)
Accrued benefit cost	**$**	**(12.6)**	$	(13.0)

December 31 (in millions)		**2020**		2019
Amounts recognized on consolidated balance sheets consist of:				
Current liability	**$**	**(1.3)**	$	(2.0)
Noncurrent liability		**(11.3)**		(11.0)
Net amount recognized at end of year	**$**	**(12.6)**	$	(13.0)

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

	2020	2019
Discount rate	**2.48%**	3.29%

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

	2020	2019	2018
Discount rate	**3.29%**	4.15%	3.47%

As of December 31, 2020 and 2019, the Company estimated the remaining lives of participants in the postretirement benefit plans using the Pri-2012 Base tables. The no-collar table was used for salaried participants and the blue-collar table was used for hourly participants; both tables were adjusted to reflect the experience of the Company's participants. The Company used the MP-2020 and MP-2018 mortality improvement scales for the years 2020 and 2019, respectively.

Assumed health care cost trend rates at December 31 are:

	2020	2019
Health care cost trend rate assumed for next year	**6.50%**	6.75%
Rate to which the cost trend rate gradually declines	**4.75%**	4.75%
Year the rate reaches the ultimate rate	**2028**	2028

The Company estimates that it will contribute $1.3 million to its postretirement health care plans in 2021.

The total expected benefit payments to be paid by the Company, net of participant contributions, for each of the next five years and the five-year period thereafter are as follows:

(in millions)		
2021	$	1.3
2022	$	1.4
2023	$	1.3
2024	$	1.2
2025	$	1.1
Years 2026 - 2030	$	4.4

Defined Contribution Plan. The Company maintains a defined contribution plan that covers substantially all employees. This plan, qualified under Section 401(a) of the Internal Revenue Code, is a retirement savings and investment plan for the Company's salaried and hourly employees**.** Under certain provisions of the plan, the Company matches employees' eligible contributions at established rates. The Company's matching obligations were $17.9 million in 2020, $17.6 million in 2019 and $16.5 million in 2018.

Note L: Stock-Based Compensation

On May 19, 2016, the Company's shareholders approved the Martin Marietta Amended and Restated Stock-Based Award Plan. The Martin Marietta Materials, Inc. Stock-Based Award Plan, as amended from time to time, along with the Amended Omnibus Securities Award Plan, originally approved in 1994 (collectively, the Plans), are still effective for awards made prior to 2017. The Company has been authorized by the Board of Directors to repurchase shares of the Company's common stock for issuance under the stock-based award plans (see Note N).

The Company grants restricted stock awards under the Plans to a group of executive officers, key personnel and nonemployee members of the Board of Directors. The vesting of certain restricted stock awards is based on certain performance criteria over a specified period of time. The number of shares may be increased to the maximum or reduced to the minimum threshold based on the results of those criteria. In addition, certain awards are granted to individuals to encourage retention and motivate key employees. These awards generally vest if the employee is continuously employed over a specified period of time and require no payment from the employee. Awards granted to nonemployee members of the Board of Directors vest immediately.

The fair value of stock-based award grants is expensed over the vesting period. Awards to employees eligible for retirement prior to the award becoming fully vested are expensed over the period through the date that the employee first becomes eligible to retire and is no longer required to provide service to earn the award. Awards granted to nonemployee members of the Board of Directors are expensed immediately.

Additionally, an incentive compensation stock plan has been adopted under the Plans whereby certain participants may elect to use up to 50% of their annual incentive compensation to acquire units representing shares of the Company'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 compensation stock plan at established minimum levels. Participants receive unrestricted shares of common stock in an amount equal to their respective units generally at the end of a 34-month period of additional employment from the date of award or at retirement beginning at age 62. All rights of ownership of the common stock convey to the participants upon the issuance of their respective shares at the end of the ownership-vesting period.

The following table summarizes information for restricted stock awards and incentive compensation stock awards for 2020:

	Restricted Stock - Service Based			Restricted Stock - Performance Based			Incentive Compensation Stock		
	Number of Awards		Weighted-Average Grant-Date Fair Value	Number of Awards		Weighted-Average Grant-Date Fair Value	Number of Awards		Weighted-Average Grant-Date Fair Value
January 1, 2020	183,939	$	185.06	124,221	$	204.21	39,584	$	198.83
Awarded	92,472	$	222.39	38,272	$	266.97	21,082	$	258.67
Distributed	(66,797)	$	194.94	(79,192)	$	211.29	(17,354)	$	209.99
Forfeited	(2,633)	$	206.08	(1,367)	$	216.39	(689)	$	201.43
Adjustment for performance	—	$	—	36,642	$	211.29	—	$	—
December 31, 2020	206,981	$	198.28	118,576	$	228.15	42,623	$	223.85

The weighted-average grant-date fair value of service-based restricted stock awards granted during 2020, 2019 and 2018 was $222.39, $196.91 and $211.03, respectively. The weighted-average grant-date fair value of performance-based restricted stock awards granted during 2020, 2019 and 2018 was $266.97, $192.27 and $212.12, respectively. The weighted-average grant-date fair value of incentive compensation stock awards granted during 2020, 2019 and 2018 was $258.67, $192.27 and $212.12, respectively.

The aggregate intrinsic values for unvested restricted stock awards and unvested incentive compensation stock awards at December 31, 2020 were $92.4 million and $4.5 million, respectively, and were based on the closing price of the Company's common stock at December 31, 2020, which was $283.97. The aggregate intrinsic values of restricted stock awards distributed during the years ended December 31, 2020, 2019 and 2018 were $35.2 million, $49.8 million and $23.0 million, respectively. The aggregate intrinsic values of incentive compensation stock awards distributed during the years ended December 31, 2020, 2019 and 2018 were $1.7 million, $1.5 million and $1.7 million, respectively. The aggregate intrinsic values for distributed awards were based on the closing prices of the Company's common stock on the dates of distribution.

Prior to 2016, under the Plans, the Company granted options to employees to purchase its common stock at a price equal to the closing market value at the date of grant. Options become exercisable in four annual installments beginning one year after date of grant. Options granted starting in 2013 expire ten years after the grant date, while outstanding options granted prior to 2013 expire eight years after the grant date.

The following table includes summary information for stock options as of December 31, 2020:

	Number of Options		Weighted-Average Exercise Price	Weighted-Average Remaining Contractual Life (years)
Outstanding at January 1, 2020	58,840	$	108.93	
Exercised	(27,401)	$	86.89	
Terminated	(350)	$	51.64	
Outstanding at December 31, 2020	31,089	$	129.00	3.5
Exercisable at December 31, 2020	31,089	$	129.00	3.5

The aggregate intrinsic values of options exercised during the years ended December 31, 2020, 2019 and 2018 were $3.3 million, $21.6 million and $12.4 million, respectively, and were based on the closing prices of the Company's common stock on the dates of exercise. The aggregate intrinsic values for options outstanding and exercisable at December 31, 2020 were $4.8 million and were based on the closing price of the Company's common stock at December 31, 2020, which was $283.97. The excess tax benefits for stock options exercised during the years ended December 31, 2020, 2019 and 2018 were $0.1 million, $2.0 million and $1.7 million, respectively.

At December 31, 2020, there were approximately 0.6 million awards available for grant under the Plans. In 2016, the Company's shareholders approved the issuance of an additional 0.8 million shares of common stock under the Plans. As part of approving the shares, the Company agreed to not issue any additional awards under the legacy TXI plan. The awards available for grant under the Plans at December 31, 2020 reflect no awards available under the legacy TXI plan.

In 1996, the Company adopted the Shareholder Value Achievement Plan to award shares of the Company'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, 0.3 million shares of common stock were reserved for issuance. Through December 31, 2020, 42,025 shares have been issued under this plan. No awards have been granted under this plan since 2000.

The Company adopted and the shareholders approved the Common Stock Purchase Plan for Directors in 1996, which provides nonemployee members of the Board of Directors the election to receive all or a portion of their total fees in the form of the Company's common stock. Beginning in 2016, members of the Board of Directors were not required to defer any of their fees in the form of the Company's common stock. Under the terms of this plan, 0.3 million shares of common stock were reserved for issuance. Nonemployee members of the Board of Directors elected to defer portions of their fees representing 3,043, 2,756 and 3,105 shares of the Company's common stock under this plan during 2020, 2019 and 2018, respectively.

The following table summarizes stock-based compensation expense for the years ended December 31, 2020, 2019 and 2018, unrecognized compensation cost for nonvested awards at December 31, 2020 and the weighted-average period over which unrecognized compensation cost will be recognized:

(in millions, except year data)	Stock Options	Restricted Stock	Incentive Compensation Stock	Directors' Awards	Total
Stock-based compensation expense recognized for years ended December 31:					
2020	**$ —**	**$ 28.5**	**$ 0.8**	**$ 0.7**	**$ 30.0**
2019	$ 0.1	$ 32.6	$ 0.8	$ 0.6	$ 34.1
2018	$ 0.3	$ 27.7	$ 0.7	$ 0.6	$ 29.3
Unrecognized compensation cost at December 31, 2020	**$ —**	**$ 25.6**	**$ 0.7**	**$ —**	**$ 26.3**
Weighted-average period over which unrecognized compensation cost will be recognized		2.4 years	1.7 years		

The following presents expected stock-based compensation expense in future periods for outstanding awards as of December 31, 2020:

(in millions)	
2021	$ 15.8
2022	7.0
2023	1.7
2024	1.3
2025	0.5
Total	$ 26.3

Stock-based compensation expense is included in *Selling, general and administrative expenses* in the Company's consolidated statements of earnings.

Note M: Leases

The Company has leases, primarily for equipment, railcars, fleet vehicles, office space, land and information technology equipment and software. The Company's leases have remaining lease terms of one year to 99 years, some of which may include options to extend the leases for up to 30 years, and some of which may include options to terminate the leases within one year.

Certain of the Company's lease agreements include payments based upon variable rates, including, but not limited to, hours used, tonnage processed and factors related to indices. The Company's lease agreements do not contain any material residual value guarantees or material restrictive covenants.

The components of lease cost are as follows:

years ended December 31 (in millions)	2020	2019
Operating lease cost	**$ 79.0**	$ 80.9
Finance lease cost:		
Amortization of right-of-use assets	**3.6**	3.4
Interest on lease liabilities	**0.6**	0.5
Variable lease cost	**16.9**	21.1
Short-term lease cost	**31.3**	33.0
Total lease cost	**$ 131.4**	$ 138.9

The Company has royalty agreements that are prescriptively excluded from the scope of ASC 842 and generally require royalty payments based on tons produced, tons sold or total sales dollars and also contain minimum payments. Royalty expense was $60.8 million and $58.2 million for the years ended December 31, 2020 and 2019, respectively. Royalty expense was $52.5 million for the year ended December 31, 2018.

The balance sheet classifications of operating and finance leases are as follows:

December 31 (in millions)	2020	2019
Operating Leases:		
Operating lease right-of-use assets	**$ 453.0**	$ 481.9
Current operating lease liabilities	**$ 48.6**	$ 52.7
Noncurrent operating lease liabilities	**410.4**	433.9
Total operating lease liabilities	**$ 459.0**	$ 486.6
Finance Leases:		
Property, plant and equipment	**$ 37.8**	$ 18.3
Accumulated depreciation	**(6.9)**	(3.1)
Property, plant and equipment, net	**$ 30.9**	$ 15.2
Other current liabilities	**$ 3.3**	$ 2.8
Other noncurrent liabilities	**21.2**	5.9
Total finance lease liabilities	**$ 24.5**	$ 8.7

The incremental borrowing rate ranged from 0.7% to 6.0% and 2.1% to 5.5%, for the years ended December 31, 2020 and 2019, respectively. Weighted-average remaining lease terms and discount rates are as follows:

December 31	2020	2019
Weighted-average remaining lease terms (years):		
Operating leases	**13.9**	14.5
Finance leases	**14.3**	9.0
Weighted-average discount rates:		
Operating leases	**4.2%**	4.3%
Finance leases	**3.3%**	5.2%

Future lease payments as of December 31, 2020 are as follows:

(in millions)	Operating Leases	Finance Leases
2021	$ 66.4	$ 4.0
2022	60.3	2.9
2023	55.4	2.7
2024	45.3	2.3
2025	42.1	1.5
Thereafter	357.0	17.9
Total lease payments	626.5	31.3
Less: imputed interest	(167.5)	(6.8)
Present value of lease payments	459.0	24.5
Less: current lease obligations	(48.6)	(3.3)
Total long-term lease obligations	$ 410.4	$ 21.2

The undiscounted fixed-payment commitments of leases entered into but not yet commenced as of December 31, 2020 was $151.3 million. These commitments include a lease for the Company's corporate headquarters in Raleigh, North Carolina, and assumes the Company will exercise the renewal options in the agreement.

Total lease expense for operating leases was $122.5 million for the year ended December 31, 2018. The Company also had capital lease obligations for machinery and equipment of $3.2 million.

Note N: Shareholders' Equity

The authorized capital structure of the Company includes 100.0 million shares of common stock, with a par value of $0.01 per share. At December 31, 2020, approximately 1.4 million common shares were reserved for issuance under stock-based award plans.

Pursuant to authority granted by its Board of Directors, the Company can repurchase up to 20.0 million shares of common stock. The Company repurchased 0.2 million, 0.4 million and 0.5 million shares of common stock during 2020, 2019 and 2018, respectively. Future share repurchases are at the discretion of management and were temporarily paused in March 2020 in light of the COVID-19 pandemic. Management may resume share repurchases as circumstances dictate. At December 31, 2020, 13.5 million shares of common stock were remaining under the Company's repurchase authorization.

Note O: Commitments and Contingencies

Legal and Administrative Proceedings. The Company is engaged in certain legal and administrative proceedings incidental to its normal business activities. In the opinion of management and counsel, based upon currently-available facts, the likelihood is remote that the ultimate outcome of any litigation and other proceedings, including those pertaining to environmental matters (see Note A), relating to the Company and its subsidiaries, will have a material adverse effect on the overall results of the Company's operations, its cash flows or its financial position.

Asset Retirement Obligations. The Company incurs reclamation and teardown costs as part of its mining and production processes. Estimated future obligations are discounted to their present value and accreted to their projected future obligations via charges to operating expenses. Additionally, the fixed assets recorded concurrently with the liabilities are depreciated over the period until retirement activities are expected to occur. Total accretion and depreciation expenses for 2020, 2019 and 2018 were $14.5 million, $9.1 million and $8.0 million, respectively, and are included in *Other operating income, net*, in the consolidated statements of earnings.

The following shows the changes in the asset retirement obligations:

years ended December 31 (in millions)		**2020**		2019
Balance at beginning of year	**$**	**143.9**	$	121.8
Accretion expense		**5.9**		5.6
Liabilities incurred and liabilities assumed in business combinations		**0.3**		0.6
Liabilities settled		**(10.3)**		(1.2)
Revisions in estimated cash flows		**14.0**		17.1
Balance at end of year	**$**	**153.8**	$	143.9

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

Insurance Reserves. At December 31, 2020 and 2019, reserves of $37.7 million and $39.9 million, respectively, were recorded for insurance claims.

Letters of Credit. In the normal course of business, the Company provides certain third parties with standby letter of credit agreements guaranteeing its payment for certain insurance claims, contract performance and permit requirements. At December 31, 2020, the Company was contingently liable for $32.0 million in letters of credit.

Surety Bonds. At December 31, 2020, the Company was contingently liable for $390.2 million in surety bonds required by certain states and municipalities and their related agencies. The bonds are provided in the normal course of business and are principally for certain insurance claims, construction contracts, reclamation obligations and mining permits guaranteeing the Company's own performance. The Company has indemnified the underwriting insurance company against any exposure under the surety bonds. In the Company's past experience, no material claims have been made against these financial instruments.

Borrowing Arrangements with Affiliate. The Company is a co-borrower with an unconsolidated affiliate for a $12.5 million revolving line of credit agreement with Truist Bank, of which $8.4 million was outstanding as of December 31, 2020. The line of credit matures in March 2022. The affiliate has agreed to reimburse and indemnify the Company for any payments and expenses the Company may incur from this agreement. The Company holds a lien on the affiliate's membership interest in a joint venture as collateral for payment under the revolving line of credit.

At December 31, 2020 and 2019, the Company had a $6.0 million interest-only note receivable from the unconsolidated affiliate due December 31, 2022.

Purchase Commitments. The Company had purchase commitments for property, plant and equipment of $102.8 million as of December 31, 2020. The Company also had other purchase obligations related to energy and service contracts of $122.4 million as of December 31, 2020. The Company's contractual purchase commitments as of December 31, 2020 are as follows:

(in millions)		
2021	$	137.0
2022		9.3
2023		7.6
2024		6.5
2025		6.6
Thereafter		58.2
Total	$	225.2

Capital expenditures in 2020, 2019 and 2018 that were purchase commitments as of the prior year end were $77.0 million, $106.7 million and $79.3 million, respectively.

Contracts of Affreightment and Royalty Commitments. Future minimum contracts of affreightment and royalty commitments for all noncancelable agreements that are not accounted for as leases on the Company's consolidated balance sheet as of December 31, 2020 are as follows:

(in millions)	Contracts of Affreightment	Royalty Commitments
2021	$ 16.4	$ 18.0
2022	16.6	11.3
2023	16.9	10.4
2024	17.2	9.4
2025	17.4	8.9
Thereafter	35.7	61.7
Total	$ 120.2	$ 119.7

Employees. Approximately 10% of the Company's employees are represented by a labor union. All such employees are hourly employees. The Company maintains collective bargaining agreements relating to the union employees within the Building Materials business and Magnesia Specialties segment. All of the hourly employees of the Magnesia Specialties segment, located in Manistee, Michigan and Woodville, Ohio, are represented by labor unions. The Woodville collective bargaining agreement expires in June 2022. The Manistee collective bargaining agreement expires in August 2023.

Note P: Segments

During 2020, the Company made organizational changes to its Building Materials business. As of December 31, 2020, the Building Materials business is comprised of four divisions that represent individual operating segments. These divisions are consolidated into two reportable segments, the East Group and the West Group, for financial reporting purposes as they meet the aggregation criteria. Additional information on reportable segment changes is provided in Note A. Prior-year reportable segment information has been reclassified to conform to the current-year presentation. The Magnesia Specialties business represents an individual operating and reportable segment. The accounting policies used for segment reporting are the same as those described in Note A.

The Chief Operating Decision Maker's evaluation of performance and allocation of resources are based primarily on earnings from operations. Consolidated earnings from operations include total revenues less cost of revenues; selling, general and administrative expenses; acquisition-related expenses, net; other operating income, net; and excludes interest expense; other nonoperating income and expenses, net; and income tax expense. Corporate loss from operations primarily includes depreciation; expenses for corporate administrative functions; acquisition-related expenses, net; and other nonrecurring income and expenses excluded from the Company's evaluation of segment performance and resource allocation. All long-term debt and related interest expense are held at Corporate.

Assets employed by segment include assets directly identified with those operations. Corporate assets consist primarily of cash, cash equivalents and restricted cash; property, plant and equipment for corporate operations; investments and other assets not directly identifiable with a reportable segment.

The following tables display selected financial data for the Company's reportable segments. Total revenues, as well as the consolidated statements of earnings and comprehensive earnings, reflect the elimination of intersegment revenues.

years ended December 31 (in millions) **Total revenues**	**2020**	2019	2018
East Group	**$ 1,949.1**	$ 1,949.0	$ 1,643.1
West Group	**2,538.1**	2,518.8	2,313.5
Total Building Materials business	**4,487.2**	4,467.8	3,956.6
Magnesia Specialties	**242.7**	271.3	287.7
Total	**$ 4,729.9**	$ 4,739.1	$ 4,244.3
Gross profit			
East Group	**$ 619.4**	$ 605.7	$ 442.9
West Group	**540.4**	474.9	417.4
Total Building Materials business	**1,159.8**	1,080.6	860.3
Magnesia Specialties	**85.5**	95.4	98.7
Corporate	**7.5**	3.0	7.6
Total	**$ 1,252.8**	$ 1,179.0	$ 966.6
Selling, general and administrative expenses			
East Group	**$ 99.2**	$ 84.7	$ 74.5
West Group	**135.7**	116.3	107.6
Total Building Materials business	**234.9**	201.0	182.1
Magnesia Specialties	**14.1**	11.3	10.0
Corporate	**56.9**	90.4	88.5
Total	**$ 305.9**	$ 302.7	$ 280.6
Earnings (Loss) from operations			
East Group	**$ 522.1**	$ 527.3	$ 393.1
West Group	**471.3**	366.9	297.7
Total Building Materials business	**993.4**	894.2	690.8
Magnesia Specialties	**70.7**	83.6	88.1
Corporate	**(58.7)**	(92.9)	(88.2)
Total	**$ 1,005.4**	$ 884.9	$ 690.7

Earnings from operations for the West Group include nonrecurring gains on sales of investment land and divested assets of $69.9 million in 2020 and an asset and portfolio rationalization charge of $18.8 million in 2018.

