

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549**

FORM 10-K

- (Mark One)**
- ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
- For the fiscal year ended December 31, 2014**
- OR**
- TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the transition period from _____ to _____

Commission file number 1-12744

MARTIN MARIETTA MATERIALS, INC.

(Exact name of registrant as specified in its charter)

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

56-1848578
**(I.R.S. Employer
Identification No.)**

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

27607-3033
(Zip Code)

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

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

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

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

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes No

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

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

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes No

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

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer Accelerated filer
Non-accelerated filer (Do not check if a smaller reporting company) Smaller reporting company

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

As of June 30, 2014, the last business day of the registrant's most recently completed second fiscal quarter, the aggregate market value of the registrant's common stock held by non-affiliates of the registrant was \$4,181,740,121 based on the closing sale price as reported on the New York Stock Exchange.

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

<u>Class</u>	<u>Outstanding at February 13, 2015</u>
Common Stock, \$.01 par value per share	67,201,902 shares

DOCUMENTS INCORPORATED BY REFERENCE

<u>Document</u>	<u>Parts Into Which Incorporated</u>
Excerpts from Annual Report to Shareholders for the Fiscal Year Ended December 31, 2014 (Annual Report)	Parts I, II, and IV
Proxy Statement for the Annual Meeting of Shareholders to be held May 21, 2015 (Proxy Statement)	Part III

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PART I

ITEM 1. BUSINESS

General

Martin Marietta Materials, Inc. (the “Company”) is a leading supplier of aggregates products (crushed stone, sand, and gravel) and heavy building materials (cement) for the construction industry, including infrastructure, nonresidential, residential, railroad ballast, agricultural, and chemical grade stone used in environmental applications. The Company’s Aggregates business consists primarily of mining, processing, and selling granite, limestone, sand and gravel. The Aggregates business also includes its aggregates-related downstream product lines (including its asphalt products, ready mixed concrete, and road paving construction services). The Company’s Cement business, acquired on July 1, 2014 with the acquisition of Texas Industries, Inc. (“TXI”), produces Portland and specialty cements, such as masonry and oil well cements, with production and distribution facilities in Texas and California. The Company also has a Magnesia Specialties business that manufactures and markets magnesia-based chemical products used in industrial, agricultural, and environmental applications, and dolomitic lime sold primarily to customers in the steel industry. In 2014, the Company’s Aggregates business accounted for 83% of the Company’s consolidated net sales, the Company’s Cement business accounted for 8% of the Company’s consolidated net sales, and the Company’s Magnesia Specialties business accounted for 9% of the Company’s consolidated net sales. Within the Company’s Aggregates business, the aggregates products line accounted for 70% of 2014 net sales, while the aggregates-related downstream operations accounted for 30% of 2014 net sales.

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

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

Subsequent acquisitions in 1997 and 1998 expanded the Company’s Aggregates business in the Ohio River Valley and added a leading producer of aggregates products in Texas, which provided the Company with access to an extensive rail network in Texas. Additionally, in 1998, the Company made an initial investment in an aggregates business that would later serve as the Company’s platform for further expansion in the southwestern and western United States. In 2001, the Company completed the purchase of all of the remaining interests of this business. These acquisitions increased the Company’s ability to use rail as a mode of transportation.

These transactions positioned the Company for numerous additional expansion acquisitions, with the Company completing over 80 smaller acquisitions from the time of its initial public offering until the present, which allowed the Company to enhance and expand its presence in the aggregates marketplace.

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In 2008, the Company entered into an asset exchange transaction with Vulcan Materials Company (“Vulcan”), pursuant to which it acquired six quarry locations in Georgia and Tennessee. The acquired locations significantly expanded the Company’s presence, particularly south and west of Atlanta, Georgia. The Company also acquired a land parcel previously leased from Vulcan at the Company’s Three Rivers Quarry near Paducah, Kentucky. In addition to a cash payment, as part of this exchange, the Company divested to Vulcan the only California quarry it then owned located in Oroville, an idle facility north of San Antonio, Texas, and land in Henderson, North Carolina, formerly leased to Vulcan.

In 2009, the Company acquired three quarry locations plus the remaining 49% interest in an existing joint venture from CEMEX, Inc. The quarry operations are located in Nebraska, Wyoming, and Utah, while the 49% interest purchased related to a quarry in Wyoming where the Company was the operating manager. The acquired locations enhanced the Company’s existing long-haul distribution network and provided attractive product synergies.

In 2010, the Company acquired a deep-water port facility in Port Canaveral, Florida, which serves the greater Orlando market, the second-largest aggregates-consuming area in Florida. The Port Canaveral acquisition, the only developed deep-water aggregates import terminal located on Florida’s central east coast, was complemented by the Company’s organic investment in 2010 in a new aggregates import facility at Port Manatee, Florida.

In 2011, the Company acquired three aggregates-related businesses. First, it acquired the assets of an aggregates, asphalt, and ready mixed concrete business located in western San Antonio, Texas. Second, it exchanged certain assets with Lafarge North America Inc. (“Lafarge”), pursuant to which it received aggregate quarry sites, ready mixed concrete and asphalt plants, and a road paving business in and around the metropolitan Denver, Colorado, region, in exchange for which Lafarge received properties consisting of quarries, an asphalt plant, and distribution yards operated by the Company along the Mississippi River (referred to herein as the Company’s “River District Operations”) and a cash payment. Finally, the Company acquired a privately-held ready mixed concrete business in the Denver, Colorado area.

In 2013, the Company acquired three aggregates quarries in the greater Atlanta, Georgia area. The transaction provided over 800 million tons of permitted aggregate reserves and enhanced the Company’s existing long-term position in this market.

In 2014, the Company completed the acquisition of TXI, further augmenting its position as a leading supplier of aggregates and heavy building materials. TXI, as a stand-alone entity, was a leading supplier of heavy construction materials in the southwestern United States and a major supplier of natural aggregates and ready-mixed concrete in Texas, northern Louisiana and, to a lesser extent, in Oklahoma and Arkansas. TXI was the largest supplier of construction aggregates, ready mixed concrete, concrete products, and cement in Texas. TXI was also a major cement producer in California. Now as a wholly-owned subsidiary, TXI enhances the Company’s position as an aggregates-led, low cost operator in the large and fast-growing geographies in the United States and provides high quality assets in cement and ready mixed concrete.