December 31 (in millions) **Assets employed**	**2020**	2019	2018
East Group	**$ 4,342.5**	$ 4,320.6	$ 4,086.8
West Group	**5,355.5**	5,321.9	4,990.8
Total Building Materials business	**9,698.0**	9,642.5	9,077.6
Magnesia Specialties	**167.9**	176.2	156.1
Corporate	**714.9**	312.9	317.7
Total	**$ 10,580.8**	$ 10,131.6	$ 9,551.4

years ended December 31 (in millions) **Depreciation, depletion and amortization**		**2020**		2019		2018
East Group	**$**	**167.9**	$	158.0	$	134.8
West Group		**196.6**		183.3		180.9
Total Building Materials business		**364.5**		341.3		315.7
Magnesia Specialties		**11.5**		10.2		10.4
Corporate		**17.5**		20.0		17.9
Total	**$**	**393.5**	$	371.5	$	344.0
Total property additions, including the impact of acquisitions						
East Group	**$**	**159.0**	$	172.9	$	1,760.2
West Group		**197.9**		182.7		148.1
Total Building Materials business		**356.9**		355.6		1,908.3
Magnesia Specialties		**13.5**		20.0		12.5
Corporate		**16.8**		12.0		4.8
Total	**$**	**387.2**	$	387.6	$	1,925.6
Property additions through acquisitions						
East Group	**$**	**—**	$	—	$	1,541.8
West Group		**20.0**		—		1.4
Total Building Materials business		**20.0**		—		1,543.2
Magnesia Specialties		**—**		—		—
Corporate		**—**		—		—
Total	**$**	**20.0**	$	—	$	1,543.2

Note Q: Revenues and Gross Profit

The following tables, which are reconciled to consolidated amounts, provide total revenues and gross profit by line of business: Building Materials (further divided by product line) and Magnesia Specialties. Interproduct revenues represent sales from the aggregates product line to the ready mixed concrete and asphalt and paving product lines and sales from the cement product line to the ready mixed concrete product line.

years ended December 31 (in millions) **Total revenues**	**2020**	2019	2018
Building Materials business:			
Products and services:			
Aggregates	**$ 2,769.3**	$ 2,756.7	$ 2,365.8
Cement	**452.5**	439.1	387.8
Ready mixed concrete	**952.1**	948.1	963.8
Asphalt and paving	**331.7**	294.0	258.6
Less: interproduct revenues	**(294.4)**	(265.5)	(264.2)
Products and services	**4,211.2**	4,172.4	3,711.8
Freight	**276.0**	295.4	244.8
Total Building Materials business	**4,487.2**	4,467.8	3,956.6
Magnesia Specialties:			
Products and services	**220.9**	249.9	268.6
Freight	**21.8**	21.4	19.1
Total Magnesia Specialties	**242.7**	271.3	287.7
Consolidated total revenues	**$ 4,729.9**	$ 4,739.1	$ 4,244.3

Gross profit (loss)			
Building Materials business:			
Products and services:			
Aggregates	**$ 848.5**	$ 807.9	$ 608.4
Cement	**170.9**	143.4	126.2
Ready mixed concrete	**79.6**	78.8	74.2
Asphalt and paving	**60.4**	50.7	51.3
Products and services	**1,159.4**	1,080.8	860.1
Freight	**0.4**	(0.2)	0.2
Total Building Materials business	**1,159.8**	1,080.6	860.3
Magnesia Specialties:			
Products and services	**89.6**	99.4	102.9
Freight	**(4.1)**	(4.0)	(4.2)
Total Magnesia Specialties	**85.5**	95.4	98.7
Corporate	**7.5**	3.0	7.6
Consolidated gross profit	**$ 1,252.8**	$ 1,179.0	$ 966.6

Domestic and foreign total revenues are as follows:

years ended December 31 (in millions)	**2020**	2019	2018
Domestic	**$ 4,674.4**	$ 4,676.3	$ 4,166.4
Foreign	**55.5**	62.8	77.9
Consolidated total revenues	**$ 4,729.9**	$ 4,739.1	$ 4,244.3

Note R: Supplemental Cash Flow Information

Noncash investing and financing activities are as follows:

years ended December 31 (in millions)	**2020**	2019	2018
Accrued liabilities for purchases of property, plant and equipment	**$ 61.5**	$ 54.2	$ 67.0
Remeasurement of operating lease right-of-use assets	**$ 2.2**	$ 2.0	$ —
Right-of-use assets obtained in exchange for new operating lease liabilities	**$ 31.9**	$ 45.7	$ —
Right-of-use assets obtained in exchange for new finance lease liabilities	**$ 19.4**	$ 0.2	$ —
Acquisition of assets through asset exchange	**$ —**	$ 2.4	$ —
Acquisition of assets through capital lease	**$ —**	$ —	$ 1.1

Supplemental disclosures of cash flow information are as follows:

years ended December 31 (in millions)	**2020**	2019	2018
Cash paid for interest, net of amount capitalized	**$ 113.8**	$ 127.9	$ 137.2
Cash paid for income taxes	**$ 114.9**	$ 101.7	$ 28.9
Cash paid for amounts included in the measurement of lease liabilities[1]:			
Operating cash flows used for operating leases	**$ 77.7**	$ 76.1	
Operating cash flows used for finance leases	**$ 0.6**	$ 0.5	
Financing cash flows used for finance leases	**$ 3.5**	$ 11.0	

[1] These disclosures are required by ASC 842, which was adopted on January 1, 2019.

During the year ended December 31, 2020, the Company repaid $112.3 million of loans related to its company-owned life insurance policies. The repayments are included in the *Investments in life insurance contracts, net* line item in the investing activities of the consolidated statement of cash flows. The repayment increased the cash surrender value of the insurance policies, which is included in *Other noncurrent assets* on the consolidated balance sheets.

Note S: Other Operating Income, Net

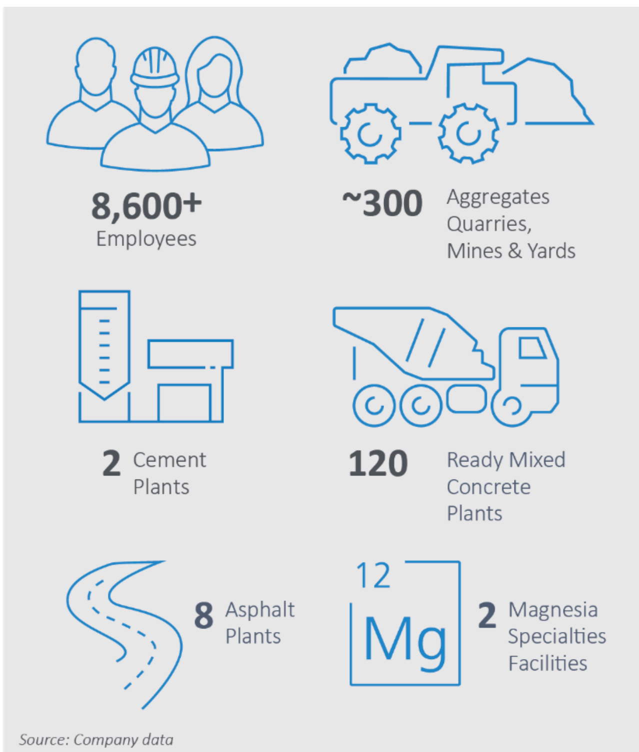
Other operating income, net, is comprised generally of gains and losses on the sale of assets; asset and portfolio rationalization charges; recoveries and losses related to certain customer accounts receivable; rental, royalty and services income; accretion expense, depreciation expense and gains and losses related to asset retirement obligations. These net amounts represented income of $59.8 million, $9.1 million and $18.2 million in 2020, 2019 and 2018, respectively. Other operating income, net for 2020 included $69.9 million of nonrecurring gains on the sales of investment land and divested assets in Austin, Texas; Riverside, California; and Augusta, Kansas. These asset sales collectively generated net cash proceeds of $122.8 million. These gains were recorded in the West Group. 2019 income included the reversal of $6.9 million of accruals for sales tax and unclaimed property contingencies. The 2018 amount reflected $18.8 million of asset and portfolio rationalization charges, reported in the West Group, related to the Company's evaluation of the recoverability of certain long-lived assets for underperforming ready mixed concrete operations, offset by $7.7 million in net gains on legal settlements and $25.3 million in gains on the sale of assets, primarily excess land.

Note T: Other Nonoperating (Income) and Expenses, Net

For the year ended December 31, 2020, other nonoperating (income) and expenses, net, included $11.4 million of third-party railroad track maintenance expense. Additionally, other nonoperating (income) and expenses, net, for the year ended December 31, 2020 reflects an $8.1 million reduction in pension expense compared with 2019. For the year ended December 31, 2019, other nonoperating (income) and expenses, net, included a $15.7 million ($12.0 million net of tax) out-of-period correction of a Company-identified overstatement of the investment balance for a nonconsolidated equity affiliate.

INTRODUCTORY OVERVIEW

COMPANY PROFILE
As of December 31, 2020



Martin Marietta Materials, Inc. (the Company or Martin Marietta) is a natural resource-based building materials company. The Company supplies aggregates (crushed stone, sand and gravel) through its network of approximately 300 quarries, mines and distribution yards in 27 states, Canada and The Bahamas. In the western United States, Martin Marietta also provides cement and downstream products, namely ready mixed concrete, asphalt and paving services, in markets where the Company has a leading aggregates position. Specifically, the Company has two cement plants in Texas and ready mixed concrete and asphalt operations in Texas, Colorado and Wyoming. Asphalt operations and paving services are exclusively in Colorado. The Company's heavy-side building materials are used in infrastructure, nonresidential and residential construction projects. Aggregates are also used in agricultural, utility and environmental applications and as railroad ballast. The aggregates, cement, ready mixed concrete, asphalt and paving product lines are reported collectively as the "Building Materials" business.

As more fully discussed in the *Consolidated Strategic Objectives* section, geography is critically important for the Building Materials business. The Company conducts its Building Materials business through two reportable segments, organized by geography: East Group and West Group. The East Group, whose operations were previously reported in the Mid-America and Southeast Groups, consists of the East and Central Divisions. The West Group is comprised of the Southwest and West Divisions.

The East Group provides aggregates products only. The West Group provides aggregates, cement and downstream products and services. Further, the following five states accounted for 71% of the Building Materials business 2020 total revenues: Texas, Colorado, North Carolina, Georgia and Iowa.

BUILDING MATERIALS BUSINESS
As of December 31, 2020

Reportable Segments	East Group	West Group
Operating Locations	Alabama, Florida, Georgia, Indiana, Iowa, Kansas, Kentucky, Maryland, Minnesota, Missouri, eastern Nebraska, North Carolina, Ohio, Pennsylvania, South Carolina, Tennessee, Virginia, West Virginia, Nova Scotia and The Bahamas	Arkansas, Colorado, Louisiana, western Nebraska, Nevada, Oklahoma, Texas, Utah, Washington and Wyoming
Product Lines	Aggregates	Aggregates, Cement, Ready Mixed Concrete, Asphalt and Paving Services
Facility Types	Quarries, Mines and Distribution Facilities	Quarries, Mines, Upstream and Downstream Plants and Distribution Facilities
Modes of Transportation	Truck, Railcar and Ship	Truck and Railcar

Magnesia Specialties

The Company operates a Magnesia Specialties business with production facilities in Michigan and Ohio. The Magnesia Specialties business produces magnesia-based chemicals products used in industrial, agricultural and environmental applications. It also produces dolomitic lime sold primarily to customers for steel production and land stabilization. Magnesia Specialties' products are shipped to customers worldwide.

Consolidated Strategic Objectives

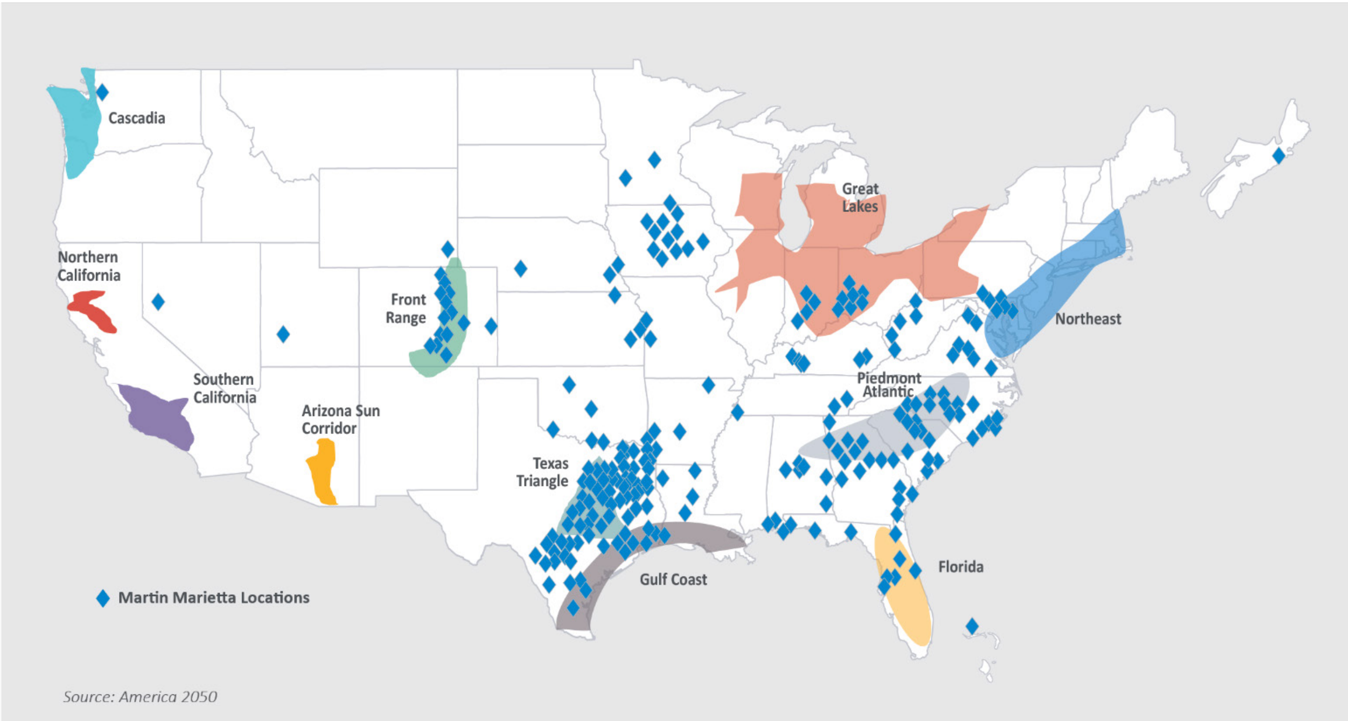
The Company's strategic planning process, or **S**trategic **O**perating **A**nalysis and **R**eview (SOAR), provides the framework for execution of Martin Marietta's long-term strategic plan. Guided by this framework and considering the cyclicality of the Building Materials business, the Company determines capital allocation priorities to maximize long-term shareholder value creation. The Company's strategy includes ongoing evaluation of aggregates-led opportunities of scale in new domestic markets (i.e., platform acquisitions), expansion through acquisitions that complement existing operations (i.e., bolt-on acquisitions) and divestitures of assets that are not consistent with stated strategic goals. The Company finances such opportunities with the goal of preserving its financial flexibility by having a leverage ratio (consolidated debt-to-consolidated earnings before interest, taxes, depreciation and amortization, or EBITDA) within a range of 2.0 times to 2.5 times within a reasonable time following the completion of a debt-financed transaction.

The Company, by purposeful design, will continue to be an aggregates-led business (aggregates product gross profit represented 68% of 2020 total consolidated gross profit) that focuses on markets with strong, underlying growth fundamentals where it can sustain or achieve a leading market position. Driven by this intentional approach, the Company has leading positions, defined as either #1 or #2, in approximately 90% of its markets. As part of its long-term strategic plan, the Company may also pursue strategic cement and targeted downstream opportunities. For Martin Marietta, strategic cement and targeted downstream operations are located in vertically-integrated markets where the Company has, or envisions, a clear path toward a leading aggregates position.

Generally, the Company's building materials products are both sourced and sold locally. As a result, geography is critically important when assessing market attractiveness and growth opportunities. Attractive geographies exhibit (a) population growth and/or population density, both of which are drivers of heavy-side building materials consumption; (b) business and employment diversity, drivers of greater economic stability; and (c) a superior state financial position, a driver of public infrastructure growth and support.

In order to assess population growth and density, the Company focuses on the megaregions of the United States. Megaregions are large networks of metropolitan population centers covering thousands of square miles. According to *America 2050*, a planning and policy program of the Regional Plan Association, a majority of the nation's population and economic growth through 2050 will occur in 11 megaregions. The Company has a presence in most of the megaregions. As evidence of the successful execution of SOAR, the Company's leading positions in the Texas Triangle and Colorado's Front Range megaregions, its growth platform in the southern portion of the Northeast megaregion and its enhanced position in the Piedmont Atlantic megaregion, primarily in the Atlanta area, are the results of acquisitions since 2011. The Company has a legacy presence in the southeastern portion of the Great Lakes megaregion, encompassing operations in Indiana and Ohio. The megaregions and the Company's key states are more fully discussed in the *Building Materials Business' Key Considerations* section.

MEGAREGIONS AND BUILDING MATERIALS BUSINESS LOCATIONS



In considering business and employment diversity, the Company focuses its geographic footprint along significant transportation corridors, particularly where land is readily available for the construction of fulfillment and/or data centers. The retail sector values transportation corridors, as logistics and distribution are critical considerations for construction supporting that industry. In addition, technology companies view these areas as attractive locations for data centers.

Additionally, the Company considers a state's financial position in determining the opportunities and attractiveness of areas for expansion or development. In this assessment, the Company reviews a state's financial health rating, issued by S&P Global Ratings and where AAA is the highest score. The Company's top ten revenue-generating states have been evaluated and scored a financial health rating of AA or AAA. The Company also reviews the state's ability to securing additional infrastructure funding and financing.

In line with the Company's strategic objectives, management's overall focus includes the following items:

- Upholding the Company's commitment to its mission, vision and values
- Navigating effectively through construction cycles to balance investment and cost decisions against expected shipment volumes
- Tracking shifts in population trends, as well as local, state and national economic conditions, to ensure changing trends are reflected against the execution of the strategic plan
- Integrating acquired businesses efficiently to maximize the return on the investment
- Allocating capital in a manner consistent with the following long-standing priorities while maintaining financial flexibility
  - Acquisitions
  - Organic capital investment
  - Return of cash to shareholders through both meaningful and sustainable dividends as well as share repurchases

2020 Performance Highlights

Achieved Industry-Leading Safety Performance:

- Record company-wide Lost-Time Incident Rate (LTIR) of 0.15, the fourth consecutive year of world-class or better LTIR thresholds
- Total Injury Incident Rate (TIIR) of 0.93, compared with 1.18 in 2019

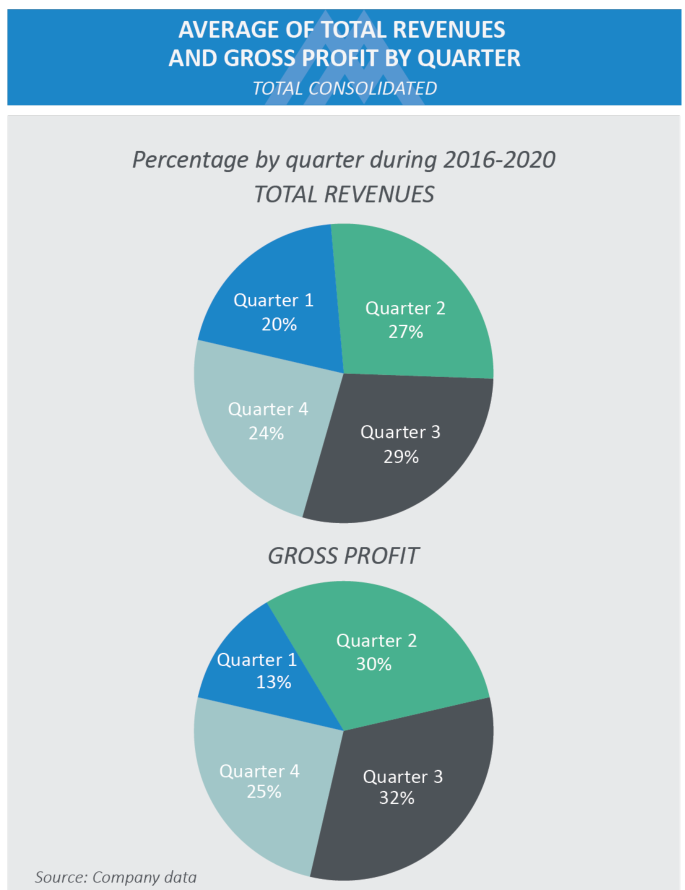
Achieved Record Financial Performance:

The Company achieved record products and services revenues, consolidated gross profit, earnings from operations, net earnings attributable to Martin Marietta, diluted earnings per share and Adjusted EBITDA (defined in *Results of Operations* section), driven by resilient customer demand and improved pricing and profitability across all product lines of the Building Materials business. The Company achieved its ninth consecutive year of growth for products and services revenues, gross profit, Adjusted EBITDA and earnings per diluted share (excluding the one-time impact of the Tax Cuts and Jobs Act of 2017 (2017 Tax Act) on 2017 financial amounts). The Company's commitment to safety and operational excellence resulted in the following financial performance (comparisons with 2019):

- Consolidated total revenues of $4.73 billion compared with $4.74 billion
- Record consolidated gross profit of $1.25 billion compared with $1.18 billion, an increase of 6.3%
- Consolidated selling, general and administrative (SG&A) expenses representing 6.5% of total revenues
- Net earnings attributable to Martin Marietta of $721.0 million compared with $611.9 million, an increase of 17.8%
- Earnings per diluted share of $11.54 compared with $9.74
- Record consolidated Adjusted EBITDA of $1.39 billion
- Record operating cash flow of $1.05 billion

Continued Disciplined Execution Against Capital Allocation Priorities:

- Dividend increase of 4% in August 2020, resulting in total annual dividends paid of $140.3 million, or $2.24 per share
- Repurchased 0.2 million shares of common stock for $50.0 million
- Capital investments into operations of $367 million
- Net long-term debt repayment of $149 million



BUSINESS ENVIRONMENT

Building Materials Business

The Building Materials business serves customers in the construction marketplace. The business' profitability is sensitive to national, regional and local economic conditions and cyclical swings in construction spending, which are affected by fluctuations in levels of public-sector infrastructure funding; interest rates; access to capital markets; and demographic, geographic, employment and population dynamics.

The heavy-side construction business, inclusive of much of the Company's operations, is conducted outdoors. Therefore, erratic weather patterns, precipitation and other weather-related conditions, including flooding, hurricanes, snowstorms, cold temperatures and droughts, can significantly affect production schedules, shipments, costs, efficiencies and profitability. Generally, the financial results for the first and fourth quarters are subject to the impacts of winter weather, while the second and third quarters can be subject to the impacts of heavy precipitation. The impacts of erratic weather patterns are more fully discussed in the *Building Materials Business' Key Considerations* section.