In addition to the Cement business, the Company acquired as part of the TXI acquisition nine quarries and six aggregates distribution terminals located in Texas, Louisiana, and Oklahoma. The Company also acquired approximately 120 ready mixed concrete plants, situated primarily in three areas of Texas (the Dallas/Fort Worth/Denton area of north Texas; the Austin area of central Texas; and from Beaumont to Texarkana in east Texas), in north and central Louisiana, and in Southwestern Arkansas. The aggregates and ready mixed concrete operations are reported in the Company’s West Group of its Aggregates business. As part of an agreement with the United States Department of Justice’s review of the transaction, the Company divested of its North Troy Quarry in Oklahoma and two related rail distribution yards in Dallas and Frisco, Texas.

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Between 2001 and 2014, the Company disposed of or idled a number of underperforming operations, including aggregates, asphalt, ready mixed concrete, trucking, and road paving operations of its Aggregates business and the refractories business of its Magnesia Specialties business. In some of its divestitures, the Company concurrently entered into supply agreements to provide aggregates at market rates to certain of these divested businesses. During 2014 the Company disposed of certain underperforming road paving operations in Arkansas and east Texas. The Company will continue to evaluate opportunities to divest underperforming assets during 2015 in an effort to redeploy capital for other opportunities.

Business Segment Information

The Company conducts its Aggregates business through three reportable segments: the Mid-America Group, Southeast Group, and West Group. The Company's Cement business is reported through the Cement segment. The Company also has the Magnesia Specialties segment, which includes its magnesia-based chemicals and dolomitic lime businesses. Information concerning the Company's total revenues, net sales, gross profit, earnings from operations, assets employed, and certain additional information attributable to each reportable business segment for each year in the three-year period ended December 31, 2014 is included in "Note O: Business Segments" of the "Notes to Financial Statements" of the Company's 2014 consolidated financial statements (the "2014 Financial Statements"), which are included under Item 8 of this Form 10-K, and are part of the Company's 2014 Annual Report to Shareholders (the "2014 Annual Report"), which information is incorporated herein by reference.

Aggregates Business

The Aggregates business mines, processes and sells granite, limestone, sand, gravel, and other aggregate products for use in all sectors of the public infrastructure, nonresidential and residential construction industries, as well as agriculture, railroad ballast, chemical, and other uses. The Aggregates business also includes the operation of other construction materials businesses. These businesses, located in the West Group, were acquired through continued selective vertical integration by the Company, and include asphalt, ready mixed concrete, and road paving operations in Arkansas, Colorado, Louisiana, Texas, and Wyoming.

The Company is a leading supplier of aggregates for the construction industry in the United States. In 2014, the Company's Aggregates business shipped and delivered aggregates, asphalt products, and ready mixed concrete from a network of over 400 quarries, underground mines, distribution facilities, and plants to customers in 32 states, Canada, the Bahamas, and the Caribbean Islands, generating net sales and earnings from operations of \$2.2 billion and \$320.1 million, respectively.

The Aggregates and Cement business markets its products primarily to the construction industry, with approximately 44% of its aggregates shipments made to contractors in connection with highway and other public infrastructure projects and the balance of its shipments made primarily to contractors in connection with nonresidential and residential construction projects. The Company believes public-works projects have historically accounted for approximately 50% of the total annual aggregates and cement consumption in the United States. These businesses benefit from public-works construction projects. As a result of dependence upon the construction industry, the profitability of aggregates and cement producers is sensitive to national, regional, and local economic conditions, and particularly to cyclical swings in construction spending, which is affected by fluctuations in interest rates, demographic and population shifts, and changes in the level of infrastructure spending funded by the public sector.

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The Company's aggregates shipments volume has ranged from 122 million tons to 146 million tons over the last four years, reflecting a certain degree of volume stability, albeit at historically low levels, in a cyclical near-trough environment. During 2014, the Company's heritage aggregates shipments increased 7.5% compared with 2013 levels. Prior to 2010, the economic recession resulted in unprecedented reductions in aggregates shipments, as evidenced by United States aggregates consumption declining by almost 40% from peak volumes in 2006. Aggregates shipments had also suffered as states continued to balance their construction spending with the uncertainty related to long-term federal highway funding and budget shortfalls caused by decreasing tax revenues. Most state budgets began to improve in 2013 and 2014 as increased tax revenues helped states resolve or begin to resolve budget deficits.

The federal highway bill provides annual funding for public-sector construction projects. The current federal highway bill, *Moving Ahead for Progress in the 21st Century Act*, or MAP-21, provides for infrastructure spending of approximately \$40 billion per year, but the bill expired by its terms on September 30, 2014. However, as Congress continues to deliberate a successor bill, the provisions of Map-21 have been extended through May 31, 2015. Additionally, Congress authorized a \$10.8 billion General Fund transfer to the Highway Trust Fund to maintain its solvency. These measures have not completely alleviated the reluctance by some states and municipalities to commit to large scale, multi-year infrastructure projects supported by federal funding.

During the recent extended period of uncertainty in the level of federal funding, some states have shown a commitment to securing alternative funding sources. For example, voters in Texas passed Proposition 1 in the November 2014 elections, which authorizes annual disbursements from the state's oil and gas production tax collections to the State Highway Fund. Supported by state-spending programs, heritage aggregates volumes to the infrastructure market increased 6% compared with 2013.

MAP-21 also significantly expanded funding under the *Transportation Infrastructure Finance and Innovation Act*, or TIFIA. TIFIA, a U.S. Department of Transportation alternative funding mechanism, provides federal credit assistance for nationally or regionally significant surface transportation projects. The Company believes that the continued impact of TIFIA, which has the ability to leverage up to \$50 billion in financing for transportation projects of either national or regional significance, along with actions of the Company's key states to utilize various funding alternatives to support important infrastructure jobs, should provide an impetus for increased infrastructure spending in 2015 and beyond.

The Company's Aggregates business covers a wide geographic area. The Company's five largest revenue-generating states (Texas, Colorado, North Carolina, Iowa, and Georgia) accounted for 68% of total 2014 net sales for the Aggregates business by state of destination. The Company's Aggregates business is accordingly affected by the economies in these regions and has been adversely affected in part by recessions and weaknesses in these economies from time to time. Recent improvements in the national economy and in some of the states in which the Company operates have led to improvements in profitability in the Company's Aggregates business.