Product Lines

Aggregates are an engineered, granular material consisting of crushed stone and sand and gravel, manufactured to specific sizes, grades and chemistry for use primarily in construction applications. The Company's operations consist primarily of open pit quarries; however, the Company is also the largest operator of underground aggregates mines in the United States, with 14 active underground mines located in the East Group. The Company's aggregates reserves average approximately 90 years at the 2020 annual production level.

Cement is the basic agent used to bind aggregates, sand and water in the production of ready mixed concrete. The Company has a strategic and leading cement position in the state of Texas, with production facilities in Midlothian, Texas, south of Dallas/Fort Worth, and Hunter, Texas, north of San Antonio. These two facilities produce Portland and specialty cements, have a combined annual capacity of approximately 4.5 million tons, and collectively operated at approximately 80% utilization in 2020. The Midlothian plant has a permit that allows for annual capacity expansion of 0.8 million tons. In addition to the two production facilities, the Company operates several cement distribution terminals. Calcium carbonate in the form of limestone is the principal raw material used in the production of cement. The Company owns more than 600 million tons of limestone reserves adjacent to its cement production plants.

Ready mixed concrete, a mixture primarily of cement, sand, aggregates and water, is measured in cubic yards and specifically batched or produced for customers' construction projects and then transported and poured at the project site. The aggregates used for ready mixed concrete are a washed material with limited amounts of fines (i.e., dirt and clay). The Company operates 120 ready mix plants in Texas, Colorado and Wyoming. Asphalt is most commonly used in surfacing roads and parking lots and consists of liquid asphalt, or bitumen, the binding medium, and aggregates. Similar to ready mixed concrete, each asphalt batch is produced to customer specifications. The Company's asphalt operations and paving services are located in Colorado. Market dynamics for these downstream product lines include a highly competitive environment and lower barriers to entry compared with the Company's upstream product lines of aggregates and cement.

End-Use Trends

- *According to the U.S. Geological Survey, for the nine months ended September 30, 2020, the latest available governmental data, estimated construction aggregates consumption decreased 3% compared with the nine months ended September 30, 2019, and for the ten months ended October 31, 2020, cement consumption was essentially flat versus the comparable prior-year period.*
- *National construction spending statistics for the twelve months ended December 31, 2020 versus the twelve months ended December 31, 2019, according to U.S. Census Bureau:*
    - *Total value of construction put in place increased 5%*
    - *Public construction spending increased 5%*
    - *Private nonresidential construction market spending decreased 3%*
    - *Private residential construction market spending increased 12%*

The principal end-use markets of the Building Materials business are public infrastructure (i.e., highways; streets; roads; bridges; and schools); nonresidential construction (i.e., manufacturing and distribution facilities; industrial complexes; office buildings; large retailers and wholesalers; healthcare, hospitality and energy-related activity); and residential construction (i.e., subdivision development; and single- and multi-family housing). Aggregates are also used in agricultural, utility and environmental applications and as railroad ballast, collectively comprising the ChemRock/Rail market.

Public infrastructure projects can require several years to complete, while residential and nonresidential construction projects are usually completed within one year. Generally, customer purchase orders do not contain firm quantity commitments, regardless of end-use market. Therefore, management does not utilize a Company backlog in managing its business.

The public infrastructure market accounted for 36% of the Company's aggregates shipments in 2020. Anticipated lower shipments in portions of North Carolina, reduced energy-sector activity and COVID-19-driven project delays were primary factors for the 1% shipment decline to this end use. The Company's shipments to this end-use market remain below the most recent five-year average of 38% and ten-year average of 43%.

While construction spending in the public and private market sectors is affected by economic cycles, the historic level of spending on public infrastructure projects has been comparatively more stable due to the predictability of funding from federal, state and local governments, with approximately half of the funding from federal government and half from state and local governments. The *Fixing America's Surface Transportation Act* (FAST Act), signed into law on December 4, 2015, authorized $305 billion over fiscal years 2016 through 2020 and was subsequently extended for one year, providing an additional $13.6 billion to the Highway Trust Fund.

Public construction projects, once awarded, are typically seen through to completion. Thus, delays from weather or other factors can serve to extend the duration of the construction cycle. State and local initiatives that support infrastructure funding, including gas tax increases and other ballot initiatives, are increasing in size and number as these governments recognize the need to play an expanded role in public infrastructure funding. In November 2020, 303 state and local ballot initiatives, or 94% of all infrastructure funding measures up for vote, were approved. That set a 20-year approval rating record. The approved infrastructure initiatives are estimated to generate nearly $14 billion in one-time and recurring revenues, with initiatives in Texas accounting for over $11 billion of this total.

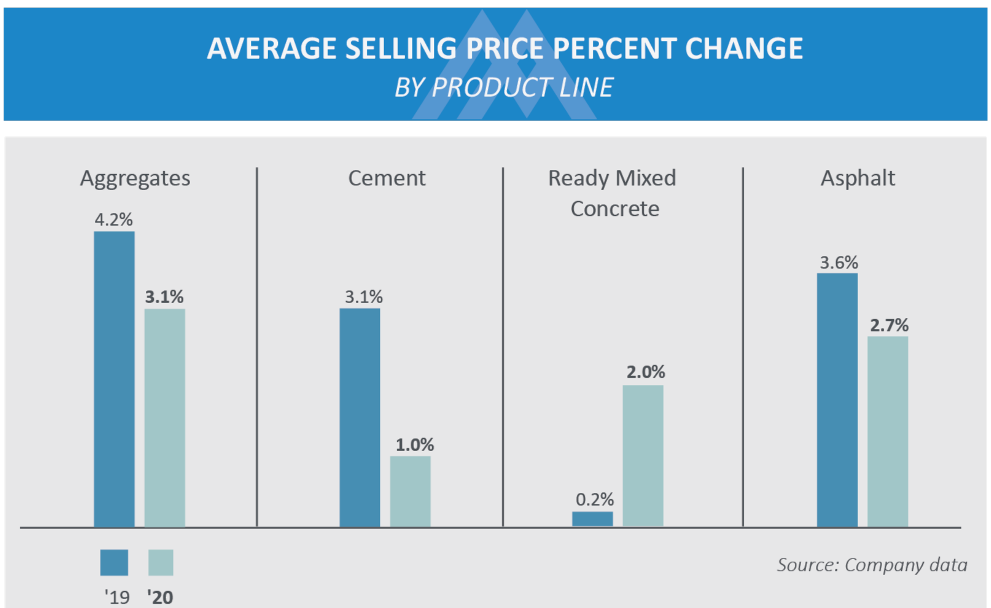
The nonresidential construction market accounted for 34% of the Company's aggregates shipments in 2020. Following strong activity in 2019, aggregates shipments to this end use decreased 9%, reflecting reduced energy-sector activity from low oil prices and the completion of certain windfarm and a pause in some liquefied natural gas projects. The Dodge Momentum Index, a twelve-month leading indicator of construction spending for nonresidential building compiled by McGraw-Hill Construction and where the year 2000 serves as an index basis of 100, was 134.6 in December 2020. While down 5% compared with December 2019, the index increased 9% from November 2020 to December 2020, suggesting positive momentum in the nonresidential construction sector at the onset of 2021.

The residential construction market accounted for 24% of the Company's aggregates shipments in 2020, and increased 6% compared with 2019. This end use is interest rate sensitive and typically moves in direct correlation with economic cycles. The Company's exposure to residential construction is split between aggregates used in the construction of subdivisions (including roads, sidewalks, utilities and storm and sewage drainage), aggregates used in new single-family home construction and aggregates used in construction of multi-family units. Construction of both subdivisions and single-family homes is nearly three times more aggregates intensive than construction of multi-family units. Through an economic cycle, multi-family construction generally begins early in the cycle and then transitions to single-family construction. Therefore, the timing of new subdivision starts, as well as new single-family housing permits, are strong indicators of residential volumes. Residential housing starts of 1.4 million units for the year ended December 31, 2020 increased 7% compared with 2019, but remain below the 50-year historical annual average of 1.5 million units. For the year ended December 31, 2020, national housing permits increased 5% versus 2019. The Company expects continued growth in the residential market driven by undersupply, low interest rates, favorable demographics, job growth, deurbanization, land availability and efficient permitting.

The remaining 6% of the Company's 2020 aggregates shipments was to the ChemRock/Rail market, which includes ballast and agricultural limestone. Ballast is an aggregates product used to stabilize railroad track beds and, increasingly, concrete rail ties are being used as a substitute for wooden ties. Agricultural lime, a high-calcium carbonate material, is used as a supplement in animal feed, a soil acidity neutralizer and agricultural growth enhancer. Additionally, ChemRock/Rail includes rip rap, which is used as a stabilizing material to control erosion caused by water runoff at embankments, ocean beaches, inlets, rivers and streams, and high-calcium limestone, which is used as filler in glass, plastic, paint, rubber, adhesives, grease and paper. Chemical-grade, high-calcium limestone is used as a desulfurization material in utility plants.

Pricing Trends

Materials pricing for construction projects is generally based on terms committing to the availability of specified products of a stated quantity at an agreed-upon price during a definitive period. Since infrastructure projects span multiple years, announced price changes can have a lag time before taking effect while the Company sells products under existing price agreements. Pricing escalators included in multi-year infrastructure contracts serve to somewhat mitigate this effect. However, during periods of sharp or rapid increases in production costs, multi-year infrastructure contract pricing may provide only nominal pricing growth. Additionally, the Company may implement mid-year price increases, on a market-by-market basis, where appropriate. Pricing is determined locally and is affected by supply and demand characteristics of the local market.



On a mix-adjusted basis, which is discussed further in the *Results of Operations* section, 2020 aggregates pricing improved by 4.0% and 2020 cement pricing increased 3.2%.

Cost Structure

Direct production costs for the Building Materials business are components of cost of revenues incurred at the quarries, mines, cement plants, ready mixed concrete plants, asphalt plants and paving operations and distribution yards and facilities. Cost of revenues also includes the cost of resale materials, freight expenses to transport materials from a producing quarry or cement plant to a distribution yard or facility and production overhead costs.

Generally, the significant components of direct production costs for the Building Materials business are (1) labor and related benefits; (2) raw materials; (3) depreciation, depletion and amortization (DDA); (4) repairs and maintenance; (5) contract services; (6) supplies; and (7) energy. In 2020, these categories represented 90% of the Building Materials business' total direct production costs.

Production is the key driver in determining the levels of variable costs, as it affects the number of hourly employees and related labor hours. Further, components of energy, supplies and repairs and maintenance costs also increase in connection with higher production volumes. Variable costs are expenses that fluctuate with the level of production volume, while fixed costs are expenses that do not vary based on production or sales volume. Accordingly, the Company's operating leverage can be substantial.

Generally, when the Company invests capital in facilities and equipment, increased capacity and productivity, along with reduced labor and repair costs, can offset increased fixed depreciation costs. However, the increased productivity and related efficiencies may not be fully realized in a lower-demand environment, resulting in under absorption of fixed costs.

Wage and benefit inflation and increases in labor costs may be somewhat mitigated by enhanced productivity in an expanding economy. Further, workforce reductions resulting from process automation and mobile fleet right-sizing, primarily in the aggregates operations, have mitigated rising labor costs. During economic downturns, the Company reviews its operations and, where practical, temporarily idles certain sites. The Company is able to serve these markets with other open facilities that are in close proximity. In certain markets, management can create production "super crews" that work on a rotating basis at various locations within a district. For example, within a market, a crew may work three days per week at one quarry and the other two workdays at another quarry. This has allowed the Company to responsibly manage headcount in periods of lower demand.

The production of ready mixed concrete and asphalt requires the use of cement and liquid asphalt raw materials, respectively. Therefore, fluctuations in prices for these raw materials directly affect the Company's operating results.

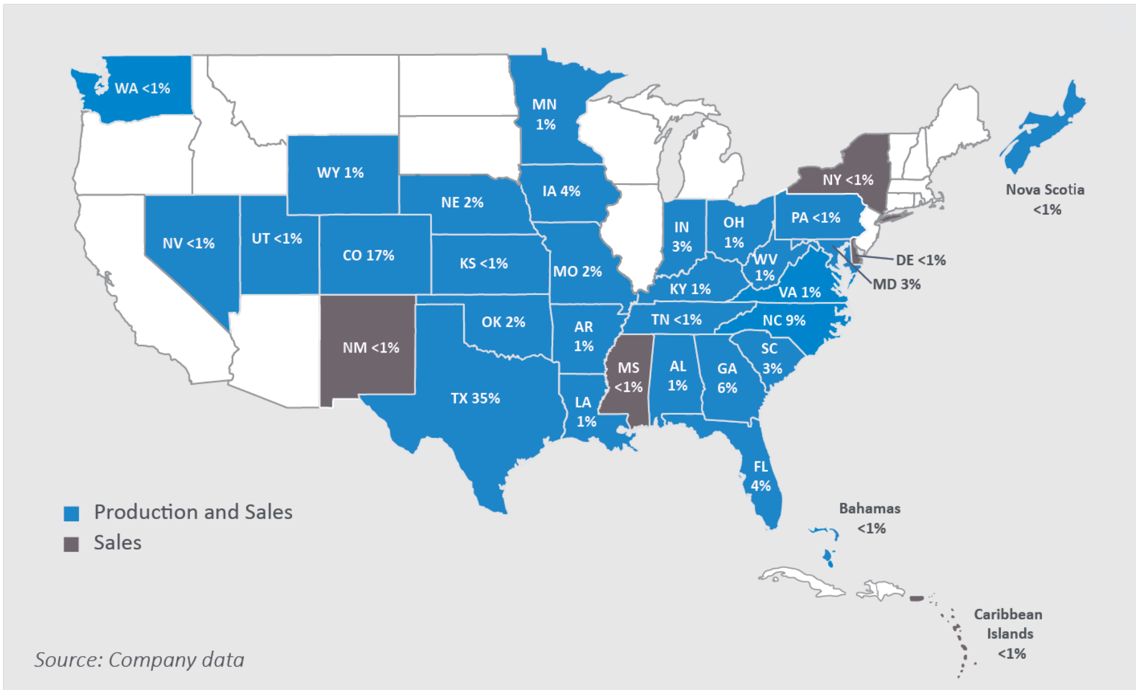
Cement production is a capital-intensive operation with high fixed costs to run plants that operate continuously with the exception of maintenance shutdowns. Kiln and finishing mill maintenance typically requires a plant to be shut down for a period of time as repairs are made. In 2020 and 2019, the cement operations incurred outage costs of $19.7 million and $26.3 million, respectively. The decrease in outage costs in 2020 compared with 2019 is primarily attributable to improved kiln reliability resulting from prior-period investments and the timing of planned kiln outages. The Company adjusts production levels in anticipation of planned maintenance shutdowns.

Typically, diesel fuel represents the single largest component of energy costs for the Building Materials business. The average cost per gallon was $1.49 and $2.08 in 2020 and 2019, respectively. Changes in energy costs also affect the prices that the Company pays for related supplies, including explosives, conveyor belting and tires. Further, the Company's contracts of affreightment for shipping products on its rail and waterborne distribution network typically include provisions for escalations or reductions in the amounts paid by the Company if the price of fuel moves outside a stated range.

The impact of inflation on the Company's businesses has not been significant. Further, historically, the Company has achieved pricing growth in periods of inflation based on its ability to increase its selling prices in a normal economic environment.

Building Materials Business' Key Considerations

2020 TOTAL REVENUES BY DESTINATION
BUILDING MATERIALS BUSINESS



Geography is critically important as products are sourced and sold locally

The Company's geographic footprint is primarily in attractive markets with strong, underlying growth characteristics, including population growth and/or population density and business and economic diversity, both of which generate demand for construction and the Company's Building Materials products. The Company has a presence in most of the megaregions of the United States, notably: Texas Triangle, Gulf Coast, Piedmont Atlantic, Front Range and Florida, each of which is discussed below. Additionally, Iowa is discussed below as a top five revenue-generating state and, while not part of a megaregion, is an attractive market with a diversified economy.

Texas Triangle and Gulf Coast

The Texas Triangle is primarily defined by the anchoring metropolises of Dallas/Fort Worth, San Antonio and Houston. Approximately two-thirds of Texans call the Texas Triangle home, and the three anchoring cities had an estimated population of nearly 18 million as of July 1, 2019 as reported by the U.S. Census Bureau. The megaregion's population is expected to exceed 35 million by 2050. The Texas Triangle contains the headquarters of 48 Fortune 500 companies and represents a diverse economy, including the finance, technology, transportation and goods and services sectors.

Uniquely, Houston, which has represented over 25% of Texas' gross domestic product (GDP) for the past nineteen years, is considered part of both the Gulf Coast and the Texas Triangle megaregions. In addition to Houston, cities in the Gulf Coast megaregion include New Orleans and Baton Rouge, Louisiana. The Gulf Coast megaregion's population is expected to exceed 16 million in 2025 and 23 million in 2050. The economy is driven by the energy, chemical and transportation sectors.

The Texas market remains one of the strongest in the United States and, according to the Bureau of Economic Analysis, as of September 30, 2020, the state's GDP comprised 9% of the nation's $19.1 trillion GDP. In 2019, the latest ranking available, *Forbes* recognized Dallas, Fort Worth and Houston as the second, 20th and 34th best metros for business and careers, respectively. Texas continues to lead the nation in population growth, and its population is estimated to increase 35% from 2020 to 2040. Houston, San Antonio and Dallas are ranked as the fourth, seventh and ninth, respectively, most populous cities in the United States as of July 1, 2019, the latest available information from the U.S. Census Bureau. Over the ten-year period ended November 2020 and as reported by the U.S. Bureau of Labor Statistics, the metropolitan areas of Austin, Dallas, San Antonio and Houston have experienced employment growth of 40%, 27%, 22% and 18%, respectively. Supported by population growth, Texas leads the country in total housing permits for the year ended December 31, 2020.

The state's Department of Transportation (TxDOT) let $7.5 billion in construction projects in fiscal 2020 and has a letting budget of $9.5 billion for fiscal 2021 and $7.7 billion for fiscal 2022. In 2019, TxDOT announced the 2020 Unified Transportation Program, identifying planned investments totaling over $77 billion of infrastructure projects over the next ten years. Funding for highway construction comes from dedicated sources, including Propositions 1 and 7, as opposed to the use of general funds. Proposition 1, which passed in 2015, takes a portion of the oil and gas severance tax revenues and allocates them to the state highway fund. Proposition 7 is funded by state sales and use taxes and motor vehicle sales and rental taxes and is used for non-toll roads and certain transportation-related debt. For fiscal 2019 and 2020, these propositions provided $5.4 billion and $4.2 billion, respectively, to the state highway fund. Additionally, in November 2020, voters approved 100% of ballot measures that will provide an additional $11.6 billion of infrastructure funding. Though the COVID-19 pandemic slowed economic advancement temporarily, construction activity is recovering, as evidenced by developers and businesses planning expansion throughout Texas. Amazon, Hewlett Packard, Tesla and Dallas/Fort Worth International Airport have announced plans for significant new projects in Austin, Dallas/Fort Worth and Houston. Further, continued federal regulatory approvals should contribute to increased heavy building materials consumption for large energy-sector projects over for the next several years.

Piedmont Atlantic

The Piedmont Atlantic megaregion generally follows the Interstate 85/20 corridor, spanning across North Carolina, South Carolina, Georgia, Tennessee and Alabama, and includes four primary metropolitan areas: Raleigh-Durham, Charlotte, Atlanta and Birmingham. The Piedmont Atlantic is a fast-growing megaregion; however, it is facing challenges that accompany a growing population, including increased traffic congestion and inadequate infrastructure.

North Carolina continues to demonstrate strong population trends, ranking in the top ten states for population growth for the twelve months ended July 1, 2019, the last annual estimate by the U.S. Census Bureau. North Carolina's population is estimated to grow to 14 million by 2050. Employment growth in North Carolina has been steady and consistent. Further, in 2019, *Forbes* ranked Raleigh and Charlotte as the third and seventh best cities, respectively, for business and careers. In 2020, UPS, Grifols Therapeutics and Centene announced plans to invest more than $1.7 billion in North Carolina. The state continues to make significant infrastructure investment, with a fiscal year 2021 overall spending schedule of $5.8 billion. Additionally, since 2010, all transportation referendums totaling $1.8 billion have been approved by voters. In October 2020, the state issued $700 million of Build NC Bonds to fund transportation initiatives. The state's 2020-2029 Statewide Transportation Improvement Program, or STIP, reflects investment of approximately $23.7 billion for approximately 1,700 projects. In January 2021, the North Carolina Future Investment Resources for Sustainable Transportation, or NC FIRST, Commission issued an extensive report to the state's transportation secretary, recommending an additional transportation investment need of $20 billion over the next decade.

South Carolina ranked sixth in the nation for population growth for the twelve months ended July 1, 2019. The state's infrastructure program is supported by Senate Bill 1258, also known as Act No. 275 and enacted in 2016, allowing up to $4.2 billion to be devoted to highway spending over a ten-year period. South Carolina's ten-year department of transportation (DOT) plan includes 1,000 miles of upgrades to rural roads and improvements to 140 miles of interstate highways. To fund infrastructure needs, the state passed House Bill 3516 in June 2017, which increased the state's gas tax $0.02 per gallon per year for six years, the state's first gas tax increase in 30 years. The bill is expected to generate an additional $625 million per year when fully implemented. Additionally, since 2010, voters approved 78% of ballot measures for transportation funding totaling $3.6 billion. The nonresidential market will benefit from recent announcements by businesses planning to expand their operations in South Carolina, including Continental Tire, Vigilent Labs, Nephron Pharmaceuticals Corporation and Carver Maritime, LLC. Additionally, the South Carolina Port Authority is investing $2.8 billion for improvements through 2022.

With nearly 3% of the nation's GDP, Georgia continues to be a top-performing state. According to the Georgia Department of Economic Development, the state is headquarters for 18 Fortune 500 companies and has obtained $4.3 billion in expansions and new project investments since July 1, 2020, creating almost 12,000 jobs. Georgia has consistently ranked as one of the top states for employment and population growth. For all U.S. metropolitan areas with populations greater than one million, Atlanta ranked 18th in employment gains for the ten-year period ended November 2019. Georgia's Major Mobility Investment Program, announced in 2017 and updated in 2019, will invest $11 billion over a ten-year period in 13 highway projects. Additionally, since 2010, Georgia voters approved more than two-thirds of ballot measures to collectively provide $7.3 billion for road and transit projects.

Front Range

Through strategic acquisitions since 2011, the Company has built a leading position to serve the Front Range of the Rocky Mountains. Extending from the southern portion of Wyoming near Cheyenne, following Interstate 25 through Colorado into New Mexico, incorporating Santa Fe and Albuquerque, the Front Range megaregion is one of the nation's fastest-growing megaregions. Colorado has ranked in the top eleven states for population growth each year for the ten-year period ended 2020. The Front Range represents 85% of Colorado's population and is estimated to exceed 10 million residents by 2050, nearly double the 2010 population.

The Colorado economy includes a diverse economic base, leading to strong employment and population growth. Denver was ranked fourth by *Forbes* for best cities for business and careers in 2019. Senate Bill 17-267, enacted in 2017, includes a component focused on new lease-purchase agreements of state facilities that allocates $1.9 billion of its proceeds to Colorado DOT (CDOT) with the remainder of its proceeds to transportation and capital construction projects over a four-year period. CDOT has a spending budget of $2.3 billion for fiscal year 2020-2021.

Florida

Spanning nearly the entire state, the Florida megaregion is rapidly expanding. Florida is the country's third-most populous state according to the Census Bureau. Further, the state's population is estimated to increase by more than seven million, or 32%, from 2020 to 2040. The state's GDP represents 5% of the nation's GDP.

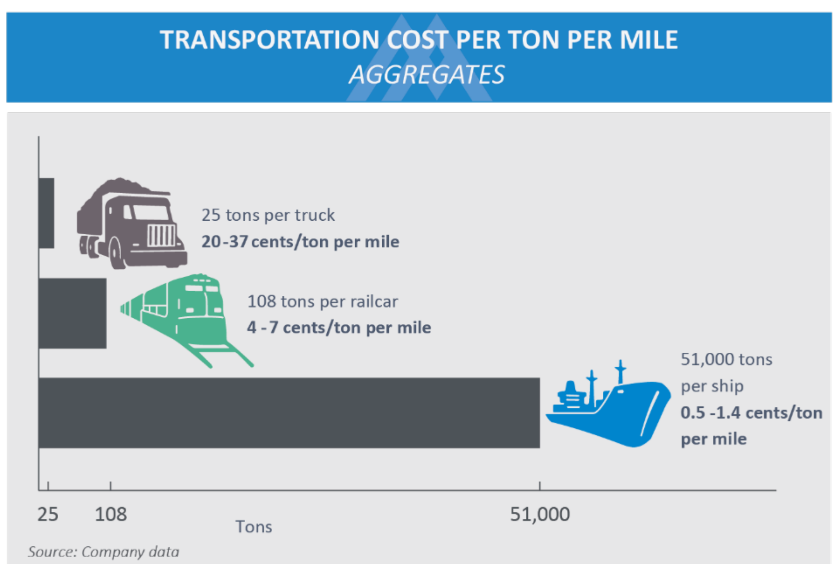
Florida has a $9.2 billion DOT budget for fiscal year 2020-2021 and a five-year adopted work plan of $54.3 billion through 2025.

Iowa

Iowa has been a top-five Martin Marietta revenue-generating state for decades and has historically experienced a stable and steady economy. Iowa is the nation's largest corn- and pork-producing state and provides approximately 9% of America's food supply. The Company's agricultural lime shipments are dependent on, among other things, weather, demand for agricultural commodities (including corn and soybeans), commodity prices and farm and land values. The Iowa economy has become consistently more diverse over the past several years, in part due to both its low cost and ease of doing business. The state is attractive for starting and expanding businesses due to enticing tax incentives. Facebook is in process of expanding its data center, estimated to be 3.5 million square feet when complete, and has a projected completion date in late 2022 or early 2023. In 2020, Microsoft Corporation announced plans to build two new data centers at an estimated cost of $1 billion each, with construction expected to begin in September 2021. Additionally, Apple plans to build a $1.3 billion data center near Des Moines, with an estimated project completion date of August 2027.

Growth markets with limited supply of indigenous stone must be served via a long-haul distribution network

The U.S. Department of the Interior's geological map of the United States depicts the possible sources of indigenous rock and illustrates its limited supply in certain areas of the United States, including the coastal areas from Virginia to Texas. Further, certain interior United States markets may experience limited availability of locally sourced aggregates resulting from increasingly restrictive zoning, permitting and/or environmental laws and regulations. The Company's long-haul distribution network is used to supplement, or in many cases wholly supply, the local crushed stone needs of these areas.



The long-haul distribution network can diversify market risk for locations that engage in long-haul transportation of aggregates products. This is particularly true where a producing quarry serves a local market and transports products via rail, water and/or truck to be sold in other markets, the risk of a downturn in one market may be somewhat mitigated by other markets served by the location.

Product shipments are moved by rail, water and truck through the Company's long-haul distribution network. The Company's rail network primarily serves its Texas, Florida, Colorado and Gulf Coast markets, while the Company's Bahamas and Nova Scotia locations transport materials via oceangoing ships. The Company's strategic focus includes expanding inland and offshore capacity and acquiring distribution yards and port locations to offload transported material. At December 31, 2020, the distribution network available to the Company consisted of 84 terminals.

The Company's increased rail shipments has made it more reliant on railroad performance issues, including track congestion, crew and availability, the effects of adverse weather conditions and the ability to negotiate favorable railroad shipping contracts. Further, changes in the operating strategy of rail transportation providers can create operational inefficiencies and increased costs from the Company's rail network.

A portion of railcars and all ships of the Company's long-haul distribution network are under short- and long-term leases, some with purchase options, and contracts of affreightment. The limited availability of water and rail transportation providers, coupled with limited distribution sites, can adversely affect lease rates for such services and ultimately the freight rates.

The Company has long-term agreements providing dedicated shipping capacity from its Bahamas and Nova Scotia operations to its coastal ports. These contracts of affreightment are take-or-pay contracts with minimum and maximum shipping requirements. The minimum requirements were met in 2020. The Company's waterborne contracts of affreightment have varying expiration dates ranging from 2023 to 2027 and generally contain renewal options. However, there can be no assurance that such contracts can be renewed upon expiration or that terms will continue without significant increases.

The multiple transportation modes that have been developed with various rail carriers and deep-water ships provide the Company with the flexibility to effectively serve customers primarily in the Southwest and Southeast coastal markets.

Public Infrastructure, the Company's largest end-use market, is funded through a combination of federal, state and local sources

Transportation investments generally boost the national economy by enhancing mobility and access and by creating jobs; priorities of many of the government's economic plans. Public-sector construction related to transportation infrastructure can be aggregates intensive and is funded through a combination of federal, state and local sources. The federal highway bill, currently the FAST Act, provides annual funding for public-sector highway construction projects and includes spending authorizations, which represent the maximum financial obligation that will result from the immediate or future outlays of federal funds for highway and transit programs. The federal government's surface transportation programs are funded mostly through the receipts of highway user taxes placed in the Highway Trust Fund, which is divided into the Highway Account and the Mass Transit Account. Revenues credited to the Highway Trust Fund are primarily derived from a federal gas tax, a federal tax on certain other motor fuels and interest on the accounts' accumulated balances. Of the currently imposed federal gas tax of $0.184 per gallon, which has been static since 1993, $0.15 is allocated to the Highway Account of the Highway Trust Fund.

Since most states are required to balance their budgets, reductions in revenues generally require a reduction in states' expenditures. However, the impact of state revenue reductions on highway investment will vary depending on whether the monies come from dedicated revenue sources, such as highway user fees, or whether portions are paid for with general funds.

In addition to federal appropriations, each state funds its infrastructure investment from specifically allocated amounts collected from various user fees, typically gasoline taxes and vehicle fees. Over the past several years, states have assumed a significantly larger role in funding infrastructure investment, including initiating special-purpose taxes and raising gas taxes. Management believes that financing at the state and local levels, such as bond issuances, toll roads and tax initiatives, will continue to grow and have a fundamental role in advancing infrastructure projects. State infrastructure investment generally leads to increased growth opportunities for the Company. The level of state public-works spending is varied across the nation and dependent upon individual state economies. The degree to which the Company could be affected by a reduction or slowdown in infrastructure spending varies by state. The state economies of the Building Materials business' ten largest revenue-generating states may disproportionately affect the Company's financial performance.

Governmental appropriations and expenditures are typically less interest rate-sensitive than private-sector spending. Obligations of federal funds are a leading indicator of highway construction activity in the United States. Before a state or local DOT can solicit bids on an eligible construction project, it enters into an agreement with the Federal Highway Administration to obligate the federal government to pay its portion of the project cost. Federal obligations are subject to annual funding appropriations by Congress.

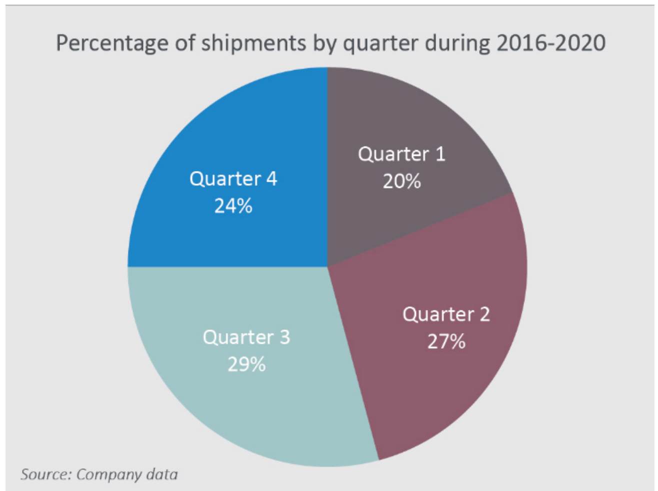
The need for surface transportation improvements continues to significantly outpace the amount of available funding. A large number of roads, highways and bridges built following the establishment of the Interstate Highway System in 1956 are now in need of major repair or reconstruction. According to The Road Information Program (TRIP), a national transportation research group, vehicle travel on United States highways increased 25% from 2000 to 2018, while new lane road mileage increased only 9% over the same period. TRIP also reports that pavement on 11% of the nation's major roads are in poor or mediocre condition and 27% of the nation's interstate bridges are in need of repair or replacement, with 3% of bridges rated poor or structurally deficient. The 2020 TRIP report additionally stated an estimated backlog of $123 billion of improvements to the nation's highway system exists and an increase of annual investment from $23 billion to $57 billion for the next 20 years is needed to address these improvements and meet mobility needs. Management believes infrastructure activity for 2021 and beyond should benefit from the FAST Act extension and its eventual successor bill, additional state and local infrastructure initiatives and the 2017 Tax Act.

In addition to highways and bridges, transportation infrastructure includes aviation, mass transit, and ports and waterways. Railroad construction continues to benefit from economic growth, which ultimately generates a need for additional maintenance and improvements.

Erratic weather can significantly impact operations

Production and shipment levels for the Building Materials business correlate with general construction activity, most of which occurs outdoors and, as a result, is affected by erratic weather, seasonal changes and other climate-related conditions which can significantly affect the business. Typically, due to a general slowdown in construction activity during winter months, the first and fourth quarters experience lower production and shipment activity. As such, temperature plays a significant role in the months of March and November, meaningfully affecting the Company's first- and fourth-quarter results, respectively, where warm and/or moderate temperatures in March and November allow the construction season to start earlier and end later, respectively.

AVERAGE PERCENTAGE OF SHIPMENTS BY QUARTER
AGGREGATES



Excessive rainfall jeopardizes production efficiencies, shipments and profitability in all markets served by the Company. In particular, the Company's operations in the southeastern and Gulf Coast regions of the United States and The Bahamas are at risk for hurricane activity, most notably in August, September and October, though the hurricane season formally starts and ends on June 1 and November 1, respectively. The 2020 Atlantic hurricane season set a record with 30 named storms, of which 13 were hurricanes. To put this in perspective, the average hurricane season has 12 named storms, of which six are hurricanes. The Gulf Coast, eastern seaboard, The Bahamas and Nova Scotia were all impacted by storms in 2020.

Capital investment decisions driven by capital intensity of the Building Materials business and focus on land

The Company's organic capital program is designed to leverage construction market growth through investment in both permanent and portable facilities at the Company's operations. Over an economic cycle, the Company typically invests organic capital at an annual level that approximates depreciation expense. At mid-cycle and through cyclical peaks, organic capital investment typically exceeds depreciation expense, as the Company supports current capacity needs and future growth. Conversely, at a cyclical trough, the Company may reduce levels of capital investment. Regardless of cycle, the Company sets a priority of investing capital to ensure safe, environmentally-sound and efficient operations, as well as to provide the highest quality of customer service and establish a foundation for future growth.

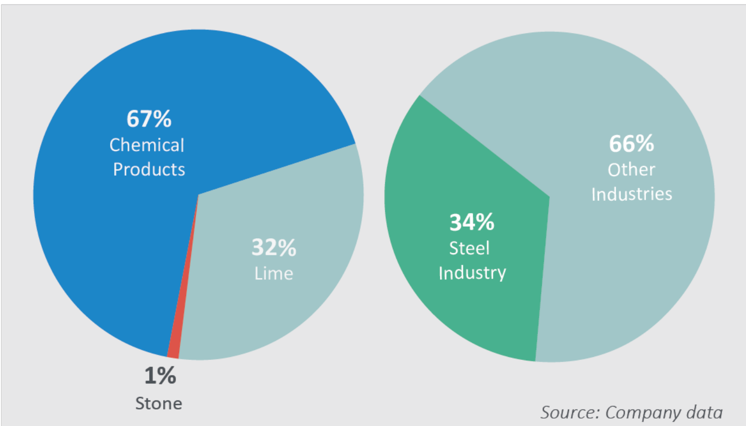
The Company is diligent in its focus on land opportunities, including potential new sites (greensites) and expanding locations. Land purchases are usually opportunistic and can include contiguous property around existing quarry locations. Such property can serve as buffer property or additional mineral reserve capacity, assuming regulatory hurdles can be cleared and the underlying geology supports economical aggregates mining. In either instance, the acquisition of additional property around an existing quarry typically allows the expansion of the quarry footprint and an extension of quarry life.

Magnesia Specialties Business

The Magnesia Specialties business manufactures magnesia-based chemicals products for industrial, agricultural and environmental applications at its Manistee, Michigan facility. The Magnesia Specialties business produces and sells dolomitic lime from its Woodville, Ohio facility. Of 2020 total revenues, 67% were attributable to chemicals products, 32% were attributable to lime and 1% was attributable to stone.

In 2020, 79% of the lime produced was sold to third-party customers, while the remaining 21% was used internally as a raw material for the business' manufacturing of chemicals products. Dolomitic lime products sold to external customers are primarily used by the steel industry, and overall, 34% of Magnesia Specialties' 2020 total revenues related to products used in the steel industry. Accordingly, a portion of the segment's revenues and profits is affected by production and inventory trends within the steel industry, which are guided by the rate of consumer consumption, the flow of offshore imports and other economic factors. Steel production was adversely affected by COVID-19, notably when domestic auto manufacturers shutdown due to the pandemic. Steel capacity utilization decreased dramatically from a high of nearly 81% in January 2020 to just below 50% in April 2020; steel capacity utilization as of December 2020 was 74%. The dolomitic lime business runs most profitably at 70% or greater steel capacity utilization; domestic capacity utilization averaged 65% in 2020. The chemical products business focuses on higher-margin specialty chemicals that can be produced at volumes that support efficient operations.

2020 REVENUES BY PRODUCT LINE AND INDUSTRY
MAGNESIA SPECIALTIES BUSINESS

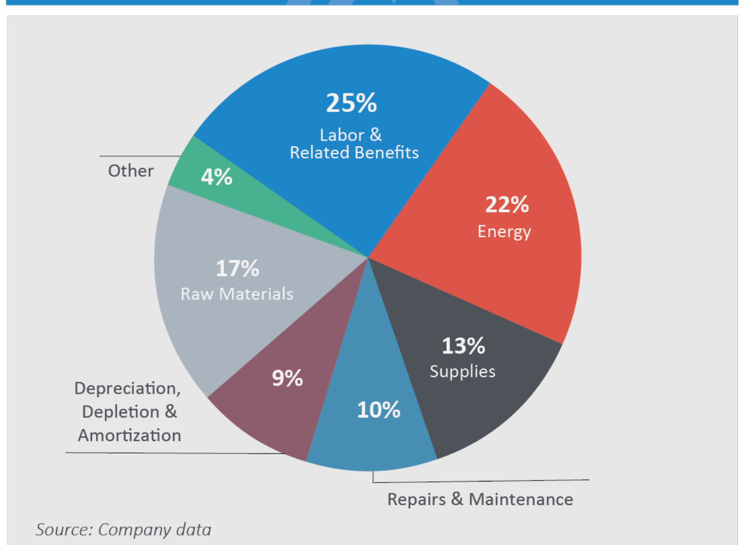


Source: Company data

Total revenues of the Magnesia Specialties business in 2020 were predominantly derived from domestic customers, and no single foreign country accounted for 10% or more of the total revenues for the business. Financial results can be affected by foreign currency exchange rates, increasing transportation costs or weak economic conditions in foreign markets. To mitigate the short-term effect of currency exchange rates, foreign transactions are denominated in United States dollars.

A significant portion of the Magnesia Specialties business' costs is of a fixed or semi-fixed nature. The production process requires the use of natural gas, coal and petroleum coke. Therefore, fluctuations in their pricing directly affect operating results. To help mitigate this risk, the Company has fixed-price agreements for approximately 63% of its 2021 energy needs for coal, natural gas, petroleum coke and electricity. For 2020, the segment's average cost per MCF (thousand cubic feet) of natural gas decreased 9% versus 2019. Given high fixed costs, low capacity utilization can negatively affect the segment's results of operations. Management expects future organic profitability growth to result from increased pricing, rationalization of the current product portfolio and/or further cost reductions.

2020 DIRECT PRODUCTION COSTS BY COMPONENT
MAGNESIA SPECIALTIES BUSINESS



Source: Company data

The Magnesia Specialties business is highly dependent on rail transportation, particularly for movement of dolomitic lime from Woodville to Manistee and direct customer shipments of dolomitic lime and magnesia chemicals products from both Woodville and Manistee. The segment can be affected by the risks mentioned in the long-haul distribution discussion in the *Building Materials Business' Key Considerations* section.

Environmental Regulation and Litigation

The expansion and growth of the aggregates industry is subject to increasing challenges from environmental and political advocates aiming to control the pace and direction of future development. Certain environmental groups have published lists of targeted municipal areas, including areas within the Company's marketplace, for environmental and suburban growth control. The effect of these initiatives on the Company's growth is typically localized. Further challenges are expected as the momentum of these initiatives ebb and flow across the United States. Rail and other transportation alternatives are being heralded by these special-interest groups as solutions to mitigate road traffic congestion and overcrowding.

The Company's operations are subject to and affected by federal, state and local laws and regulations relating to the environment, health and safety and other regulatory matters. Certain of the Company's operations may occasionally use substances classified as toxic or hazardous. The Company regularly monitors and reviews its operations, procedures and policies for compliance with these laws and regulations. Despite these compliance efforts, risk of environmental liability is inherent in the operation of the Company's businesses, as it is with other companies engaged in similar businesses.

Environmental operating permits are, or may be, required for certain of the Company's operations; such permits are subject to modification, renewal and revocation. New permits are generally required for opening new sites or for expansion at existing operations and can take several years to obtain. In the area of land use, rezoning and special or conditional use permits are increasingly difficult to obtain. Once a permit is issued, the location is required to generally operate in accordance with the approved site plan.

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) authority to set limits on the level of various air pollutants. To be in compliance with National Ambient Air Quality Standards, a defined geographic area must be below established limits for six pollutants. Environmental groups have been successful in lawsuits against the federal and certain state departments of transportation, delaying highway construction in municipal areas not in compliance with the Clean Air Act. The EPA designates geographic areas as nonattainment areas when the level of air pollutants exceeds the national standard. Nonattainment areas receive deadlines to reduce air pollutants by instituting various control strategies or otherwise face fines or control by the EPA. Included as nonattainment areas are several major metropolitan areas in the Company's markets, such as Houston/Brazoria/Galveston, Texas; Dallas/Fort Worth, Texas; Bexar County in San Antonio-New Braunfels, Texas; Denver, Colorado; Boulder, Colorado; Fort Collins/Greeley/Loveland, Colorado; Atlanta, Georgia; and Baltimore, Maryland. Federal transportation funding has been directly tied to compliance with the Clean Air Act.

Large emitters (facilities that emit 25,000 metric tons or more per year) of greenhouse gases (GHG) must report GHG generation to comply with the EPA's Mandatory Greenhouse Gases Reporting Rule (GHG Rule). The Company files annual reports in accordance with the GHG Rule relating to operations at its two cement plants in Texas, as well as its Magnesia Specialties facilities in Woodville, Ohio, and Manistee, Michigan, each of which emit certain GHG, including carbon dioxide, methane and nitrous oxide. If Congress passes legislation on GHG, these operations will likely be subject to the new program. The Company believes that any increased operating costs or taxes related to GHG emission limitations at its cement or Woodville operations would be passed on to its customers. The Manistee facility may have to absorb extra costs due to the regulation of GHG emissions in order to maintain competitive pricing in its markets. The Company cannot reasonably predict how much those increased costs may be.

The Company is engaged in certain legal and administrative proceedings incidental to its normal business activities. In the opinion of management, based upon currently available facts, the likelihood is remote that the ultimate outcome of any litigation or other proceedings, including those pertaining to environmental matters, relating to the Company and its subsidiaries, will have a material adverse effect on the overall results of the Company's operations, cash flows or financial position.