The Company's Aggregates business is also highly seasonal, due primarily to the effect of weather conditions on construction activity within its markets. The operations of the Aggregates business that are concentrated in the northern and midwestern United States and Canada typically experience more severe winter weather conditions than operations in the southeastern and southwestern regions of the United States. Excessive rainfall, flooding, or severe drought can also jeopardize shipments, production, and profitability in all of the Company's markets. Subject to these factors, the Company's second and third quarters are typically the strongest, with the first quarter generally reflecting the weakest results. Results in any quarter are not

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necessarily indicative of the Company's annual results. Similarly, the operations of the Aggregates business 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, and have experienced weather-related losses from time to time.

Natural aggregates sources can be found in relatively homogeneous deposits in certain areas of the United States. As a general rule, truck shipments from an individual quarry are limited because the cost of transporting processed aggregates to customers is high in relation to the price of the product itself. As described below, the Company's distribution system mainly uses trucks, but also has access to a river barge and ocean vessel network where the per mile unit cost of transporting aggregates is much lower. In addition, acquisitions have enabled the Company to extend its customer base through increased access to rail transportation. Proximity of quarry facilities to customers or to long-haul transportation corridors is an important factor in competition for aggregates businesses.

A growing percentage of the Company's aggregates shipments are being moved by rail or water through a distribution yard network. In 1994, 93% of the Company's aggregates shipments were moved by truck, the rest by rail. In contrast, in 2014, the originating mode of transportation for the Company's aggregates shipments was 76% by truck, 19% by rail, and 5% by water. Although the Company divested its River District Operations in 2011 as part of the asset exchange with Lafarge, the development of deep-water and rail distribution yards continues to be a key component of the Company's strategic growth plan. While the River District Operations were being serviced as part of the Company's barge long-haul distribution network, those divested operations were not in high-growth states. The majority of rail and water movements occur in the Southeast Group and the West Group, areas which generally lack a long-term indigenous supply of coarse aggregates but exhibit above-average growth characteristics driven by long-term population growth and density. The Company has an extensive network of aggregate quarries and distribution centers throughout the southern United States and in the Bahamas and Canada, as well as distribution centers along the Gulf of Mexico and Atlantic coasts. In 2014, 21.7 million tons of aggregates were sold from distribution yards. Results from these distribution operations lowered the gross margin (excluding freight and delivery revenues) of the Aggregates business by 210 basis points in 2014. The gross margin (excluding freight and delivery revenues) of the Aggregates business will continue to be reduced by the lower gross margins of the long-haul distribution network.

During the recent economic recession, the Company set a priority of preserving capital while maintaining safe, environmentally-sound operations. As the Company returns to a more normalized operating environment, management expects to focus part of its capital spending program on expanding key Southeast and Southwest operations.

The Company's Medina Rock and Rail capital project, with a budgeted cost of nearly \$160 million, is the largest capital expansion project in its history. The project, located outside of San Antonio, Texas, consists of building a rail-connected limestone aggregates processing facility with the capability of producing in excess of 10 million tons per year. Land acquisition was completed over several years as part of ongoing capital expenditures, and construction began in 2013. Through the end of 2014, the Company invested nearly \$79 million, including \$41 million in 2014. The project is expected to be completed, on time and under budget, in 2015.

The Company also acquires contiguous property around existing quarry locations. This property can serve as buffer property or additional mineral reserve capacity, assuming the underlying geology supports economical aggregates mining. In either instance, the acquisition of additional property around an existing quarry allows the expansion of the quarry footprint and extension of quarry life. Some locations having limited reserves may be unable to expand.

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A long-term capital focus for the Company, primarily in the midwestern United States due to the nature of its indigenous aggregates supply, is underground limestone aggregate mines, which provide a neighbor-friendly alternative to surface quarries. The Company operates 14 active underground mines, located primarily in the Mid-America Group, and is the largest operator of underground limestone aggregate mines in the United States. Production costs are generally higher at underground mines than surface quarries since the depth of the aggregate deposits and the access to the reserves result in higher development, explosives and depreciation costs. However, these locations often possess transportation advantages that can lead to value-added, higher average selling prices than more distant surface quarries.

The Company's acquisitions and capital projects have expanded its ability to ship material by rail, as discussed in more detail below. The Company has added additional capacity in a number of locations that can now accommodate larger unit train movements. These expansion projects have enhanced the Company's long-haul distribution network. The Company's process improvement efforts have also improved operational effectiveness through plant automation, mobile fleet modernization, right-sizing, and other cost control improvements. Accordingly, the Company has enhanced its reach through its ability to provide cost-effective coverage of coastal markets on the east and gulf coasts, as well as geographic areas that can be accessed economically by the Company's expanded distribution system. This distribution network moves aggregates materials from domestic and offshore sources, via rail and water, to markets where aggregates supply is limited.

As the Company continues to move more aggregates by rail and water, internal freight costs are expected to reduce gross margins (excluding freight and delivery revenues). This typically occurs where the Company transports aggregates from a production location to a distribution location by rail or water, and the customer pays a selling price that includes a freight component. Margins are negatively affected because the Company typically does not charge the customer a profit associated with the transportation component of the selling price of the materials. Moreover, the Company's expansion of its rail-based distribution network, coupled with the extensive use of rail service in the Southeast and West Groups, increases the Company's dependence on and exposure to railroad performance, including track congestion, crew availability, and power availability, and the ability to renegotiate favorable railroad shipping contracts. The waterborne distribution network, primarily located within the Southeast Group, also increases the Company's exposure to certain risks, including the ability to negotiate favorable shipping contracts, demurrage costs, fuel costs, ship availability, and weather disruptions. The Company has entered into long-term agreements with shipping companies to provide ships to transport the Company's aggregates to various coastal ports.

The Company's long-term shipping contracts are generally take-or-pay contracts with minimum and maximum shipping requirements. If the Company fails to ship the annual minimum tonnages under the agreement, it must still pay the shipping company the contractually-stated minimum amount for that year. In 2014, the Company did not incur any such charges; however, a charge is possible in 2015 if shipment volumes do not meet the contractually-stated minimums.

From time to time, the Company has experienced rail transportation shortages, particularly in the Southwest and Southeast. These shortages were caused by the downsizing in personnel and equipment by certain railroads during economic downturns. Further, in response to these issues, rail transportation providers focused on increasing the number of cars per unit train under transportation contracts and are generally requiring customers, through the freight rate structure, to accommodate larger unit train movements. A unit train is a freight train moving large tonnages of a single bulk product between two points without intermediate yarding and switching. Certain of the Company's sales yards have the system capabilities to meet the unit train

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requirements. Over the last few years, the Company has made capital improvements to a number of its sales yards in order to better accommodate unit train unloadings. Rail availability is seasonal and can impact aggregates shipments depending on competing movements.