FINANCIAL OVERVIEW

In 2020, the Company achieved record products and services revenues, consolidated gross profit, consolidated earnings from operations, net earnings attributable to Martin Marietta, diluted earnings per share and consolidated Adjusted EBITDA (defined below). The Building Materials business achieved gross margin expansion of 160 basis points, with growth across all product lines. The Magnesia Specialties business experienced a continued decline in chemicals products sales as both domestic and international customer experienced a downturn in economic activity related to COVID-19.

Results of Operations

The discussion and analysis that follow reflect management's assessment of the financial condition and results of operations (MD&A) of the Company and should be read in conjunction with the audited consolidated financial statements. As discussed in more detail, the Company's operating results are highly dependent upon activity within the construction marketplace, economic cycles within the public and private business sectors and seasonal and other weather-related conditions. Though the Company's operations have been considered an essential business during stay-a-home orders in 2020, the continuation of the COVID-19 pandemic has impacted markets in which the Company operates. Accordingly, financial results for any year presented, or year-to-year comparisons of reported results, may not be indicative of future operating results. As permitted by the Securities and Exchange Commission (SEC) under the FAST Act Modernization and Simplification of Regulation S-K, the Company has elected to omit the discussion of the earliest period (2018) presented as it was included in its MD&A in its 2019 Form 10-K filed on February 21, 2020, incorporated by reference from Item 7, "Management's Discussion and Analysis of Financial Condition and Results of Operations" thereto.

The Company's Building Materials business generated the majority of consolidated total revenues and earnings from operations. The following comparative analysis and discussion should be read within this context. Further, sensitivity analysis and certain other data are provided to enhance the reader's understanding of MD&A and are not intended to be indicative of management's judgment of materiality.

The Company's consolidated operating results and operating results as a percentage of total revenues are as follows:

years ended December 31 (in millions, except for % of total revenues)	**2020**	**% of Total revenues**	2019	**% of Total revenues**
Product and services revenues	$ 4,432.1		$ 4,422.3	
Freight revenues	297.8		316.8	
Total Revenues	**4,729.9**	**100.0**	**4,739.1**	**100.0**
Cost of revenues - products and services	3,175.6		3,239.1	
Cost of revenues - freight	301.5		321.0	
Total cost of revenues	3,477.1	73.5	3,560.1	75.1
Gross Profit	**1,252.8**	**26.5**	**1,179.0**	**24.9**
Selling, general and administrative expenses	305.9	6.5	302.7	6.4
Acquisition-related expenses	1.3		0.5	
Other operating income, net	(59.8)		(9.1)	
Earnings from Operations	**1,005.4**	**21.3**	**884.9**	**18.7**
Interest expense	118.1		129.3	
Other nonoperating (income) and expenses, net	(2.0)		7.3	
Earnings before income tax expense	889.3		748.3	
Income tax expense	168.2		136.3	
Consolidated net earnings	721.1	15.2	612.0	12.9
Less: Net earnings attributable to noncontrolling interests	0.1		0.1	
Net Earnings Attributable to Martin Marietta	**$ 721.0**	**15.2**	**$ 611.9**	**12.9**

Consolidated Adjusted EBITDA

Earnings before interest; income taxes; depreciation, depletion and amortization; and the earnings/loss from nonconsolidated equity affiliates (Adjusted EBITDA) is an indicator used by the Company and investors to evaluate the Company's operating performance from period to period. Adjusted EBITDA is not defined by generally accepted accounting principles and, as such, should not be construed as an alternative to net earnings attributable to Martin Marietta, earnings from operations or operating cash flow. However, the Company's management believes that Adjusted EBITDA may provide additional information with respect to the Company's performance. Since Adjusted EBITDA excludes some, but not all, items that affect net earnings and may vary among companies, Adjusted EBITDA as presented by the Company may not be comparable to similarly titled measures of other companies.

The following table presents a reconciliation of net earnings attributable to Martin Marietta to consolidated Adjusted EBITDA:

years ended December 31 (in millions)	**2020**	2019
Net earnings attributable to Martin Marietta	**$ 721.0**	$ 611.9
Add back:		
Interest expense, net of interest income	**117.6**	128.9
Income tax expense for controlling interests	**168.2**	136.3
Depreciation, depletion and amortization expense and earnings/loss from nonconsolidated equity affiliates	**386.0**	377.4
Consolidated Adjusted EBITDA	**$ 1,392.8**	$ 1,254.5

Mixed-Adjusted Average Selling Price

Mix-adjusted average selling price (mix-adjusted ASP) is a non-GAAP measure that excludes the impacts of period-over-period product, geographic and other mix on the average selling price. Mix-adjusted ASP is calculated by comparing current-period shipments to like-for-like shipments in the comparable prior period. Management uses this metric to evaluate the realization of pricing increases and believes this information is useful to investors. The following reconciles reported average selling price to mix-adjusted ASP and corresponding variances.

years ended December 31 (in millions)	**2020**	2019
West Group - aggregates:		
Reported average selling price	**$13.82**	$13.59
Adjustment for unfavorable impact of product, geographic and other mix	**0.30**	
Mix-adjusted ASP	**$14.12**	
Reported average selling price variance	**1.7%**	
Mix-adjusted ASP variance	**3.9%**	
Total aggregates:		
Reported average selling price	**$14.77**	$14.33
Adjustment for unfavorable impact of product, geographic and other mix	**0.13**	
Mix-adjusted ASP	**$14.90**	
Reported average selling price variance	**3.1%**	
Mix-adjusted ASP variance	**4.0%**	
Cement:		
Reported average selling price	**$113.88**	$112.75
Adjustment for unfavorable impact of product, geographic and other mix	**2.52**	
Mix-adjusted ASP	**$116.40**	
Reported average selling price variance	**1.0%**	
Mix-adjusted ASP variance	**3.2%**	

Adjusted Ready Mixed Concrete Volume Variance

The following table presents ready mixed concrete shipment data and volume variances excluding four ready mixed concrete operations acquired in the third quarter of 2020 and excluding shipments from the Arkansas, Louisiana and eastern Texas ready mix business (ArkLaTex business) that was divested in January 2020 during the period of Martin Marietta's ownership to provide a more comparable analysis of ready mixed concrete volume variance:

years ended December 31 (in millions)	**2020**	2019
Shipments (cubic yards)		
Reported ready mixed concrete shipments	**8.4**	8.5
Less: ready mixed concrete shipments of acquired operations	**(0.2)**	—
Less: ready mixed concrete shipments for the ArkLaTex business during the period of Martin Marietta ownership	**—**	(0.6)
Adjusted ready mixed concrete shipments	**8.2**	7.9
Reported ready mixed concrete volume variance	**(1.6%)**	
Adjusted ready mixed concrete volume variance	**3.2%**	

Total Revenues

The following table presents revenues data for the Company and its reportable segments by product line for the year ended December 31, 2020 and 2019. Prior-year segment information has been reclassified to conform to changes to the reportable segments effective January 1, 2020 and July 1, 2020 (see Note A to the audited consolidated financial statements).

years ended December 31 (in millions)	**2020**	2019
Building Materials business:		
Products and services		
East Group:		
Aggregates	**$ 1,826.6**	$ 1,814.6
West Group:		
Aggregates	**942.7**	942.1
Cement	**452.5**	439.1
Ready mixed concrete	**952.1**	948.1
Asphalt and paving services	**331.7**	294.0
Less: interproduct revenues	**(294.4)**	(265.5)
Products and services	**4,211.2**	4,172.4
Freight	**276.0**	295.4
Total Building Materials business	**4,487.2**	4,467.8
Magnesia Specialties:		
Products	**220.9**	249.9
Freight	**21.8**	21.4
Total Magnesia Specialties	**242.7**	271.3
Total consolidated revenues	**$ 4,729.9**	$ 4,739.1

Gross Profit

The following table presents gross profit and gross margin data for the Company and its reportable segments by product line for the year ended December 31, 2020 and 2019. Prior-year segment information has been reclassified to conform to changes to the reportable segments effective January 1, 2020 and July 1, 2020 (see Note A to the audited consolidated financial statements).

years ended December 31 (dollars in millions)	**2020** Amount	**2020** % of Revenues	2019 Amount	2019 % of Revenues
Building Materials business:				
East Group:				
Aggregates	**$ 620.0**	**33.9%**	$ 606.2	33.4%
West Group:				
Aggregates	**228.5**	**24.2%**	201.7	21.4%
Cement	**170.9**	**37.8%**	143.4	32.7%
Ready mixed concrete	**79.6**	**8.4%**	78.8	8.3%
Asphalt and paving services	**60.4**	**18.2%**	50.7	17.2%
Products and services	**1,159.4**	**27.5%**	1,080.8	25.9%
Freight	**0.4**		(0.2)	
Total Building Materials business	**1,159.8**	**25.8%**	1,080.6	24.2%
Magnesia Specialties:				
Products and services	**89.6**	**40.6%**	99.4	39.8%
Freight	**(4.1)**		(4.0)	
Total Magnesia Specialties	**85.5**	**35.2%**	95.4	35.2%
Corporate	**7.5**		3.0	
Total consolidated gross profit	**$ 1,252.8**	**26.5%**	$ 1,179.0	24.9%

The following presents a rollforward of the Company's consolidated gross profit:

years ended December 31 (in millions)	**2020**	2019
Consolidated gross profit, prior year	**$ 1,179.0**	$ 966.6
Aggregates:		
Pricing	**81.8**	111.5
Volume	**(36.8)**	139.3
Operational performance[1]	**(4.4)**	(51.3)
Change in aggregates gross profit	**40.6**	199.5
Cement and downstream operations products and services	**38.0**	21.1
Magnesia Specialties products	**(9.8)**	(3.4)
Corporate	**4.5**	(4.6)
Freight	**0.5**	(0.2)
Change in consolidated gross profit	**73.8**	212.4
Consolidated gross profit, current year	**$ 1,252.8**	$ 1,179.0

[1] Inclusive of cost increases/decreases, product and geographic mix and other operating impacts

The increase in Building Materials business gross profit in 2020 compared with 2019 is primarily attributable to increased pricing, effective cost management, and lower energy and cement maintenance costs. The decline in gross profit in Magnesia Specialties is driven by lower sales due to the impact of COVID-19 on the U.S. steel industry and inventory rationalization by international customers during the first portion of 2020, partially offset by cost reduction actions.

Corporate gross profit includes intercompany royalty and rental revenue and expenses, depreciation and unallocated operational expenses excluded from the Company's evaluation of business segment performance.

Aggregates. The average selling price per ton for aggregates was $14.77 and $14.33 for 2020 and 2019, respectively.

Aggregates average selling price increases compared to the prior year are as follows:

years ended December 31	**2020**	2019
East Group	**3.8%**	2.5%
West Group	**1.7%**	7.1%
Total aggregates operations[1]	**3.1%**	4.2%

[1] *Total aggregates operations include acquisitions from the date of acquisition and divestitures through the date of disposal.*

The following presents aggregates shipments for each reportable segment of the Building Materials business:

years ended December 31 Tons (in millions)	**2020**	2019
East Group	**118.7**	122.3
West Group	**67.8**	68.8
Total aggregates operations[1]	**186.5**	191.1

[1] *Total aggregates operations include acquisitions from the date of acquisition and divestitures through the date of disposal.*

Aggregates shipments sold to external customers and internal tons used in other product lines are as follows:

years ended December 31 Tons (in millions)	**2020**	2019
Tons to external customers	**173.9**	181.1
Internal tons used in other product lines	**12.6**	10.0
Aggregates tons	**186.5**	191.1

Aggregates volume variance compared to the prior year by reportable segment is as follows:

years ended December 31	**2020**	2019
East Group	**(3.0%)**	14.9%
West Group	**(1.4%)**	6.4%
Total aggregates operations[1]	**(2.4%)**	11.7%

[1] *Total aggregates operations include acquisitions from the date of acquisition and divestitures through the date of disposal.*

Aggregates pricing improved 3.1% compared with 2019, with the West Group reporting a modest increase of 1.7%, reflecting lower percentage of higher-priced commercial rail-shipped volumes in Texas that offset robust underlying pricing gains. On a mix-adjusted basis, the West Group pricing increase was 3.9%. Aggregates volume declined in 2020, reflecting the broad economic impact from COVID-19, lower anticipated infrastructure shipments in North Carolina and reduced energy-sector shipments resulting from completed projects that were not immediately replaced.

Cement, Ready Mixed Concrete, Asphalt and Paving Services. The Company's cement and downstream operations, namely ready mixed concrete, asphalt and paving services, are located in the West Group.

Average selling prices for cement, ready mixed concrete and asphalt are as follows:

years ended December 31	**2020**	2019
Cement – per ton	**$ 113.88**	$ 112.75
Ready mixed concrete – per cubic yard	**$ 113.57**	$ 111.32
Asphalt – per ton	**$ 48.00**	$ 46.75

Unit shipments for cement, ready mixed concrete and asphalt are as follows:

years ended December 31 (in millions)	**2020**	2019
Cement:		
Tons to external customers	**2.7**	2.7
Internal tons used in ready mixed concrete	**1.3**	1.2
Total cement tons	**4.0**	3.9
Ready mixed concrete – cubic yards[1]	**8.4**	8.5
Asphalt:		
Tons to external customers	**0.8**	0.9
Internal tons used in paving operations	**2.5**	2.0
Total asphalt tons	**3.3**	2.9

[1] *Ready mixed concrete operations include acquisitions from the date of acquisition and divestitures through the date of disposal.*

Cement shipments increased 2.4% in 2020 versus prior year, reflective of strong demand in North and South Texas, partially offset by reduced energy-sector demand. Cement pricing improved 1.0% compared with the prior year, with strength in North Texas, Houston and portions of Central Texas offset by lower sales of higher-priced oil-well specialty cement products into West Texas. On a mix-adjusted basis, cement pricing increased 3.2%. Cement product gross margin expanded 510 basis points driven by improved kiln reliability resulting from prior-period investments, lower fuel costs and the timing of planned kiln outages.

Ready mixed concrete pricing improved 2.0% and adjusted shipment volume increased 3.2% in 2020, after excluding shipments from ready mixed concrete operations acquired in the third quarter of 2020 and also excluding 2019 shipments from the Southwest Division's ArkLaTex business that was divested in January 2020. In 2020, asphalt pricing increased 2.7% and volumes improved 15.3%, attributable to strong customer demand and favorable weather compared with the prior year.

Magnesia Specialties. In 2020, Magnesia Specialties reported total revenues of $242.7 million, gross profit of $85.5 million and earnings from operations of $70.7 million, representing decreases of 11%, 10% and 15%, respectively, compared with 2019. The declines in 2020 compared with prior year are primarily attributable to lower lime and periclase shipments to the steel industry in response to COVID-19-induced shutdown of domestic auto manufacturers. Additionally, the business experienced a continued decline in chemicals products sales as both domestic and international customers experienced a downturn in economic activity related to COVID-19. Effective cost control contributed to product gross margin expansion of 80 basis points to 40.6%.

Selling, General and Administrative Expenses

SG&A expenses for 2020 and 2019 were 6.5% and 6.4% of total revenues, respectively. The $3.2 million increase in total expense reflected higher personnel costs and $6.0 million in COVID-19 related expenses primarily for cleaning and sanitizing protocols across the Company's operations, and were partially offset by reductions in other discretionary costs.

Other Operating Income, Net

Other operating income, net, is comprised generally of gains and losses on the sale of assets; recoveries and losses related to certain customer accounts receivable; rental, royalty and services income; accretion expense, depreciation expense and gains and losses related to asset retirement obligations. These net amounts represented income of $59.8 million in 2020 and $9.1 million in 2019. The 2020 amount included $69.9 million of nonrecurring gains on the sales of investment land and divested assets in Austin, Texas; Riverside, California; and Augusta, Kansas. These asset sales collectively generated net cash proceeds of $122.8 million. These gains were recorded in the West Group. The 2019 amount included the reversal of $6.9 million of accruals for sales tax and unclaimed property contingencies.

Earnings from Operations

Consolidated earnings from operations were $1.0 billion and $884.9 million in 2020 and 2019, respectively.

Interest Expense

Interest expense was $118.1 million in 2020 and $129.3 million in 2019. The decrease reflects lower average outstanding debt during 2020 compared with 2019 and lower interest rates on variable-rate debt.

Other Nonoperating (Income) and Expenses, Net

Other nonoperating income and expenses, net, is comprised generally of interest income; foreign currency transaction gains and losses; pension and postretirement benefit cost (excluding service cost); net equity earnings from nonconsolidated investments and other miscellaneous income and expenses. Consolidated other nonoperating income and expenses, net, was income of $2.0 million in 2020, and an expense of $7.3 million in 2019. The 2020 amount reflected lower pension expense of $8.1 million compared with the prior year and an expense of $11.4 million to finance third-party railroad track maintenance. 2019 expense included the correction of a prior-period error that overstated equity earnings from a nonconsolidated affiliate. The error was deemed immaterial to any previously-reported period and was corrected as an out-of-period expense of $15.7 million ($12.0 million, net of tax). The pretax noncash adjustment was recorded in other nonoperating expenses, net, consistent with the recurring classification of equity earnings from the affiliate.

Income Tax Expense

Variances in the estimated effective income tax rates, when compared with the statutory corporate income tax rate, are due primarily to the statutory depletion deduction for mineral reserves, the effect of state income taxes, stock compensation deductions, and the impact of foreign income or losses for which no tax expense or benefit is recognized. Additionally, certain acquisition-related expenses have limited deductibility for income tax purposes.

The permanent benefit associated with the statutory depletion deduction for mineral reserves is typically the significant driver of the estimated effective income tax rate. The statutory depletion deduction is calculated as a percentage of revenues subject to certain limitations. Due to these limitations, changes in sales volumes and pretax earnings may not proportionately affect the statutory depletion deduction and the corresponding impact on the effective income tax rate. However, the impact of the depletion deduction on the estimated effective tax rate is inversely affected by increases or decreases in pretax earnings.

The Company's estimated effective income tax rate for the years ended December 31, 2020 and 2019 was 18.9% and 18.2%, respectively.

The effective income tax rate for 2020 included a $14.2 million discrete benefit from financing third-party railroad track maintenance. In exchange, the Company received a federal income tax credit and deduction. The 2019 income tax rate reflected a discrete income tax benefit of $15.2 million related to a change in tax status of a subsidiary.

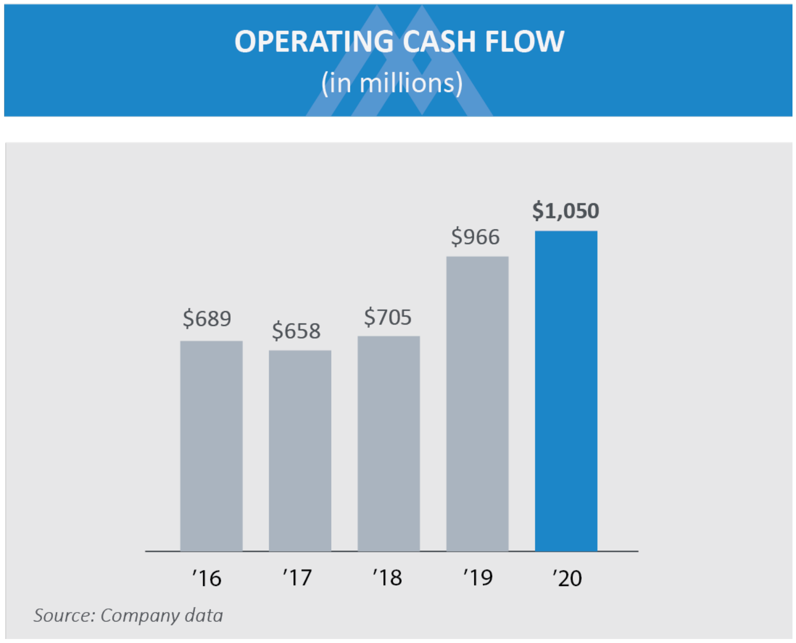
Net Earnings Attributable to Martin Marietta and Earnings Per Diluted Share

Net earnings attributable to Martin Marietta were $721.0 million, or $11.54 per diluted share, for 2020 and $611.9 million, or $9.74 per diluted share, for 2019.

Liquidity and Cash Flows

Operating Activities

Generally, the Company's primary source of liquidity is cash generated from operating activities. Operating cash flow is substantially derived from consolidated net earnings, before deducting depreciation, depletion and amortization, and offset by working capital requirements. Cash provided by operations was $1.05 billion in 2020 and $966.1 million in 2019. The primary driver of the increase in cash provided by operations in 2020 is higher earnings.



Depreciation, depletion and amortization expense were as follows:

years ended December 31 (in millions)		**2020**		2019
Depreciation	**$**	**336.8**	$	313.6
Depletion		**35.9**		37.5
Amortization		**17.0**		16.4
Total	**$**	**389.7**	$	367.5

Investing Activities

Net cash used for investing activities was $409.7 million in 2020 and $385.9 million in 2019.

Cash paid for property, plant and equipment additions was $359.7 million in 2020 and $393.5 million in 2019, the reduction reflecting the Company's decision to reduce capital expenditures in light of COVID-19.

The Company paid cash of $65.1 million for acquisitions in 2020. There were no acquisitions in 2019.

Pretax proceeds from divestitures and sales of nonoperating land and equipment were $142.3 million in 2020 and $8.4 million in 2019. In 2020, the amount included the divestitures of investment land and assets in Austin, Texas; Riverside, California; and Augusta, Kansas.

During 2020, the Company repaid $112.3 million of loans against company-owned life insurance policies.

Financing Activities

The Company used $357.0 million and $604.1 million of cash for financing activities during 2020 and 2019, respectively.

Net repayments of long-term debt were $149.0 million in 2020 and $350.1 million in 2019.

The Company repurchased 0.2 million shares of its common stock for a total cost of $50.0 million, or $237.40 per share, in 2020 and 0.4 million shares of its common stock for a total cost of $98.2 million, or $236.04 per share, in 2019.

For the years ended December 31, 2020 and 2019, the Board of Directors approved total cash dividends on the Company's common stock of $2.24 per share and $2.06 per share, respectively. Total cash dividends paid were $140.3 million in 2020 and $129.8 million in 2019.

Cash provided by issuances of common stock, which represents the exercises of stock options, excluding the impact of shares withheld for taxes, was $2.3 million and $13.7 million in 2020 and 2019, respectively.

Capital Structure and Resources

Long-term debt, including current maturities, was $2.63 billion at December 31, 2020, and was principally in the form of publicly-issued long-term notes and debentures.

On March 5, 2020, the Company issued $500.0 million aggregate principal amount of 2.500% Senior Notes due 2030 (the 2.500% Senior Notes). The 2.500% Senior Notes are carried net of original issue discount, which is being amortized by the effective interest method over the life of the issue. The 2.500% Senior Notes are redeemable prior to December 15, 2029 at their make-whole redemption price at a discount rate of the U.S. Treasury Rate plus 30 basis points, or on or after December 15, 2029 at a redemption price equal to 100% of the principal amount plus accrued and unpaid interest to the date of redemption. The Company used the net proceeds for general corporate purposes, including the repayment of $300.0 million of floating rate senior notes at maturity in May 2020.

The Company, through a wholly-owned special-purpose subsidiary, has a $400.0 million trade receivable securitization facility (the Trade Receivable Facility). In September 2020, the Company extended the maturity of the Trade Receivable Facility to September 22, 2021. The Trade Receivable Facility is backed by eligible trade receivables, as defined. Borrowings are limited to the lesser of the facility limit or the borrowing base, as defined. These receivables are originated by the Company and then sold to the wholly-owned special-purpose subsidiary. The Company continues to be responsible for the servicing and administration of the receivables purchased by the wholly-owned special-purpose subsidiary. The Trade Receivable Facility contains a cross-default provision to the Company's other debt agreements.

The $700.0 million five-year senior unsecured revolving facility (the Revolving Facility), which matures in December 2024, requires the Company's ratio of consolidated net debt-to-consolidated EBITDA, as defined, for the trailing-twelve month period (the Ratio) to not exceed 3.50x as of the end of any fiscal quarter, provided that the Company may exclude from the Ratio debt incurred in connection with certain acquisitions during the quarter or the three preceding quarters so long as the Ratio calculated without such exclusion does not exceed 3.75x. Additionally, if there are no amounts outstanding under the Revolving Facility and the Trade Receivable Facility, consolidated debt, including debt for which the Company is a co-borrower, shall be reduced by the Company's unrestricted cash and cash equivalents in excess of $50.0 million, such reduction not to exceed $200.0 million, for purposes of the covenant calculation.

At December 31, 2020, the Company's ratio of consolidated net debt-to-consolidated EBITDA, as defined in the agreement governing the Revolving Facility (the Credit Agreement), for the trailing twelve-month EBITDA was 1.75 times and was calculated as follows:

(dollars in millions)	Twelve-Month Period January 1, 2020 to December 31, 2020	
Net earnings attributable to Martin Marietta	$	721.0
Add back:		
Interest expense		118.1
Income tax expense		168.2
Depreciation, depletion and amortization expense		389.6
Stock-based compensation expense		30.0
Deduct:		
Interest income		(0.5)
Consolidated EBITDA, as defined by the Company's Credit Agreement	$	1,426.4
Consolidated net debt, as defined and including debt for which the Company is a co-borrower, at December 31, 2020	$	2,501.5
Consolidated net debt-to-consolidated EBITDA, as defined by the Company's Credit Agreement, at December 31, 2020 for trailing twelve-month EBITDA		1.75x

Total equity was $5.89 billion at December 31, 2020. At that date, the Company had an accumulated other comprehensive loss of $158.4 million, primarily resulting from unrecognized actuarial losses related to pension benefits.

Pursuant to authority granted by its Board of Directors, the Company can repurchase up to 20 million shares of common stock. As of December 31, 2020, the Company had 13.5 million shares remaining under the repurchase authorization. Future share repurchases are at the discretion of management and were temporarily paused in March 2020 in light of the COVID-19 pandemic. Management may resume share repurchases as circumstances dictate.

At December 31, 2020, the Company had $207.3 million in unrestricted cash and short-term investments that are considered cash equivalents. The Company manages its cash and cash equivalents to ensure short-term operating cash needs are met and excess funds are managed efficiently. The Company funds shortages in operating cash through credit facilities. The Company utilizes excess cash to either pay-down credit facility borrowings or invest in money market funds, money market demand deposit accounts or offshore time deposit accounts. Money market demand deposits and offshore time deposit accounts are exposed to bank solvency risk. Money market demand deposit accounts are FDIC insured up to $250,000. The Company's investments in bank funds generally exceed the FDIC insurance limit.

As of December 31, 2020, the Company had restricted cash of $97.1 million for the purchase of like-kind exchange replacement assets under Section 1031 of the Internal Revenue Code (Section 1031). In January 2021, unused funds of $47.2 million were transferred to unrestricted cash and can subsequently be used for general corporate purposes. The Company has until March 9, 2021 to utilize additional funds for like-kind exchange replacement assets. Any remaining unused funds will be transferred to unrestricted cash at that time.

Cash on hand, along with the Company's projected internal cash flows and availability of financing resources, including its access to debt and equity capital markets, is expected to continue to be sufficient to provide the capital resources necessary to support anticipated operating needs, cover debt service requirements, meet capital expenditures and discretionary investment needs, fund certain acquisition opportunities that may arise and allow for payment of dividends for the foreseeable future. Borrowings under the Revolving Facility are unsecured and may be used for general corporate purposes. The Company's ability to borrow or issue securities is dependent upon, among other things, prevailing economic, financial and market conditions. At December 31, 2020, the Company had $1.1 billion of unused borrowing capacity under its Revolving Facility and Trade Receivable Facility.

The Company may be required to obtain additional financing in order to fund certain strategic acquisitions or to refinance outstanding debt. Any strategic acquisition of size would likely require an appropriate balance of newly-issued equity with debt in order to maintain a composite investment-grade credit rating. The Company is exposed to credit markets through the interest cost related to borrowings under its Revolving Facility and Trade Receivable Facility.

The Coronavirus Aid, Relief and Economic Security Act (CARES Act) was signed into law in March 2020 and provides liquidity support for businesses. The CARES Act allowed the Company to defer the payment of the 6.2% employer share of Social Security taxes for the period from March 27, 2020 through December 31, 2020. Half of the deferred obligation will be due December 31, 2021 and the remaining half will be due December 31, 2022. There will be no interest assessed on amounts deferred. The Company deferred payment of $27.6 million under this provision.

Contractual and Off Balance Sheet Obligations

Postretirement medical benefits will be paid from the Company's assets. The obligation, if any, for retiree medical payments is subject to the terms of the plan. At December 31, 2020, the Company's recorded benefit obligation related to these benefits totaled $12.6 million.

The Company has other retirement benefits related to pension plans. At December 31, 2020, the fair value of the qualified pension plans' assets exceeded the projected benefit obligation by $41.8 million. The Company estimates that it will make contributions of $75.1 million to qualified pension plans in 2021. Any contributions beyond 2021 are currently undeterminable and will depend on the investment return on the related pension assets. However, management's practice is to fund at least the service cost annually. At December 31, 2020, the Company had a total obligation of $115.8 million related to unfunded nonqualified pension plans and expects to make contributions of $7.5 million to these plans in 2021.

At December 31, 2020, the Company had $8.4 million accrued for uncertain tax positions, including interest and correlative effects of $0.2 million. Such liabilities may become payable if the tax positions are not sustained upon examination by a taxing authority.

In connection with normal, ongoing operations, the Company enters into market-rate leases for property, plant and equipment and royalty commitments principally associated with leased land and mineral reserves. Additionally, the Company enters into equipment rentals to meet shorter-term, nonrecurring and intermittent needs. At December 31, 2020, the Company had $459.0 million in operating lease obligations and $24.5 million in finance lease obligations, representing the present value of future payments. The imputed interest on operating and finance lease obligations was $174.3 million. Management anticipates that, in the ordinary course of business, the Company will enter into additional royalty agreements for land and mineral reserves during 2021. As permitted, short-term leases are excluded from ASC 842 requirements and future noncancelable obligations for these leases as of December 31, 2020 are immaterial.

As of December 31, 2020, interest payable on the Company's publicly traded debt through the various maturity dates was $1.35 billion. The Company has obligations related to contracts of affreightment not accounted for as a lease and royalty agreements totaling $120.2 million and $119.7 million, respectively, as of December 31, 2020. The Company has purchase commitments for property, plant and equipment of $102.8 million as of December 31, 2020. The Company also has other purchase obligations related to energy and service contracts which totaled $122.4 million as of December 31, 2020.

Contingent Liabilities and Commitments

The Company has entered into standby letter of credit agreements relating to certain insurance claims, contract performance and permit requirements. At December 31, 2020, the Company had contingent liabilities guaranteeing its own performance under these outstanding letters of credit of $32.0 million.

In the normal course of business, at December 31, 2020, the Company was contingently liable for $390.2 million in surety bonds, which guarantee its own performance and are required by certain states and municipalities and their related agencies. The Company has indemnified the underwriting insurance companies against any exposure under the surety bonds. In the Company's past experience, no material claims have been made against these financial instruments.

The Company is a co-borrower with an unconsolidated affiliate for a $12.5 million revolving line of credit agreement with Truist Bank. The affiliate has agreed to reimburse and indemnify the Company for any payments and expenses the Company may incur from this agreement. The Company holds a lien on the affiliate's membership interest in a joint venture as collateral for payment under the revolving line of credit.

OTHER FINANCIAL INFORMATION

Critical Accounting Policies and Estimates

The Company's audited consolidated financial statements include certain critical estimates regarding the effect of matters that are inherently uncertain. These estimates require management's subjective and complex judgments. Amounts reported in the Company's consolidated financial statements could differ materially if management used different assumptions in making these estimates, resulting in actual results differing from those estimates. Methodologies used and assumptions selected by management in making these estimates, as well as the related disclosures, have been reviewed by and discussed with the Company's Audit Committee. Management's determination of the critical nature of accounting estimates and judgments may change from time to time depending on facts and circumstances that management cannot currently predict.

Impairment Review of Goodwill

Goodwill is required to be tested annually for impairment. An interim review is performed between annual tests if facts and circumstances indicate a potential impairment. The impairment review of goodwill is a critical accounting estimate because goodwill represented 23% of the Company's total assets at December 31, 2020; the review requires management to apply judgment and make key assumptions; and an impairment charge could be material to the Company's financial condition and results of operations. The Company performs its impairment evaluation as of October 1, which represents the annual evaluation date.

The Company's reporting units, which represent the level at which goodwill is tested for impairment, are based on the operating segments of the Building Materials business. The Southwest Division is the most significant reporting unit and includes $1.7 billion of the Company's goodwill. There is no goodwill related to the Magnesia Specialties business.

Certain of the aforementioned reporting units within the Building Materials business meet the aggregation criteria and are consolidated into reportable segments for financial reporting.

Goodwill is assigned to the respective reporting unit(s) based on the location of acquisitions at the time of consummation. If subsequent organizational changes result in operations being transferred to a different reporting unit, a proportionate amount of goodwill is transferred from the former to the new reporting unit. Goodwill is tested for impairment by comparing the reporting unit's fair value to its carrying value, which represents a Step-1 analysis. However, prior to Step 1, the Company may perform an optional qualitative assessment, or Step 0. As part of the qualitative assessment, the Company considers, among other things, the following events and circumstances: macroeconomic conditions, industry and market conditions, cost factors, overall financial performance and other business or reporting unit-specific events. If the Company concludes it is more-likely-than-not (i.e., a likelihood of more than 50%) that a reporting unit's fair value is higher than its carrying value, the Company does not perform any further goodwill impairment testing for that reporting unit. Otherwise, it proceeds to Step 1 of its goodwill impairment analysis. The Company may bypass the qualitative assessment for any reporting unit in any period and proceed directly with the quantitative calculation in Step 1. When the Company validates its conclusion by measuring fair value, it may resume performing a qualitative assessment for a reporting unit in any subsequent period. If the reporting unit's fair value exceeds its carrying value, no further calculation is necessary. A reporting unit with a carrying value in excess of its fair value constitutes a Step-1 failure and results in an impairment charge.

For the 2020 annual impairment evaluation, the Company performed a Step-0 analysis for all reporting units and concluded that it is more-likely-than-not that the reporting units' fair values exceed their carrying values.

Any potential impairment charges from future evaluations represent a risk to the Company.

Pension Benefit Obligation and Pension Expense – Selection of Assumptions

The Company sponsors noncontributory defined benefit pension plans that cover substantially all employees and a Supplemental Excess Retirement Plan (SERP) for certain retirees (see Note K to the consolidated financial statements). Annually, as of December 31, management remeasures the defined benefit pension plans' projected benefit obligation based on the present value of the projected future benefit payments to all participants for services rendered to date, reflecting expected future pay increases through the participants' expected retirement dates. A discount rate assumption is selected annually based on corporate bond rates as of the measurement date to calculate the present value of the projected benefit obligation.

Annual pension expense, referred to as net periodic benefit cost within the consolidated financial statements, (inclusive of SERP expense) consists of several components:

- *Service Cost,* which represents the present value of benefits attributed to services rendered in the current year, measured by expected future salary levels to assumed retirement dates;
- *Interest Cost,* which represents one year's additional interest on the projected benefit obligation;
- *Expected Return on Assets,* which represents the expected investment return on pension plan assets; and
- *Amortization of Prior Service Cost and Actuarial Gains and Losses,* which represents components that are recognized over time rather than immediately. Prior service cost represents credit given to employees for years of service already accrued, of which there is an insignificant amount at December 31, 2020. Actuarial gains and losses arise from changes in assumptions regarding future events, a change in the benefit obligation resulting from experience different from assumed or when actual returns on pension assets differ from expected returns. At December 31, 2020, the unrecognized actuarial loss was $245.9 million. Pension accounting rules currently allow companies to amortize the portion of the unrecognized actuarial loss that represents more than 10% of the greater of the projected benefit obligation or pension plan assets, using the average remaining service life for the amortization period. Therefore, the $245.9 million unrecognized actuarial loss consists of $134.7 million currently subject to amortization in 2021 and $111.2 million not subject to amortization in 2021.

These components are calculated annually to determine the annual pension expense.

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

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

Management's selection of the discount rate is based on an analysis that estimates the current rate of return for high-quality, fixed-income investments with maturities matching the payment of pension benefits that could be purchased to settle the obligations. The Company selected a hypothetical portfolio of Moody's Aa bonds, with maturities that match the benefit obligations, to determine the discount rate. At December 31, 2020, the Company selected a discount rate assumption of 3.16%, a 53-basis-point decrease compared with the prior-year assumption. Of the four key assumptions, the discount rate is generally the most volatile and sensitive estimate. Accordingly, a change in this assumption has the most significant impact on the annual pension expense and the projected benefit obligation.

Management's selection of the rate of increase in future compensation levels, which reflects cost of living adjustments and merit and promotion increases, is generally based on the Company's historical increases in pensionable earnings, while giving consideration to any future expectations. A higher rate of increase results in higher pension expense and a higher projected benefit obligation. The assumed long-term rate of increase is 4.5%.

Management's selection of the expected long-term rate of return on pension fund assets is based on a building-block approach, whereby the components are weighted based on the allocation of pension plan assets. Based on the currently projected returns on these assets and related expenses, the Company selected an expected return on assets of 6.75%, the same as the prior-year rate. The following table presents the expected return on pension assets as compared with the actual return on pension assets:

(in millions)	**Expected Return on Pension Assets**	**Actual Return on Pension Assets**
2020	**$58.4**	**$127.7**
2019	$47.9	$131.3

The difference between the expected return and the actual return on pension assets is included in actuarial gains and losses, which are amortized into annual pension expense as previously described.

At December 31, 2020 and 2019, the Company estimated the remaining lives of participants in the pension plans using the Society of Actuaries' Pri-2012 Base Mortality Table. The no-collar table was used for salaried participants and the blue-collar table was used for hourly participants, both adjusted to reflect the historical experience of the Company's participants. The Company selected the MP-2020 and the MP-2018 scales for mortality improvement at December 31, 2020 and 2019, respectively.

Assumptions are selected on December 31 to calculate the succeeding year's expense. For the 2020 pension expense, assumptions selected at December 31, 2019 were as follows:

Discount rate	3.69%
Rate of increase in future compensation levels	4.50%
Expected long-term rate of return on assets	6.75%
Average remaining service period for participants	10 years
Mortality Tables:	
Base Table	Pri-2012
Mortality Improvement Scale	MP-2018

Using these assumptions, the pension benefit obligation as of December 31, 2019 was $977.8 million and 2020 pension expense was $36.8 million. A change in the assumptions would have had the following impact on the December 31, 2019 pension benefit obligation and the 2020 expense:

- A 25-basis-point change in the discount rate would have changed the December 31, 2019 pension benefit obligation by approximately $36.3 million.
- A 25-basis-point change in the discount rate would have changed the 2020 expense by approximately $4.7 million.
- A 25-basis-point change in the expected long-term rate of return on assets would have changed the 2020 expense by approximately $2.2 million.

The assumptions selected at December 31, 2020 were as follows:

Discount rate	3.16%
Rate of increase in future compensation levels	4.50%
Expected long-term rate of return on assets	6.75%
Average remaining service period for participants	10 years
Mortality Tables:	
Base Table	Pri-2012
Mortality Improvement Scale	MP-2020

Using these assumptions, pension benefit obligation as of December 31, 2020 was $1.11 billion and 2021 pension expense is expected to be approximately $25.9 million based on current demographics and structure of the plans. Changes in the underlying assumptions would have the following estimated impact on the obligation and expected expense:

- A 25-basis-point change in the discount rate would have changed the December 31, 2020 pension benefit obligation by approximately $40.9 million.
- A 25-basis-point change in the discount rate would change the 2021 expected expense by approximately $5.4 million.
- A 25-basis-point change in the expected long-term rate of return on assets would change the 2021 expected expense by approximately $2.6 million.

The Company made pension plan contributions of $88.4 million in 2020 and $385.3 million during the five-year period ended December 31, 2020. Despite these contributions, the Company's pension plans are underfunded (projected benefit obligation exceeds the fair value of plan assets) by $74.0 million at December 31, 2020. The Company's projected benefit obligation was $1.11 billion at December 31, 2020, an increase of $134.1 million versus the prior year, driven by the lower discount rate. The Company expects to make pension plan and SERP contributions of $82.6 million in 2021, of which $75.0 million are voluntary.

Estimated Effective Income Tax Rate

The Company uses the liability method to determine its provision for income taxes. Accordingly, the annual provision for income taxes reflects estimates of the current liability for income taxes, estimates of the tax effect of financial reporting versus tax basis differences using statutory income tax rates and management's judgment with respect to any valuation allowances on deferred tax assets. The result is management's estimate of the annual effective tax rate (the ETR).

Income for tax purposes is determined through the application of the rules and regulations under the United States Internal Revenue Code and the statutes of various foreign, state and local tax jurisdictions in which the Company conducts business. Changes in the statutory tax rates and/or tax laws in these jurisdictions can have a material effect on the ETR. The effect of these changes, if material, is recognized when the change is enacted.

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

Temporary differences reflect revenues or expenses that are recognized in financial reporting in one period and taxable income in a different period. An example of a temporary difference is the use of the straight-line method of depreciation of machinery and equipment for financial reporting purposes and the use of an accelerated method for income tax purposes. Temporary differences result from differences between the financial reporting basis and tax basis of assets or liabilities and give rise to deferred tax assets or liabilities (i.e., future tax deductions or future taxable income). Therefore, when temporary differences occur, they are offset by a corresponding change in a deferred tax account. As such, total income tax expense as reported in the Company's consolidated statements of earnings is not changed by temporary differences.

The Company has deferred tax liabilities, primarily for right-of-use assets, property, plant and equipment, goodwill and other intangibles, employee pension and postretirement benefits and partnerships and joint ventures. The deferred tax liabilities attributable to property, plant and equipment relate to accelerated depreciation and depletion methods used for income tax purposes as compared with the straight-line and units-of-production methods used for financial reporting purposes. These temporary differences will reverse over the remaining useful lives of the related assets. The deferred tax liabilities attributable to goodwill arise as a result of amortizing goodwill for income tax purposes but not for financial reporting purposes. This temporary difference reverses when goodwill is written off for financial reporting purposes, either through divestitures or an impairment charge. The timing of such events cannot be estimated. The deferred tax liabilities attributable to employee pension and postretirement benefits relate to deductions as plans are funded for income tax purposes compared with deductions for financial reporting purposes based on accounting standards. The reversal of these differences depends on the timing of the Company's contributions to the related benefit plans as compared to the annual expense for financial reporting purposes. The deferred tax liabilities attributable to partnerships and joint ventures relate to the difference between the tax basis of the investments in partnerships and joint ventures when compared to the basis for financial reporting purposes. The temporary difference reverses through differences recognized over the life of the investment or through divestiture.

The Company has deferred tax assets, primarily for inventories, unvested stock-based compensation awards, unrecognized losses related to the funded status of the pension and postretirement benefit plans, lease liabilities, valuation reserves, net operating loss carryforwards and tax credit carryforwards. The deferred tax assets attributable to inventories and valuation reserves relate to the deduction of estimated cost reserves and various period expenses for financial reporting purposes that are deductible in a later period for income tax purposes. The reversal of these differences depends on facts and circumstances, including the timing of deduction for income tax purposes for reserves previously established and the establishment of additional reserves for financial reporting purposes. The deferred tax assets attributable to unvested stock-based compensation awards relate to differences in the timing of deductibility for financial reporting purposes versus income tax purposes. For financial reporting purposes, the fair value of the awards is deducted ratably over the requisite service period. For income tax purposes, no deduction is allowed until the award is vested or no longer subject to substantial risk of forfeiture. The Company reflects all excess tax benefits and tax deficiencies in income tax expense as a discrete event in the period in which the award vests or settles, increasing volatility in the income tax rate from period to period.