From time to time, we have also experienced rail and trucking shortages due to competition from other products. For example, in Texas, competition with operations in the oil and gas fields for third-party trucking services constrains the availability of these services to us. If there are material changes in the availability or cost of rail or trucking services, we may not be able to arrange alternative and timely means to ship our products at a reasonable cost, which could lead to interruptions or slowdowns in our businesses or increases in our costs.

The Company's management expects the multiple transportation modes that have been developed with various rail carriers and via deep-water ships should provide the Company with the flexibility to effectively serve customers in the southeastern and southwestern regions of the United States.

The construction aggregates industry has been consolidating, and the Company has actively participated in the consolidation of the industry. When acquired, new locations sometimes do not satisfy the Company's internal safety, maintenance, and pit development standards, and may require additional resources before benefits of the acquisitions are fully realized. Industry consolidation slowed in the last several years as the number of suitable small to mid-sized acquisition targets in high-growth markets declined. During the recent period of fewer acquisition opportunities, the Company focused on investing in internal expansion projects in high-growth markets. Management believes the number of acquisition opportunities has started to increase as the economy has begun to recover from the protracted recession. Opportunities include public and larger private, family-owned businesses, as well as asset swaps and divestitures from companies rationalizing non-core assets and repairing financially-constrained balanced sheets. The Company's Board of Directors and management continue to review and monitor the Company's strategic long-term plans, which include assessing business combinations and arrangements with other companies engaged in similar businesses, increasing market share in the Company's core businesses, investing in internal expansion projects in high-growth markets, and pursuing new opportunities related to the Company's existing markets.

The Company became more vertically integrated with an acquisition in 1998 and subsequent acquisitions, including the recently completed TXI acquisition, particularly in the West Group, pursuant to which the Company acquired asphalt, ready mixed concrete, paving construction, trucking, and other businesses, which complement the Company's aggregates operations. These aggregates-related downstream operations accounted for 30% of net sales of the Aggregates business in 2014. These aggregates-related downstream operations reported within the Aggregates business segment have lower gross margins (excluding freight and delivery revenues) than the Company's aggregates product line due to highly competitive market dynamics and lower barriers to entry, and are affected by volatile factors, including fuel costs, operating efficiencies, and weather, to an even greater extent than the Company's aggregates operations. Liquid asphalt and cement serve as key raw materials in the production of hot mix asphalt and ready mixed concrete, respectively. Therefore, fluctuations in prices for these raw materials directly affect the Company's operating results. During 2014, prices for liquid asphalt and cement were higher than 2013. Liquid asphalt prices may not always follow other energy products (e.g., oil or diesel fuel) because of complexities in the refining process which converts a barrel of oil into other fuels and petrochemical products.

The Company continues to review carefully each of the acquired aggregates-related downstream operations to determine if they represent opportunities to divest underperforming assets in an effort to redeploy capital for other opportunities. The Company also reviews other independent aggregates-related downstream operations to determine if they might present attractive acquisition opportunities in the best interest of the Company, either as part of their own aggregates-related downstream operations or operations that might be

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vertically integrated with other operations owned by the Company. Based on these assessments, in 2011 the Company completed the acquisitions described under *General* above, which included aggregates-related downstream operations, including asphalt, ready mixed concrete, and road paving businesses in the Denver, Colorado, and San Antonio, Texas markets. The 2014 business combination with TXI described under *General* above further expanded the Company's aggregates-related downstream operations, with the addition of TXI's aggregates and ready mixed concrete operations. The Company now accounts for the cement operations of TXI as a separate business segment as described below under the **Cement Business** heading.

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

Management believes the Aggregates business' raw materials, or aggregates reserves, are sufficient to permit production at present operational levels for the foreseeable future. The Company does not anticipate any material difficulty in obtaining the raw materials that it uses for current production in its Aggregates business. The Company's aggregates reserves on the average exceed 60 years of production, based on normalized levels of production. However, certain locations may be subject to more limited reserves and may not be able to expand. Moreover, as noted above, environmental and zoning regulations will likely make it harder for the Company to expand its existing quarries or develop new quarry operations. The Company generally sells products in its Aggregates business upon receipt of orders or requests from customers. Accordingly, there is no significant order backlog. The Company generally maintains inventories of aggregate products in sufficient quantities to meet the requirements of customers.

Less than 2% of the revenues from the Aggregates business are from foreign jurisdictions, principally Canada and the Bahamas, with revenues from customers in foreign countries totaling \$13.0 million, \$16.8 million, and \$20.5 million, during 2014, 2013, and 2012, respectively.

Cement Business

The Cement business produces Portland and specialty cements, such as masonry and oil well cements. Similar to the Aggregates business, cement is used in infrastructure projects, nonresidential and residential construction, and the railroad, agricultural, utility and environmental industries. The Company has the leading position in the Texas cement market, with two production facilities, one located in Midlothian, Texas, south of Dallas/Fort Worth, and the other located in Hunter, Texas, between Austin and San Antonio. The Company also has a state-of-the-art, rail-located cement plant in southern California at Oro Grande, California, near Los Angeles, California, and operates cement grinding and packaging facilities at the Crestmore plant near Riverside, California. The cement facilities have an annual capacity of approximately 6.6 million tons. In addition to the manufacturing and packaging facilities, the Company operates five cement distribution terminals.

Texas and California accounted for 71% and 24% of the Cement business' net sales, respectively, in 2014. The Cement business is benefitting from continued strength in the Texas markets, where current demand exceeds local supply, a trend that is expected to continue for the near future. The Company anticipates the California markets reaching a demand/supply equilibrium during 2016. The Cement business sold cement to customers in 13 states, with Texas accounting for 71% of net sales by state of destination. Truck and rail transportation modes represent 89% and 11%, respectively, of total tons shipped. A portion of the cement from the Cement business is used in the Company's ready mixed concrete product line.

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The limestone reserves used as a raw material for cement are located on property, owned by the Company, adjacent to each of the cement plants. Management believes that its reserves of limestone are sufficient to permit production at the current operational levels for the foreseeable future.

The Cement business generally delivers its products upon receipt of orders or requests from customers. Accordingly, there are no significant levels of order backlog. Inventory for products is generally maintained in sufficient quantities to meet rapid delivery requirements of customers.