Business Combinations – Allocation of Purchase Price

The Company's Board of Directors and management regularly review strategic long-term plans, including potential investments in value-added acquisitions of related or similar businesses, which would increase the Company's market presence and/or are related to the Company's existing markets. When an acquisition is completed, the Company's consolidated statements of earnings include the operating results of the acquired business starting from the date of acquisition, which is the date control is obtained. The purchase price is determined based on the fair value of assets and equity interests given to the seller and any future obligations to the seller as of the date of acquisition. The Company allocates the purchase price to the fair values of the tangible and intangible assets acquired and liabilities assumed as valued at the date of acquisition. Goodwill is recorded for the excess of the purchase price over the net of the fair value of the identifiable assets acquired and liabilities assumed as of the acquisition date. The purchase price allocation is a critical accounting policy because the estimation of fair values of acquired assets and assumed liabilities is judgmental and requires various assumptions. Further, the amounts and useful lives assigned to depreciable and amortizable assets versus amounts assigned to goodwill and indefinite-lived intangible assets, which are not amortized, can significantly affect the results of operations in the period of and for periods subsequent to a business combination.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction, and, therefore, represents an exit price. Fair value measurement assumes the highest and best use of the asset by market participants, considering the use of the asset that is physically possible, legally permissible, and financially feasible at the measurement date. The Company assigns the highest level of fair value available to assets acquired and liabilities assumed based on the following options:

- Level 1 – Quoted prices in active markets for identical assets and liabilities
- Level 2 – Observable inputs, other than quoted prices, for similar assets or liabilities in active markets
- Level 3 – Unobservable inputs, used to value the asset or liability which includes the use of valuation models

Level 1 fair values are used to value investments in publicly traded entities and assumed obligations for publicly traded long-term debt.

Level 2 fair values are typically used to value acquired receivables, inventories, machinery and equipment, land, buildings, deferred income tax assets and liabilities, and accruals for payables, asset retirement obligations, environmental remediation and compliance obligations, and contingencies. Additionally, Level 2 fair values are typically used to value assumed contracts at other-than-market rates.

Level 3 fair values are used to value acquired mineral reserves and mineral interests produced and sold as final products, and separately-identifiable intangible assets. The fair values of mineral reserves and mineral interests are determined using an excess earnings approach, which requires management to estimate future cash flows, net of capital investments in the specific operation and contributory asset charges. The estimate of future cash flows is based on available historical information and future expectations and assumptions determined by management, but is inherently uncertain. Key assumptions in estimating future cash flows include changes in sales price, shipment volumes and production costs as well as capital needs. The present value of the projected net cash flows represents the fair value assigned to mineral reserves and mineral interests. The discount rate is a significant assumption used in the valuation model and is based on the required rate of return that a hypothetical market participant would require if purchasing the acquired business, with an adjustment for the risk of these assets not generating the projected cash flows.

The Company values separately-identifiable acquired intangible assets which may include, but are not limited to, permits, customer relationships, water rights and noncompetition agreements. The fair values of these assets are typically determined by an excess earnings method, a replacement cost method or, in the case of water rights, a market approach.

The useful lives of amortizable intangible assets and the remaining useful lives for acquired machinery and equipment have a significant impact on earnings. The selected lives are based on the expected periods that the assets will provide value to the Company subsequent to the business combination.

The Company may adjust the amounts recognized for a business combination during a measurement period after the acquisition date. Any such adjustments are based on the Company obtaining additional information that existed at the acquisition date regarding the assets acquired or the liabilities assumed. Measurement-period adjustments are generally recorded as increases or decreases to the goodwill recognized in the transaction. The measurement period ends once the Company has obtained all necessary information that existed as of the acquisition date, but does not extend beyond one year from the date of acquisition. Any adjustments to assets acquired or liabilities assumed beyond the measurement period are recorded through earnings.

Property, Plant and Equipment

Net property, plant and equipment represented 50% of total assets at December 31, 2020. Accordingly, accounting for these assets represents a critical accounting policy. Useful lives of the assets can vary depending on factors, including production levels, geographic location, portability and maintenance practices. Additionally, climate and inclement weather can reduce the useful life of an asset. Historically, the Company has not recognized significant losses on the disposal or retirement of fixed assets.

Aggregates mineral reserves and mineral interests are components within the plant, property and equipment balance on the consolidated balance sheets. The Company evaluates aggregates reserves, including those used in the cement manufacturing process, in several ways, depending on the geology at a particular location and whether the location is a greensite, an acquisition or an existing operation. Greensites require an extensive drilling program before any significant investment is made in terms of time, site development or efforts to obtain appropriate zoning and permitting (see *Environmental Regulation and Litigation* section). The depth of overburden and the quality and quantity of the aggregates reserves are significant factors in determining whether to pursue opening the site. Further, the estimated average selling price for products in a market is also a significant factor in concluding that reserves are economically mineable. If the Company's analysis based on these factors is satisfactory, the total aggregates reserves available are calculated and a determination is made whether to open the location. Reserve evaluation at existing locations is typically performed to evaluate purchasing adjoining properties, for quality control, calculating overburden volumes and for mine planning. Reserve evaluation of acquisitions may require a higher degree of sampling to locate any problem areas that may exist and to verify the total reserves.

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

Despite previous drilling and sampling, once accessed, the quality of reserves within a deposit can vary. Construction contracts, for the infrastructure market in particular, include specifications related to the aggregates material. If a flaw in the deposit is discovered, the aggregates material may not meet the required specifications. Although it is possible that the aggregates material can still be used for non-specification uses, this can have an adverse effect on the Company's ability to serve certain customers or on the Company's profitability. In addition, other issues can arise that limit the Company's ability to access reserves in a particular quarry, including geological occurrences, blasting practices and zoning issues.

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

The geologist conducting the reserve evaluation makes the decision as to the number of holes and the spacing in accordance with standards and procedures established by the Company. Further, the anticipated heterogeneity of the deposit, based on U.S. geological maps, also dictates the number of holes drilled.

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

> *Proven Reserves* – These reserves are designated using closely spaced drill data as described above and a determination by a professional geologist that the deposit is relatively homogeneous based on the drilling results and exploration data provided in U.S. geologic maps, the U.S. Department of Agriculture soil maps, aerial photographs and/or electromagnetic, seismic or other surveys conducted by independent geotechnical engineering firms. The proven reserves that are recorded reflect reductions incurred through quarrying that result from leaving ramps, safety benches, pillars (underground) and the fines (small particles) that will be generated during processing. Proven reserves are further reduced by reserves that are under the plant and stockpile areas, as well as setbacks from neighboring property lines. The Company typically assumes a loss factor of 25%. However, the assumed loss factor at coastal operations is approximately 40% due to the nature of the material. The assumed loss factor for underground operations is 35% primarily due to pillars.
>
> *Probable Reserves* – These reserves are inferred utilizing fewer drill holes and/or assumptions about the economically recoverable reserves based on local geology or drill results from adjacent properties.

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

Mineral reserves and mineral interests, when acquired in connection with a business combination, are valued using an excess earnings approach for the life of the proven and probable reserves.

The Company uses proven and probable reserves as the denominator in its units-of-production calculation to record depletion expense for its mineral reserves and mineral interests. For 2020, depletion expense was $35.9 million.

The Company begins capitalizing quarry development costs at a point when reserves are determined to be proven or probable, economically mineable and when demand supports investment in the market. Capitalization of these costs ceases when production commences. Capitalized quarry development costs are classified as land improvements.

New mining areas may be developed at existing quarries in order to access additional reserves. When this occurs, management reviews the facts and circumstances of each situation in making a determination as to the appropriateness of capitalizing or expensing the related pre-production development costs. If the additional mining location operates in a separate and distinct area of a quarry, the costs are capitalized as quarry development costs and depreciated over the life of the uncovered reserves. Further, a separate asset retirement obligation is created for additional mining areas when the liability is incurred. Once a new mining area enters the production phase, all post-production stripping costs are expensed as incurred as periodic inventory production costs.

Forward-Looking Statements – Safe Harbor Provisions Under the Private Securities Litigation Reform Act of 1995

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

Investors are cautioned that all statements in this Annual Report that relate to the future involve risks and uncertainties, and are based on assumptions that the Company believes in good faith are reasonable but which may be materially different from actual results. These statements, which are forward-looking statements within the meaning of Section 21E of the Securities Exchange Act of 1934 and 27A of the Securities Act of 1933, and are made pursuant to the safe harbor provisions of the Private Securities Litigation Reform Act of 1995, provide the investor with the Company's expectations or forecasts of future events. You can identify these statements by the fact that they do not relate only to historical or current facts. They may use words such as "anticipate," "may," "expect," "should," "believe," "project," "intend," "will," and other words of similar meaning in connection with future events or future operating or financial performance. In addition to the statements included in this report, we may from time to time make other oral or written forward-looking statements in other filings under the Securities Exchange Act of 1934 or in other public disclosures. Any or all of management's forward-looking statements here and in other publications may turn out to be wrong.

These forward-looking statements are subject to risks and uncertainties, and are based on assumptions that may be materially different from actual results, and include, but are not limited to:

- the ability of the Company to face challenges, including those posed by the COVID-19 pandemic and implementation of any such related response plans;
- the recent dramatic increases in COVID-19 cases in the United States and the extent that geography of outbreak primarily matches the regions in which the Company's Building Materials business principally operates;
- the resiliency and potential declines of the Company's various construction end-use markets; the potential negative impact of the COVID-19 pandemic on the Company's ability to continue supplying heavy-side building materials and related services at normal levels or at all in the Company's key regions;
- the duration, impact and severity of the impact of the COVID-19 pandemic on the Company, including the markets in which the Company does business, its suppliers, customers or other business partners as well as the Company's employees;
- the economic impact of government responses to the pandemic; the performance of the United States economy, including the impact on the economy of the COVID-19 pandemic and governmental orders restricting activities imposed to prevent further outbreak of COVID-19;
- shipment declines resulting from economic events beyond the Company's control;
- a widespread decline in aggregates pricing, including a decline in aggregates shipment volume negatively affecting aggregates price;
- the history of both cement and ready mixed concrete being subject to significant changes in supply, demand and price fluctuations; the termination, capping and/or reduction or suspension of the federal and/or state gasoline tax(es) or other revenue related to public construction;
- the level and timing of federal, state or local transportation or infrastructure or public projects funding, most particularly in Texas, Colorado, North Carolina, Georgia, Iowa, Florida and Maryland;
- the impact of governmental orders restricting activities imposed to prevent further outbreak of COVID-19 on travel, potentially reducing state fuel tax revenues used to fund highway projects;
- the United States Congress' inability to reach agreement among themselves or with the Administration on policy issues that impact the federal budget;
- the ability of states and/or other entities to finance approved projects either with tax revenues or alternative financing structures;
- levels of construction spending in the markets the Company serves; a reduction in defense spending and the subsequent impact on construction activity on or near military bases;

- a decline in the commercial component of the nonresidential construction market, notably office and retail space, including a decline resulting from economic distress related to the COVID-19 pandemic;
- a decline in energy-related construction activity resulting from a sustained period of low global oil prices or changes in oil production patterns or capital spending in response to this decline, particularly in Texas;
- increasing residential mortgage rates and other factors that could result in a slowdown in residential construction;
- unfavorable weather conditions, particularly Atlantic Ocean and Gulf of Mexico hurricane activity, the late start to spring or the early onset of winter and the impact of a drought or excessive rainfall in the markets served by the Company, any of which can significantly affect production schedules, volumes, product and/or geographic mix and profitability;
- whether the Company's operations will continue to be treated as "essential" operations under applicable government orders restricting business activities imposed to prevent further outbreak of COVID-19 or, even if so treated, whether site-specific health and safety concerns might otherwise require certain of the Company's operations to be halted for some period of time;
- the volatility of fuel costs, particularly diesel fuel, and the impact on the cost, or the availability generally, of other consumables, namely steel, explosives, tires and conveyor belts, and with respect to the Company's Magnesia Specialties business, natural gas;
- continued increases in the cost of other repair and supply parts; construction labor shortages and/or supply-chain challenges;
- unexpected equipment failures, unscheduled maintenance, industrial accident or other prolonged and/or significant disruption to production facilities;
- increasing governmental regulation, including environmental laws; the failure of relevant government agencies to implement expected regulatory reductions;
- transportation availability or a sustained reduction in capital investment by the railroads, notably the availability of railcars, locomotive power and the condition of rail infrastructure to move trains to supply the Company's Texas, Colorado, Florida, Carolinas and the Gulf Coast markets, including the movement of essential dolomitic lime for magnesia chemicals to the Company's plant in Manistee, Michigan and its customers;
- increased transportation costs, including increases from higher or fluctuating passed-through energy costs or fuel surcharges, and other costs to comply with tightening regulations, as well as higher volumes of rail and water shipments (leading to reduced profit margins when compared with aggregates moved by truck);
- availability of trucks and licensed drivers for transport of the Company's materials;
- availability and cost of construction equipment in the United States;
- weakening in the steel industry markets served by the Company's dolomitic lime products;
- trade disputes with one or more nations impacting the U.S. economy, including the impact of tariffs on the steel industry;
- unplanned changes in costs or realignment of customers that introduce volatility to earnings, including the Magnesia Specialties business;
- proper functioning of information technology and automated operating systems to manage or support operations;
- inflation and its effect on both production and interest costs;
- the concentration of customers in construction markets and the increased risk of potential losses on customer receivables;
- the impact of the level of demand in the Company's end-use markets, production levels and management of production costs on the operating leverage and therefore profitability of the Company;
- the possibility that the expected synergies from acquisitions will not be realized or will not be realized within the expected time period, including achieving anticipated profitability to maintain compliance with the Company's leverage ratio debt covenant;
- changes in tax laws, the interpretation of such laws and/or administrative practices that would increase the Company's tax rate;
- violation of the Company's debt covenant if price and/or volumes return to previous levels of instability;
- downward pressure on the Company's common stock price and its impact on goodwill impairment evaluations;
- the possibility of a reduction of the Company's credit rating to non-investment grade; and
- other risk factors listed from time to time found in the Company's filings with the SEC.

Further, increased highway construction funding pressures resulting from either federal or state issues can affect profitability. If these negatively affect transportation budgets more than in the past, construction spending could be reduced. Cement is subject to cyclical supply and demand and price fluctuations.

The Company's principal business serves customers in construction markets. This concentration could increase the risk of potential losses on customer receivables; however, payment bonds normally posted on public projects, together with lien rights on private projects, mitigate the risk of uncollectible receivables. The level of demand in the Company's end-use markets, production levels and the management of production costs will affect the operating leverage of the Building Materials business and, therefore, profitability. Production costs in the Building Materials business are also sensitive to energy and raw material prices, both directly and indirectly. Diesel fuel, coal and other consumables change production costs directly through consumption or indirectly by increased energy-related input costs, such as steel, explosives, tires and conveyor belts. Fluctuating diesel fuel pricing also affects transportation costs, primarily through fuel surcharges in the Company's long-haul distribution network. The Magnesia Specialties business is sensitive to changes in domestic steel capacity utilization as well as the absolute price and fluctuation in the cost of natural gas.

Transportation in the Company's long-haul network, particularly the supply of railcars and locomotive power and condition of rail infrastructure to move trains, affects the Company's efficient transportation of aggregates products in certain markets, most notably Texas, Colorado, Florida, North Carolina and the Gulf Coast. In addition, availability of railcars and locomotives affects the Company's movement of essential dolomitic lime for magnesia chemicals to both the Company's plant in Manistee, Michigan, and its customers. The availability of trucks, drivers and railcars to transport the Company's product, particularly in markets experiencing high growth and increased demand, is also a risk and pressures the associated costs.

All of the Company's businesses are also subject to weather-related risks that can significantly affect production schedules and profitability. The first and fourth quarters are most adversely affected by winter weather. Hurricane activity in the Atlantic Ocean and Gulf Coast generally is most active during the third and fourth quarters.

Risks also include shipment declines resulting from economic events beyond the Company's control.

In addition to the foregoing, other factors that could cause actual results to differ materially from the forward-looking statements in this Annual Report include but are not limited to those listed above in Item 1, "Business – Competition," Item 1A, "Risk Factors," and "Note A: Accounting Policies" and "Note O: Commitments and Contingencies" of the "Notes to Financial Statements" of the audited consolidated financial statements included in this Form 10-K.

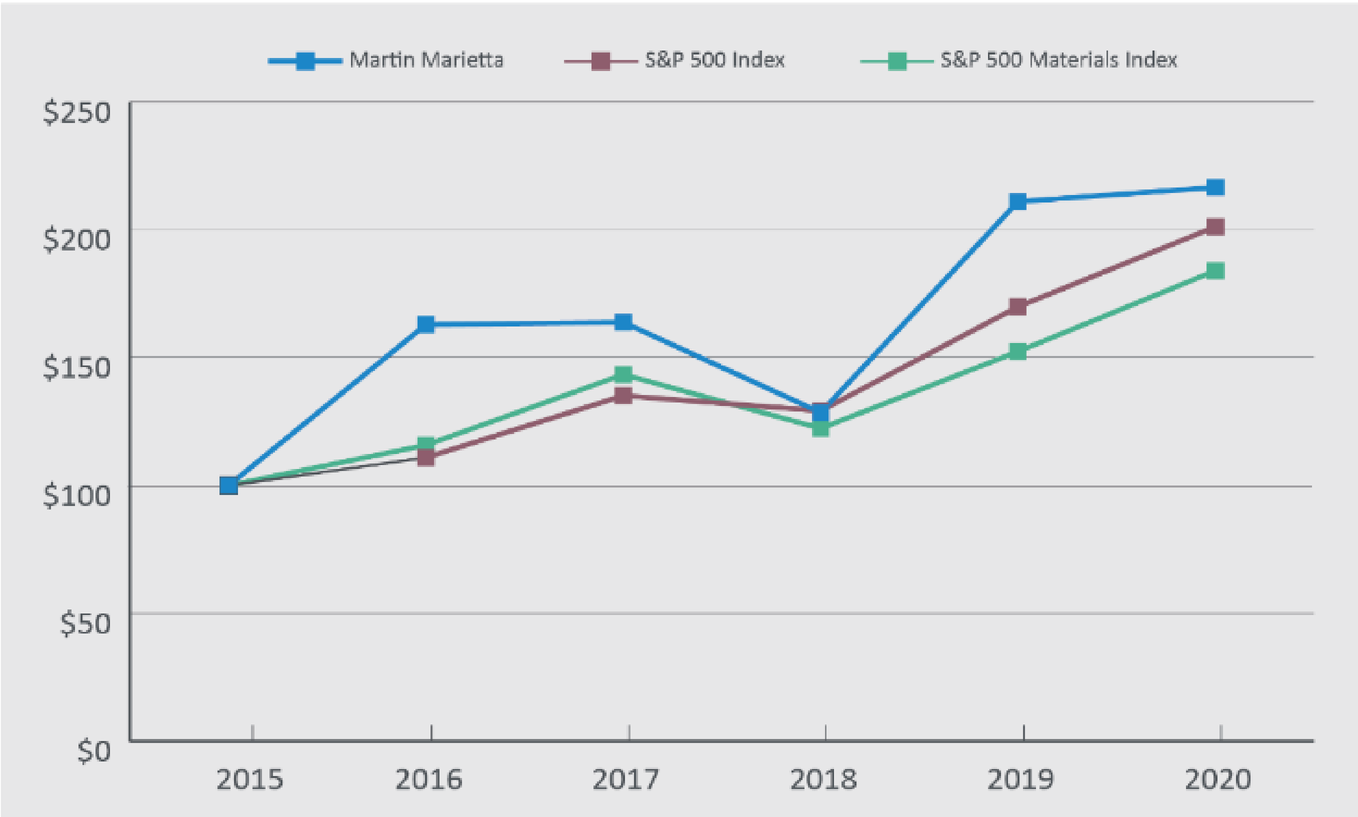
You should consider these forward-looking statements in light of risk factors discussed in the Company's Annual Report on Form 10-K for the year ended December 31, 2020 and other filings made with the SEC. All of the Company's forward-looking statements should be considered in light of these factors. In addition, other risks and uncertainties not presently known to the Company or that the Company considers immaterial could affect the accuracy of its forward-looking statements, or adversely affect or be material to the Company. All forward-looking statements are made as of the date of filing or publication and we assume no obligation to update any such forward-looking statements.

COMMON STOCK PERFORMANCE GRAPH

The following graph and accompanying table compare the five-year cumulative total return from December 31, 2015 to December 31, 2020 for (a) the Company's common stock, (b) the Standard & Poor's 500 Composite Stock Index, and (c) the Standard & Poor's 500 Materials Index.

COMPARISON OF CUMULATIVE TOTAL RETURN [1]

MARTIN MARIETTA, S&P 500 AND S&P 500 MATERIALS



CUMULATIVE TOTAL RETURN [1]

(as of December 31)

	2015	2016	2017	2018	2019	2020
Martin Marietta	$100.00	$162.91	$163.79	$128.52	$210.97	$216.55
S&P 500 Index	$100.00	$110.91	$135.12	$129.20	$169.87	$201.13
S&P 500 Materials Index	$100.00	$115.78	$143.39	$122.31	$152.37	$183.95

[1]Assumes that the initial investment in the Company's common stock and each index was $100, with quarterly reinvestment of dividends.