Less than 2% of the revenues from the Cement business are from foreign jurisdictions, principally Mexico, with revenues from customers in foreign countries totaling \$3.8 million during 2014 for the period from the July 1, 2014 acquisition of TXI.

Magnesia Specialties Business

The Company manufactures and markets, through its Magnesia Specialties business, magnesia-based chemical products for industrial, agricultural, and environmental applications, and dolomitic lime for use primarily in the steel industry. These chemical products have varying uses, including flame retardants, wastewater treatment, pulp and paper production, and other environmental applications. In 2014, 66% of Magnesia Specialties' net sales were attributable to chemical products, 33% to lime, and 1% to stone sold as construction materials. Magnesia Specialties' net sales increased to record levels in 2014 reflecting increased pricing and solid pricing gains in key product line.

Given the high fixed costs associated with operating this business, low capacity utilization negatively affects its results of operations. A significant portion of the costs related to the production of magnesia-based products and dolomitic lime is of a fixed or semi-fixed nature. In addition, the production of certain magnesia chemical products and lime products requires natural gas, coal, and petroleum coke to fuel kilns. Price fluctuations of these fuels affect the profitability of this business.

In 2014, 84% of the lime produced was sold to third-party customers, while the remaining 16% was used internally as a raw material in making the business' chemical products. Dolomitic lime products sold to external customers are used primarily by the steel industry. Products used in the steel industry, either directly as dolomitic lime or indirectly as a component of other industrial products, accounted for 44% of the Magnesia Specialties' net sales in 2014, attributable primarily to the sale of dolomitic lime products. Accordingly, a portion of the profitability of the Magnesia Specialties business is dependent on steel production capacity utilization and the related marketplace. These trends are guided by the rate of consumer consumption, the flow of offshore imports, and other economic factors. The dolomitic lime business runs most profitably at 70% or greater steel utilization; domestic capacity utilization averaged 77% in 2014. According to Moody's Credit Outlook, steel production in 2014 increased 13% over 2013 and the 2015 forecast is an increase of 2% over 2014. Accordingly to Platt, a division of McGraw Hill Financial, capacity utilization for 2014 was 77% and is expected to continue at this level or slightly improve in 2015.

Management has shifted the strategic focus of the magnesia-based business to specialty chemicals that can be produced at volume levels that support efficient operations. Accordingly, that business is not as dependent on the steel industry as is the dolomitic lime portion of the Magnesia Specialties business.

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

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After the brine is used in the production process, the Magnesia Specialties business must dispose of the processed brine. In the past, the business did this by reinjecting the processed brine back into its underground brine reserve network around its facility in Manistee, Michigan. The business has also sold a portion of this processed brine to third parties. In 2003, Magnesia Specialties entered into a long-term processed brine supply agreement with The Dow Chemical Company (“Dow”) pursuant to which Dow purchases processed brine from Magnesia Specialties, at market rates, for use in Dow’s production of calcium chloride products. Magnesia Specialties also entered into a venture with Dow to construct, own, and operate a processed brine supply pipeline between the Magnesia Specialties facility in Manistee, Michigan, and Dow’s facility in Ludington, Michigan. Construction of the pipeline was completed in 2003, and Dow began purchasing processed brine from Magnesia Specialties through the pipeline. In 2010, Dow sold the assets of Dow’s facility in Ludington, Michigan to Occidental Chemical Corporation (“Occidental”) and assigned to Occidental its interests in the long-term processed brine supply agreement and the pipeline venture with Magnesia Specialties.

In 2001 the Magnesia Specialties business sold certain assets of its refractories business to a wholly-owned subsidiary of Minerals Technologies Inc. In connection with the sale, the business improved its cost structure through the write down of certain assets and the repositioning of the Manistee, Michigan, operating facility to focus on the production of chemical products. The sale of the refractories business lessened the dependence of the Magnesia Specialties business on the steel industry over time.

Magnesia Specialties generally delivers its products upon receipt of orders or requests from customers. Accordingly, there is no significant order backlog. Inventory for products is generally maintained in sufficient quantities to meet rapid delivery requirements of customers. A significant portion of the 275,000 ton dolomitic lime capacity from the new lime kiln completed in 2012 at Woodville, Ohio is committed under a long-term supply contract.

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 specific transportation and other risks and uncertainties outlined under Item IA., Risk Factors, of this Form 10-K.

Approximately 11% of the revenues of the Magnesia Specialties business in 2014 were from foreign jurisdictions, principally Canada, Mexico, Europe, South America, and the Pacific Rim, but no single foreign country accounted for 10% or more of the revenues of the business. Revenues from customers in foreign countries totaled \$29.0 million, \$25.7 million, and \$24.2 million, in 2014, 2013, and 2012, respectively. As a result of these foreign market sales, the financial results of the Magnesia Specialties business could be affected by foreign currency exchange rates or weak economic conditions in the foreign markets. To mitigate the short-term effects of currency exchange rates, the Magnesia Specialties business principally uses the United States dollar as the functional currency in foreign transactions.

Patents and Trademarks

As of February 13, 2015, the Company owns, has the right to use, or has pending applications for approximately 54 patents pending or granted by the United States and various countries and approximately 114 trademarks related to business. The Company believes that its rights under its existing patents, patent applications, and trademarks are of value to its operations, but no one patent or trademark or group of patents or trademarks is material to the conduct of the Company’s business as a whole.

Customers

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

Competition

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

There are over 5,600 companies in the United States that produce construction aggregates. These include active crushed stone companies and active sand and gravel companies. The largest ten producers account for approximately 35% of the total market. The Company's aggregates-related downstream operations are also characterized by numerous operators. A national trade association estimates there are about 5,500 ready mixed concrete plants in the United States owned by over 2,200 companies, with about 55,000 mixer trucks delivering ready mixed concrete. Similarly, a national trade association estimates there are about 3,700 asphalt plants in the United States owned by over 800 companies. The Company, in its Aggregates business, including its aggregates-related downstream operations, competes with a number of other large and small producers. The Company believes that its ability to transport materials by ocean vessels and rail have enhanced the Company's ability to compete in the aggregates industry. Some of the Company's competitors in the aggregates industry have greater financial resources than the Company.

The Company's Magnesia Specialties business competes with various companies in different geographic and product areas principally on the basis of quality, price, technological advances, and technical support for its products. The Magnesia Specialties business also competes for sales to customers located outside the United States, with revenues from foreign jurisdictions accounting for 11% of revenues for the Magnesia Specialties business in 2014, principally in Canada, Mexico, Europe, South America, and the Pacific Rim. Certain of the Company's competitors in the Magnesia Specialties business have greater financial resources than the Company.

According to the Portland Cement Association, United States cement production is widely dispersed with the operation of 107 cement plants in 36 states. The top five companies collectively operate 49.6 percent of U.S. clinker capacity with the largest company representing 14.2 percent of all domestic clinker capacity. An estimated 76.7 percent of U.S. clinker capacity is owned by companies headquartered outside of the United States.

The Company's Cement business competes with various companies in different geographic and product areas principally on the basis of proximity, quality and price for its products, but level of customer service is also a factor. The Cement business also competes with imported cement because of the higher value of the product and the existence of major ports in some of our markets. A small percentage of the Company's cement sales are to customers located outside the United States, with less than 2% of revenues for the Cement business in 2014 coming from sales from California to customers in Mexico. Certain of the Company's competitors in the Cement business have greater financial resources than the Company.

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The nature of the Company's competition varies among its product lines due to the widely differing amounts of capital necessary to build production facilities. Crushed stone production from stone quarries or mines, or sand and gravel production by dredging, is moderately capital intensive. The Company's major competitors in the aggregates markets are typically large vertically integrated companies, with international operations. Ready-mixed concrete production requires relatively small amounts of capital to build a concrete batching plant and acquire delivery trucks. As a result, in each local market the Company faces competition from numerous small producers as well as large vertically integrated companies with facilities in many markets. Construction of cement production facilities is highly capital intensive and requires long lead times to complete engineering design, obtain regulatory permits, acquire equipment and construct a plant. Most domestic producers of cement are owned by large foreign companies operating in multiple international markets. Many of these producers maintain the capability to import cement from foreign production facilities.

Research and Development

The Company conducts research and development activities, principally for its magnesia-based chemicals business, at its plant in Manistee, Michigan. In general, the Company's research and development efforts are directed to applied technological development for the use of its chemicals products. The amounts spent by the Company in each of the last two years on research and development activities were not material.

Environmental and Governmental Regulations

The Company's operations are subject to and affected by federal, state, and local laws and regulations relating to the environment, health and safety, and other regulatory matters. Certain of the Company's operations may from time to time involve the use of substances that are classified as toxic or hazardous substances within the meaning of these laws and regulations. Environmental operating permits are, or may be, required for certain of the Company's operations, and such permits are subject to modification, renewal, and revocation.

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

The Company regularly monitors and reviews its operations, procedures, and policies for compliance with existing laws and regulations, changes in interpretations of existing laws and enforcement policies, new laws that are adopted, and new laws that the Company anticipates will be adopted that could affect its operations. The Company has a full time staff of environmental engineers and managers that perform these responsibilities. The direct costs of ongoing environmental compliance were approximately \$19.6 million in 2014 and approximately \$12.6 million in 2013 and are related to the Company's environmental staff, ongoing monitoring costs for various matters (including those matters disclosed in this Annual Report on Form 10-K), and asset retirement costs. Capitalized costs related to environmental control facilities were approximately \$6.0 million in 2014 and are expected to be approximately \$6.0 million in 2015 and 2016. The Company's capital expenditures for environmental matters were not material to its results of operations or financial condition in 2014 and 2013. However, our expenditures for environmental matters generally have increased over time and are likely to increase in the future. Despite our compliance efforts, risk of environmental liability is inherent in the operation of the Company's businesses, as it is with other companies engaged in similar businesses, and there can be no assurance that environmental liabilities will not have a material adverse effect on the Company in the future.

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Many of the requirements of the environmental laws are satisfied by procedures that the Company adopts as best business practices in the ordinary course of its operations. For example, plant equipment that is used to crush aggregates products may, as an ordinary course of operations, have an attached water spray bar that is used to clean the stone. The water spray bar also suffices as a dust control mechanism that complies with applicable environmental laws. The Company does not break out the portion of the cost, depreciation, and other financial information relating to the water spray bar that is only attributable to environmental purposes, as it would be derived from an arbitrary allocation methodology. The incremental portion of such operating costs that is attributable to environmental compliance rather than best operating practices is impractical to quantify. Accordingly, the Company expenses costs in that category when incurred as operating expenses.

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

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

Future reclamation costs are estimated using statutory reclamation requirements and management's experience and knowledge in the industry, and are discounted to their present value using a credit-adjusted, risk-free rate of interest. The future reclamation costs are not offset by potential recoveries. For additional information regarding compliance with legal requirements, see "Note N: Commitments and Contingencies" of the "Notes to Financial Statements" of the 2014 Financial Statements and the 2014 Annual Report. The Company is generally required by state or local laws or pursuant to the terms of an applicable lease to reclaim quarry sites after use. The Company performs activities on an ongoing basis that may reduce the ultimate reclamation obligation. These activities are performed as an integral part of the normal quarrying process. For example, the perimeter and interior walls of an open pit quarry are sloped and benched as they are developed to prevent erosion and provide stabilization. This sloping and benching meets dual objectives — safety regulations required by the Mine Safety and Health Administration for ongoing operations and final reclamation requirements. Therefore, these types of activities are included in normal operating costs and are not a part of the asset retirement obligation. Historically, the Company has not incurred substantial reclamation costs in connection with the closing of quarries. Reclaimed quarry sites owned by the Company are available for sale, typically for commercial development or use as reservoirs.

The Company believes that its operations and facilities, both owned or leased, are in substantial compliance with applicable laws and regulations and that any noncompliance is not likely to have a material

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adverse effect on the Company's operations or financial condition. See "Legal Proceedings" under Item 3 of this Form 10-K, "Note N: Commitments and Contingencies" of the "Notes to Financial Statements" of the 2014 Financial Statements included under Item 8 of this Form 10-K and the 2014 Annual Report, and "Management's Discussion and Analysis of Financial Condition and Results of Operations - Environmental Regulation and Litigation" included under Item 7 of this Form 10-K and the 2014 Annual Report. However, future events, such as changes in or modified interpretations of existing laws and regulations or enforcement policies, or further investigation or evaluation of the potential health hazards of certain products or business activities, may give rise to additional compliance and other costs that could have a material adverse effect on the Company.