ADDITIONAL NON-GAAP RECONCILIATIONS

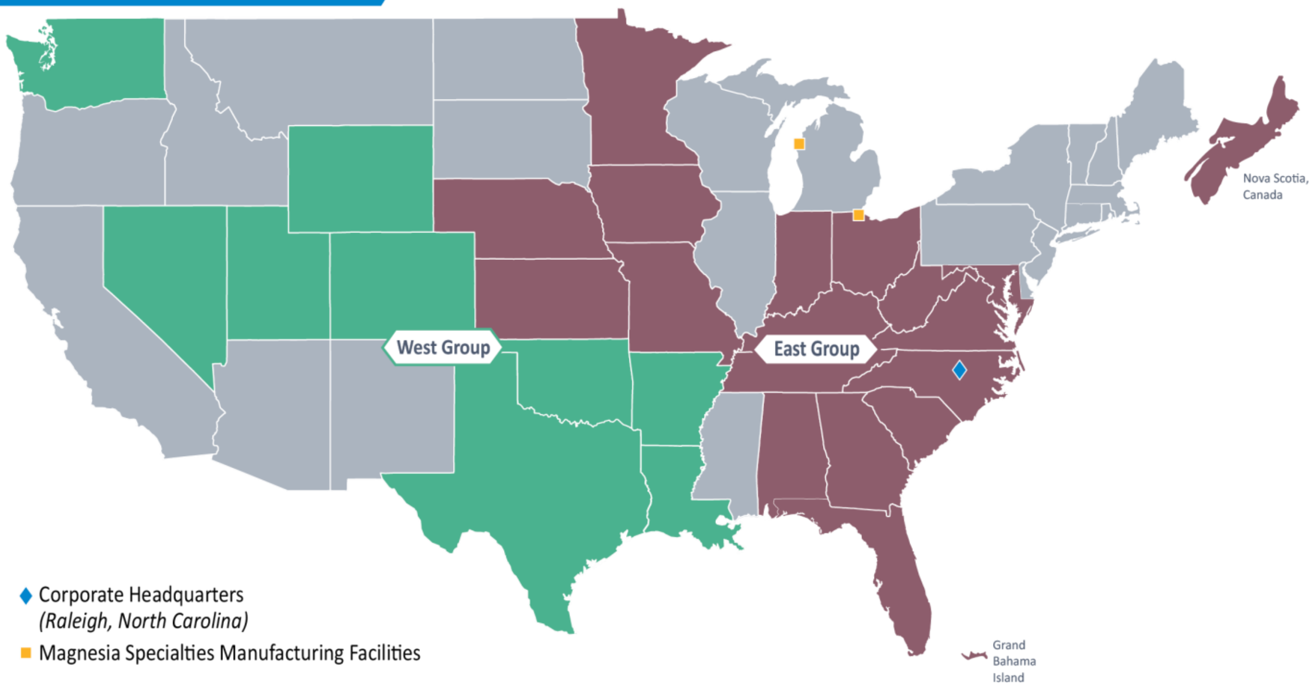
Earnings before interest; income taxes; depreciation, depletion and amortization; and the earnings/loss from nonconsolidated equity affiliates (Adjusted EBITDA) is an indicator used by the Company and investors to evaluate the Company's operating performance from period to period. Adjusted EBITDA is not defined by generally accepted accounting principles and, as such, should not be construed as an alternative to net earnings attributable to Martin Marietta, earnings from operations or operating cash flow.

years ended December 31 (in millions)	2015	2010
Net earnings attributable to Martin Marietta	$ 288.8	$ 97.0
Add back:		
Interest expense	76.3	68.5
Income tax expense for controlling interests	124.8	29.3
Depreciation, depletion and amortization expense and earnings/loss from nonconsolidated equity affiliates	253.8	182.3
Consolidated Adjusted EBITDA	$ 743.7	$ 377.1

The leverage ratio at December 31, 2020, for the trailing-twelve months consolidated Adjusted EBITDA is a non-GAAP measure. Management uses this ratio to assess its capacity for additional borrowings. The calculation below is not intended to be a substitute for the Company's leverage covenant under the Credit Agreement.

(dollars in millions)	Twelve-Month Period January 1, 2020 to December 31, 2020
Net earnings attributable to Martin Marietta	$ 721.0
Add back:	
Interest expense, net of interest income	117.6
Income tax expense for controlling interests	168.2
Depreciation, depletion and amortization expense and earnings/loss from nonconsolidated equity affiliates	386.0
Consolidated Adjusted EBITDA	$ 1,392.8
Consolidated debt at December 31, 2020	$ 2,625.8
Leverage ratio at December 31, 2020, for the trailing-twelve months consolidated Adjusted EBITDA	1.9 times

Organizational Structure
(as of December 31, 2020)



Corporate Officers

C. Howard Nye
Chairman, President and Chief Executive Officer

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

James A. J. Nickolas
Senior Vice President, Chief Financial Officer

Robert J. Cardin
Senior Vice President, Controller and Chief Accounting Officer

Craig M. LaTorre
Senior Vice President, Chief Human Resources Officer

Daniel L. Grant
Senior Vice President, Strategy and Development

John P. Mohr
Senior Vice President, Chief Information Officer

C. Howard Nye

Chairman of the Board, President and Chief Executive Officer
Martin Marietta

Mr. Nye has served as Chairman of the Board since 2014, as President of Martin Marietta since 2006 and as Chief Executive Officer and a Director since 2010. Mr. Nye previously served as Chief Operating Officer from 2006 to 2009. Prior to joining Martin Marietta in 2006, Mr. Nye spent nearly 13 years in a series of increasingly responsible positions with Hanson PLC, including as Executive Vice President of its North American building materials business.

Since 2018, Mr. Nye has been a member of the Board of Directors of General Dynamics Corporation (NYSE: GD), a global aerospace and defense company. In 2019, Forbes magazine recognized Mr. Nye as one of America's Most Innovative Leaders; he was previously recognized by both Aggregates Manager and Pit & Quarry magazines, as Aggman of the Year and a Hall of Fame inductee, respectively.

In addition to his educational, professional, executive and related roles, Mr. Nye is a past Chairman of the Board of the National Stone, Sand & Gravel Association (NSSGA); he presently serves as Vice Chairman of the Board of the American Road Transportation Builders Association (ARTBA). Mr. Nye is also a member of the Board of Directors of the United States Chamber of Commerce, the world's largest business organization, and Chairman of the North Carolina Chamber. Mr. Nye has also served on numerous other state, local and/or philanthropic organizations including on the boards of directors of the UNC Health System and the Research Triangle Foundation and on the Board of Governors of RTI International He has also served on the Alumni Boards at Duke University and Wake Forest University School of Law.

Mr. Nye received a Bachelor's degree from Duke University and a Law degree from Wake Forest University.

Dorothy M. Ables

Former Chief Administrative Officer
Spectra Energy Corp.

Ms. Ables has been a Director since 2018. Ms. Ables held a number of executive positions with Spectra Energy and predecessor companies, including serving from 2008 to 2017 as the Chief Administrative Officer of Spectra Energy Corp., where she was responsible for human resources, information technology, support services, community relations and audit services. Prior to that, Ms. Ables served as Vice President of Audit Services and Chief Ethics and Compliance Officer for Spectra Energy, Vice President and Chief Compliance Officer for Duke Energy Corporation and Senior Vice President and Chief Financial Officer for Duke Energy Gas Transmission. Spectra Energy was a Fortune 500 Company and one of North America's leading pipeline and midstream companies. Ms. Ables started her career in the audit department of Peat, Marwick, Mitchell & Co.

Ms. Ables serves as an Independent Director of Cabot Oil & Gas Corporation, an independent oil and gas company, where she is chair of the Audit Committee and a member of the Compensation Committee. Ms. Ables served as a Director of Spectra Energy Partners, an affiliate of Spectra Energy Corp., from 2013 to 2017.

Ms. Ables attended the University of Texas at Austin where she earned a Bachelor of Business Administration degree in Accounting.

Sue W. Cole

Managing Partner

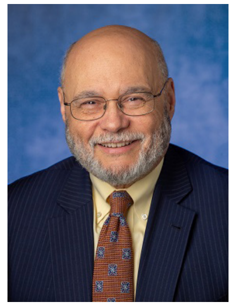
SAGE Leadership & Strategy, LLC

Ms. Cole has been a Director since 2002 and is currently the managing partner of SAGE Leadership & Strategy, LLC, an advisory firm for businesses, organizations and individuals relating to strategy, governance and leadership development.

Ms. Cole was previously a principal of Granville Capital Inc., a registered investment advisor, from 2006 to 2011. Before that, Ms. Cole served as Regional Chief Executive Officer of the Mid-Atlantic Region of U.S. Trust Company, N.A., from 2003 to 2006, and as Chief Executive Officer of U.S. Trust Company of North Carolina and president of its predecessor, North Carolina Trust Company.

Ms. Cole serves as Chair of the Compensation Committee of Biscuitville, Inc., where she was previously Chairman of the Board. Ms. Cole has previously served on the public-company board of UNIFI, Inc. Ms. Cole also served on the Investment Committee of the University of North Carolina at Greensboro and was a member of the North Carolina Economic Development Board. Ms. Cole is also past Chairman of the North Carolina Chamber of Commerce.

Ms. Cole attended the University of North Carolina at Greensboro where she earned a Bachelor of Science degree in Business Administration and a Master of Business Administration in Finance.



Smith W. Davis

Senior Partner

Greenburg Traurig, LLP

Mr. Davis has been a Director since 2018, and is a partner in the Washington, D.C. office of Greenberg Traurig, an international law firm. Mr. Davis focuses his practice on both legal reform (litigation-related policy matters) across a broad range of industries and issues related to natural gas pipelines. Until 2019, Mr. Davis was a senior partner at Akin Gump Strauss Hauer & Feld LLP, an international law firm, which he joined in 1979. Mr. Davis provided counsel on a wide variety of legislative and regulatory matters, including those before a variety of congressional committees. Mr. Davis' practice included advising on legal matters relating to environmental issues, financial institutions, mergers and acquisitions, and pension reform. Mr. Davis served on the Compensation and Management Committees at Akin Gump Strauss Hauer & Feld LLP.

Prior to joining Akin Gump, Mr. Davis served as a counsel to the House Judiciary Committee.

Mr. Davis attended Yale University where he received his Bachelor's degree, magna cum laude, and Yale Law School where he received his Juris Doctor degree.

Anthony R. Foxx

Chief Policy Officer and Advisor to the President and Chief Executive Officer

Lyft

Mr. Foxx has been a Director since November 2020 and is currently chief policy officer and advisor to the president and chief executive officer of Lyft, which he joined in 2018. In addition to his duties at Lyft, Mr. Foxx advises AutoTech Ventures, LLC, a Silicon Valley venture capital firm that focuses on surface transportation technology, and Hyperloop One, a new transportation technology inspired by Elon Musk and Tullco Investors.

Prior to joining Lyft, Mr. Foxx served as the seventeenth United States Secretary of Transportation from 2013 to 2017. Under Mr. Foxx's leadership, the Department of Transportation (DOT) established a first-ever policy framework for the safe integration of self-driving vehicles and leveraged $350 million in public and private funding to demonstrate how smart technology can change cities and local communities.

Mr. Foxx developed the Obama Administration's first surface transportation bill and worked on a bipartisan basis to get its congressional incarnation, the Fixing America's Surface Transportation Act, passed. He launched the DOT's first, and the Administration's most successful, Smart City Challenge, engaging more than seventy cities to develop their own strategies to incorporate new technologies into their transportation networks.

Previously, Mr. Foxx served as the mayor of Charlotte, North Carolina, from 2009 to 2013. First elected to the Charlotte City Council in 2005, upon his 2009 mayoral victory he became the youngest mayor in Charlotte's history and its second African-American mayor.

Mr. Foxx is also an independent director of CDW Corporation (NASDAQ: CDW), a leading multi-brand technology solutions provider to business, government, education, and healthcare customers.

Mr. Foxx received an undergraduate degree from Davidson College and a law degree from New York University.

John J. Koraleski

Lead Independent Director

Martin Marietta

Former Chairman of the Board, President and Chief Executive Officer

Union Pacific

Mr. Koraleski has been a Director since 2016. Mr. Koraleski served from February 2015 through his retirement in September 2015 as executive Chairman of the Board of the Union Pacific Corporation (UP), which through its subsidiaries operates North America's premier railroad franchise, covering 23 states across the western two-thirds of the United States. Prior to that, Mr. Koraleski was named President and Chief Executive Officer of the UP in 2012, elected as a Director of the UP in 2012 and appointed Chairman of the Board in 2014. Since joining the Union Pacific (Railroad) in 1972, Mr. Koraleski held a number of executive positions in the UP and the Railroad, including, Executive Vice President – Marketing and Sales from 1999 to 2012, Executive Vice President – Finance and Information Technology, Chief Financial Officer and Controller.

Mr. Koraleski served as the Chairman of The Bridges Investment Fund, Inc., a general equity fund whose primary investment objective is to seek long-term capital appreciation, from 2005 to 2012 and is a past Chairman of the Association of American Railroads.

Mr. Koraleski earned a Bachelor's degree and a Master's degree in Business Administration from the University of Nebraska at Omaha.

Laree E. Perez

Owner and Managing Partner

The Medallion Company, LLC

Ms. Perez has been a Director since 2004 and is an investment consultant with DeRoy & Devereaux, an independent investment adviser, where she has provided client consulting services since 2015. Ms. Perez was previously Owner and Managing Partner of The Medallion Company, LLC, a consulting firm, from 2003 to 2015.

From 1996 until 2002, Ms. Perez was Vice President of Loomis, Sayles & Company, L.P. Ms. Perez was co-founder of Medallion Investment Company, Inc. and served as President and Chief Executive Officer from 1991 until it was acquired by Loomis Sayles in 1996.

Ms. Perez was previously a Director of GenOn Energy, Inc., a large power producer in the United States, where she was Chair of its Audit Committee and a member of its Risk and Finance Oversight Committee. In addition to civic and charitable organizations, Ms. Perez recently served as Vice Chairman of the Board of Regents at Baylor University and previously served on the Board of Trustees at New Mexico State University, where she was also Chairman of the Board.

Ms. Perez earned a Bachelor's degree from Baylor University in Finance and Economics.

Thomas H. Pike

Former Chief Executive Officer

Quintiles Transnational Holdings, Inc.

Mr. Pike has been a Director since 2019. Mr. Pike has more than 30 years of global leadership, strategy and operations experience spanning a variety of industries. Mr. Pike was most recently CEO and a member of the Board of Directors of Quintiles Transnational Holdings, Inc. (Quintiles), a leading fully integrated biopharmaceutical services company offering clinical, commercial and consulting solutions worldwide, before its merger with IMS Health (NYSE: IQV) in 2016 to create IQVIA. Mr. Pike led Quintiles through a successful public offering and helped it grow into a Fortune 500 company. Under Mr. Pike's leadership, Quintiles was named one of the world's Most Ethical Companies in 2016. Mr. Pike retired in 2016 after Quintiles' merger with IMS Health.

Prior to Quintiles, Mr. Pike spent 22 years at Accenture (NYSE: ACN), a leading global professional services company, providing a broad range of services and solutions in strategy, consulting, digital, technology and operations, until 2009. At Accenture, Mr. Pike's roles included serving as Chief Risk Officer and Managing Director of the North America Health and Products business areas. Prior to that, Mr. Pike was the global Chief Operating Officer for Accenture's Resources operating group and had also served as Accenture's Chief Strategy Officer.

Since leaving Accenture in 2009 and until joining Quintiles in 2012, Mr. Pike was involved with a number of start-ups in the technology and healthcare sectors. Early in his career, Mr. Pike was a consultant at McKinsey & Company.

Mr. Pike earned his Bachelor of Science in accounting from the University of Delaware.

Michael J. Quillen

Former Chairman and Chief Executive Officer

Alpha Natural Resources, Inc.

Mr. Quillen has been a Director since 2008. Mr. Quillen served as Chairman of the Board of Directors and President of Alpha Natural Resources, Inc., an Appalachian coal supplier, from 2006 to 2009, as Chief Executive Officer from 2004 to 2009, and non-Executive Chairman through May 2012.

Mr. Quillen also serves as an independent director of Alpha Metallurgical Resources, Inc. (NYSE: AMR), a leading coal supplier with underground and surface coal mining complexes across Northern and Central Appalachia. Mr. Quillen has also served as Chairman (Rector) of the Board of Visitors of Virginia Polytechnic Institute and State University from 2012 to 2014 and was reappointed to an additional four-year term on the Board of Governors in 2014. Mr. Quillen was Chairman of the Audit and Finance Committee of Virginia Polytechnic Institute and State University from 2010 to 2012. Mr. Quillen also served on the Virginia Port Authority from 2003 to 2012 and as Chairman from 2011 to 2012.

Mr. Quillen attended Virginia Polytechnic Institute and State University, earning both a Bachelor's degree and a Master's degree in Civil Engineering.

Donald W. Slager

President and Chief Executive Officer

Republic Services, Inc.

Mr. Slager has been a Director since 2016 and is currently the President and Chief Executive Officer of Republic Services, Inc., a service provider in the non-hazardous solid waste industry, holding this position since 2011. Prior to this, Mr. Slager served as President and Chief Operating Officer. Mr. Slager also serves as a Director of Republic Services.

Previously, Mr. Slager served as President and Chief Operating Officer for Allied Waste Industries, Inc., from 2005 to 2008, prior to its merger with Republic Services.

Mr. Slager previously served as a Director of UTi Worldwide Inc. from 2009 until its sale in 2016 to DSV A/S. UTi was a NASDAQ-listed international supply chain services and solutions company providing air and ocean freight forwarding, contract logistics, customs brokerage, distribution, inbound logistics, truckload brokerage and other supply chain management services. Mr. Slager served as Chair of UTi's Nominating and Corporate Governance Committee and a member of its Compensation Committee.

Mr. Slager has completed the Northwestern University Kellogg School Advanced Executive Program and holds a certificate from the Stanford University Board Consortium Development Program.

David C. Wajsgras

Former President of the Intelligence, Information and Services Business

Raytheon Technologies Corporation (formerly Raytheon Company)

Mr. Wajsgras has been a director since 2020. Mr. Wajsgras served as president of the Intelligence, Information and Services business of the former Raytheon Company, now part of Raytheon Technologies Corporation, a major U.S. aerospace and defense company that provides advanced systems and services for commercial, military and government customers worldwide. Mr. Wajsgras held that position from 2015 until the merger between Raytheon Corp. and United Technologies Corp. in 2020. Previously, Mr. Wajsgras served as Raytheon's senior vice president and chief financial officer from 2006 to 2015. Before joining Raytheon, Mr. Wajsgras was executive vice president and CFO of Lear Corporation, an American automotive manufacturing company. Prior to joining Lear, Mr. Wajsgras was corporate controller for Engelhard Corporation, a former American Fortune 500 company that supplied catalysts. He also held numerous financial management positions with Honeywell International, Inc., an American multinational conglomerate company. Mr. Wajsgras served as the chair of the board for Raytheon Australia.

Mr. Wajsgras is also an independent director of Parsons Corporation (NYSE: PSN), a digitally enabled solutions provider focused on the defense, intelligence, and critical infrastructure markets. Mr. Wajsgras also serves on the Center for a New American Security Advisory Board; the Intelligence and National Security Alliance Board of Directors; and is a member of the Massachusetts Cybersecurity Strategy Council. In 2019, Washington Exec named Mr. Wajsgras to its top 25 list of executives and recognized him as its Intelligence Industry Executive of the Year. Mr. Wajsgras has appeared on Executive Mosaic's annual Wash 100 list of influential leaders in the government contracting arena and was named Federal Computer Week's prestigious Industry Eagle Award winner in 2018 for his pivotal role in the U.S. government Information Technology community. In 2012, Mr. Wajsgras was named one of the Wall Street Journal's 25 Best CFOs among the larger companies in the Standard & Poor's 500 Index.

Mr. Wajsgras earned his Bachelor's degree in accounting from the University of Maryland and a Master's degree in Business Administration from American University.

Board Committees

AUDIT COMMITTEE

Laree E. Perez, *Chair*
Dorothy M. Ables
John J. Koraleski
David C. Wajsgras

ETHICS, ENVIRONMENT, SAFETY AND HEALTH COMMITTEE

Smith W. Davis, *Chair*
Dorothy M. Ables
Sue W. Cole

EXECUTIVE COMMITTEE

C. Howard Nye, *Chair*
John J. Koraleski
Michael J. Quillen

FINANCE COMMITTEE

Michael J. Quillen, *Chair*
Anthony R. Foxx
Thomas H. Pike
Donald W. Slager

MANAGEMENT DEVELOPMENT AND COMPENSATION COMMITTEE

John J. Koraleski, *Chair*
Michael J. Quillen
Thomas H. Pike

NOMINATING AND CORPORATE GOVERNANCE COMMITTEE

Donald W. Slager, *Chair*
Sue W. Cole
Smith W. Davis
Laree E. Perez

NOTICE OF PROXY

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

ANNUAL REPORT ON FORM 10-K

Shareholders may obtain, with charge, a copy of Martin Marietta's Annual Report on Form 10-K, as filed with the Securities and Exchange Commission for the fiscal year ended December 31, 2020, by writing to:

Martin Marietta
Attention: Corporate Secretary
4123 Parklake Avenue
Raleigh, North Carolina 27612

REGISTERED SHAREHOLDER CONTACT INFORMATION

American Stock Transfer & Trust Company, LLC
Shareholder Services Department
6201 15th Avenue
Brooklyn, NY 11219

Toll Free: (800) 937-5449
Local & International: (718) 921-8124
Email: help@astfinancial.com
Website: www.astfinancial.com

Inquiries regarding your account records, issuance of stock certificates, distribution of dividends and IRS Form 1099 should be directed to American Stock Transfer & Trust Company, LLC.

COMMON STOCK

Listed: New York Stock Exchange
Stock Symbol: MLM

INDEPENDENT AUDITORS

PricewaterhouseCoopers LLP
4208 Six Forks Road, #1200
Raleigh, North Carolina 27609

CORPORATE HEADQUARTERS

4123 Parklake Avenue
Raleigh, North Carolina 27612
Telephone: (919) 781-4550

INVESTOR RELATIONS

Martin Marietta press releases and filings with the Securities and Exchange Commission can be accessed via the Company's website.

Telephone: (919) 783-4691
Web site: **ir.martinmarietta.com**

CORPORATE CODE OF ETHICS

Martin Marietta's Code of Ethical Business Conduct booklet is posted on the Company's website, **www.martinmarietta.com**.

BUILDING A FOUNDATION TO

SOAR

4123 Parklake Avenue, Raleigh, NC 27612
(919) 781-4550
www.martinmarietta.com
NYSE Stock Symbol: MLM