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

As is the case with other companies in the same industry, some of the Company's products contain varying amounts of crystalline silica, a common mineral also known as quartz. Excessive, prolonged inhalation of very small-sized particles of crystalline silica has been associated with lung diseases, including silicosis, and several scientific organizations and some states, such as California, have reported that crystalline silica can cause lung cancer. The Mine Safety and Health Administration and the Occupational Safety and Health Administration have established occupational thresholds for crystalline silica exposure as respirable dust. The Company monitors occupational exposures at its facilities and implements dust control procedures and/or makes available appropriate respiratory protective equipment to maintain the occupational exposures at or below the appropriate levels. The Company, through safety information sheets and other means, also communicates what it believes to be appropriate warnings and cautions its employees and customers about the risks associated with excessive, prolonged inhalation of mineral dust in general and crystalline silica in particular.

As is the case with other companies in the cement industry, the Company's cement operations produce varying quantities of cement kiln dust ("CKD"). This production by-product consists of fine-grained, solid, highly alkaline material removed from cement kiln exhaust gas by air pollution control devices. Because much of the CKD is actually unreacted raw materials, it is generally permissible to recycle the CKD back into the production process, and large amounts often are treated in such manner. CKD that is not returned to the production process is disposed in landfills. CKD is currently exempted from federal hazardous waste regulations under Subtitle C of the Resource Conservation and Recovery Act.

In 2010, the United States Environmental Protection Agency ("USEPA") included the lime industry as a national enforcement priority under the federal Clean Air Act ("CAA"). As part of the industry wide effort, the USEPA issued Notices of Violation/Findings of Violation ("NOVs") to the Company in 2010 and 2011 regarding the Company's compliance with the CAA New Source Review ("NSR") program at the Magnesia Specialties dolomitic lime manufacturing plant in Woodville, Ohio. The Company has been providing information to the USEPA in response to these NOVs and has had several meetings with the USEPA. The Company believes it is in substantial compliance with the NSR program. The Company cannot at this time reasonably estimate what reasonable likely penalties or upgrades to equipment might ultimately be required.

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The Company believes that any costs related to any required upgrades will be spread over time and will not have a material adverse effect on the Company's operations or its financial condition, but can give no assurance that the ultimate resolution of this matter will not have a material adverse effect on the financial condition or results of operations of the Magnesia Specialties segment of the business.

In October 2014, the Company received a CAA Section 114 request for information regarding the Manistee, Michigan operations from the USEPA, similar to the one initially received at the Woodville, Ohio plant. The letter seeks information regarding the Company's compliance with the NSR program at the Magnesia Specialties manufacturing plant in Manistee, Michigan. No notices of violation have been received by the Company relating to alleged non-compliance at the Manistee plant. The Company believes it is in substantial compliance with the NSR program and is currently submitting information to the USEPA for review. The Company cannot at this time reasonably estimate the costs, if any, that may be incurred relating to this matter.

In September 2005, the USEPA designated several entities as potentially responsible parties ("PRPs") under the federal Comprehensive Environmental Response, Compensation, and Liability Act ("CERCLA"), at the Ward Transformer Superfund site located in Raleigh, North Carolina. In April 2009, two PRPs filed separate actions in the U.S. District Court for the Eastern District of North Carolina against more than 100 other entities, including the Company, seeking contribution from the defendants for expenses incurred by the plaintiffs related to work performed at a portion of the site. The USEPA has not designated the Company as a PRP. The ultimate outcome of these matters will depend upon further environmental assessment and the ultimate number of PRPs and defendants who are held liable for the costs and cannot be determined at this time. The Company believes that any liability will not have a material adverse effect on the Company's financial condition or results of operations.

The Company has been reviewing its operations with respect to climate change matters and its sources of greenhouse gas emissions. In December 2009, the USEPA made an endangerment finding under the Clean Air Act that the current and projected concentrations of the six key greenhouse gases ("GHG" or "GHGs") in the atmosphere threaten the public health and welfare of current and future generations. The six GHGs are carbon dioxide, methane, nitrous oxide, hydrofluorocarbons, perfluorocarbons, and sulfur hexafluoride. As of 2010, facilities that emitted 25,000 metric tons or more per year of GHGs are required to annually report GHG generation to comply with the USEPA's Mandatory Greenhouse Gas Reporting Rule. In May 2010, the USEPA issued a final rule (known as the Greenhouse Gas Tailoring Rule) that would have required the Company to incorporate best available GHG control technology in any new plant that it might propose to build and in its existing plants if it modified them in a manner that would increase GHG emissions (in the Company's case, principally carbon dioxide emissions) by more than 75,000 tons per year. This rule was challenged in court by various public and private parties, and was upheld in part and invalidated in part by the United States Supreme Court in an opinion issued on June 23, 2014. The Court concluded that the USEPA may in fact require best available control technology for GHG, but only if the plant is otherwise subject to Prevention of Significant Deterioration or Title V air permitting under the USEPA's rules. It is not known whether the USEPA will revise its rules in response to the Court's decision and, if so, what the impact will be on the Company's operations. No technologies or methods of operation for reducing or capturing GHGs such as carbon dioxide have been proven successful in large scale applications other than improvements in fuel efficiency, and it is not known what the USEPA will require as best available control technology for plants or conditions it will require for operating permits in the event of modifications to plants or construction of new plants.

In Congress, both the House and Senate had considered climate change legislation, including the "cap-and-trade" approach. Cap and trade is an environmental policy tool that delivers results with a mandatory cap

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on emissions while providing sources flexibility in how they comply by trading credits with other sources whose emissions are below the cap. Another approach that had been proposed was a tax on emissions. The Company believes that climate change legislation is not a priority item in Congress in the near future and that the primary method that greenhouse gases will be regulated is through the USEPA using its rule-making authority. Various states where the Company has operations are also considering climate change initiatives, and the Company may be subject to state regulations in addition to any federal laws and rules that are passed.

The operations of the Company's Aggregates business are not major sources of GHG emissions. Most of the GHG emissions from aggregate operations are tailpipe emissions from mobile sources such as heavy construction and earth-moving equipment. The manufacturing operations of the Company's Magnesia Specialties business in Woodville, Ohio releases carbon dioxide, methane and nitrous oxide during the production of lime. The Magnesia Specialties operation in Manistee, Michigan releases carbon dioxide, methane, and nitrous oxides in the manufacture of magnesium oxide and hydroxide products. Both of these operations are filing annual reports of their GHG emissions in accordance with the USEPA's Mandatory Greenhouse Gas Reporting Rule.

Cement production worldwide is estimated to comprise approximately 5% to 10% of CO₂ or GHG emissions, and the USEPA has indicated that CO₂ emitted from cement production is the second largest source of CO₂ emissions in the United States. The Company's subsidiaries, Riverside Cement Company and TXI, are filing annual reports of the GHG emissions relating to their cement operations. In addition, as it operates in California, Riverside Cement is subject to California's existing GHG emissions trading/credit program. The Company believes that Riverside Cement has purchased an adequate number of additional emission credits to remain under the regulated limits, and that program will not have a material adverse effect on the Company's or the Cement business' financial condition or results of operations.

If and when Congress passes legislation on GHGs, the Woodville and Manistee operations, as well as the Company's cement operations, will likely be subject to the new program. In addition, the Company believes that the USEPA may impose additional regulatory restrictions on emissions of GHGs that will impact the Company's Woodville, Manistee, and cement operations. The Company anticipates that any increased operating costs or taxes relating to GHG emission limitations at the Woodville, Manistee, or cement operations would be passed on to customers. The magnesium oxide products produced at the Manistee operation compete against other products that emit a lower level of GHGs in their production. Therefore, the Manistee facility may be required to absorb additional costs due to the regulation of GHG emissions in order to remain competitive in pricing in that market. The Company is also continuing to review the obligations of our Manistee facility's global customer base with regards to climate change treaties and accords. The Company at this time cannot reasonably predict what the costs of compliance will be, but does not believe it will have a material adverse effect on the financial condition or results of the operations of either the Magnesia Specialties or Cement businesses.

In California, the California Global Warming Solutions Act of 2006, or AB32, required the California Air Resources Board ("CARB") to implement rules designed to achieve a statewide reduction in emissions of GHGs in California to 1990 levels by 2020. In response, CARB adopted rules that establish a market-based cap-and-trade program, which began on January 1, 2013. The rules apply to Riverside Cement's cement plant in Oro Grande, California. The rules establish a statewide cap on the level of GHG emissions from covered industries for each year from 2013 to 2020. The cap declines approximately 2% to 3% per year. Individual facilities will not be assigned a specific limit on GHG emissions. Instead, a facility will be required to surrender allowances (each covering the equivalent of one ton of carbon dioxide) equal to its total GHG emissions. CARB will allocate allowances equal to the declining cap in a manner prescribed by the rules. As part of the program, CARB will provide significant free allowances to cement plants because the sector is considered by CARB to

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be energy intensive and trade exposed. A cement plant's allocation of free allowances is based on the California cement sector intensity benchmark determined by CARB, which is referred to as GHG intensity (i.e., GHG emissions per unit of production). The plant's annual GHG intensity is compared to the CARB benchmark, and any emissions over the established benchmark are required to be purchased in the form of allowances or allowance offsets. If a plant's emissions exceed the number of allowances it receives, it may purchase additional allowances in the open market, buy them at a regular quarterly auction conducted by CARB, or purchase them from a state price containment reserve. The rules established a minimum price of \$10 per ton of carbon dioxide equivalent (which increases by a minimum of 5% plus inflation each year), and actual prices will depend on market conditions. A plant's level of free allowances will be reduced over time with the implementation of a cap adjustment factor intended to gradually reduce the statewide cap over time. The Company expects that the number of free allowances allocated to Riverside Cement will not be sufficient to cover all of its GHG emissions, but it will be unable to determine the total number of allowances that Riverside Cement will be required to purchase for any year until the year ends and its total GHG emissions for the period are determined. Riverside Cement has begun to purchase allowances to cover GHG emissions that it expects will exceed its free allowances. In addition to the cost of purchasing allowances, Riverside Cement also expects that its energy costs will increase due to the impact of these regulations on the electric utility industry. The California cement industry is discussing a number of issues with CARB, including a California border adjustment mechanism to help create a level playing field with imported cement, but it is uncertain whether such a mechanism will be implemented. The validity of the law and rules remains under attack in several lawsuits, the results of which remain uncertain. The Company at this time cannot reasonably predict what the costs of compliance will be, but does not believe it will have a material adverse effect on the financial condition or results of the operations of Cement businesses.

Various states have banded together in initiatives to develop regional strategies to address climate change. Certain western states, including California, and Canadian provinces have formed the Western Climate Initiative, which is working to establish goals for the reduction of GHG emissions in the member states and design market-based mechanisms to help achieve these reduction goals. California's climate change laws and regulations are designed to coordinate with the Western Climate Initiative. Other states may join these initiatives or form additional initiatives or coalitions intended to regulate the emission of GHGs.

In 2010, the USEPA issued rules that dramatically reduced the permitted emissions of mercury, total hydrocarbons, particulate matter and hydrochloric acid from cement plants. The compliance date for these new standards is September 2015. The Company has conducted tests to analyze the current level of compliance of its newly-acquired cement plants with the standards in the revised rule. All plants will require the installation of continuous emissions monitoring ("CEMs"). In addition, the cement plant in Oro Grande, California will require new controls to satisfy the mercury emission standard and the hydrochloric acid standard. The Company, through its subsidiaries, Riverside Cement and TXI, have identified, tested and ordered new control and monitoring equipment for these purposes, and believe that the cement plants meet the other emission requirements in these rules. The Company does not believe that the costs relating to these controls and equipment will have a material adverse effect on the financial condition or results of the operations of either the Company or the Cement business.

Employees

As of January 31, 2015, the Company has 7,193 employees, of which 5,435 are hourly employees and 1,758 are salaried employees. Included among these employees are 878 hourly employees represented by labor unions (12.2% of the Company's employees). Of such amount, 11.8% of the Company's Aggregates business's hourly employees are members of a labor union, 30.8% of the Company's Cement business's hourly employees are represented by labor unions, and 100% of the Magnesia Specialties segment's hourly employees are

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represented by labor unions. The Company's principal union contracts for the Cement business cover employees at the Oro Grande, California cement plant. The Company's principal union contracts for the Magnesia Specialties business cover employees at the Manistee, Michigan, magnesia-based chemicals plant and the Woodville, Ohio, lime plant. The Oro Grande collective bargaining agreement expires in June 2015. The Woodville collective bargaining agreement expires in May 2018. The Manistee collective bargaining agreement expires in August 2015. While the Company's management does not expect significant difficulties in renewing these labor contracts, there can be no assurance that a successor agreement will be reached at any of these locations.

Available Information

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

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

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

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

ITEM 1A. RISK FACTORS

General Risk Factors

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

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

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

Investors are also cautioned that it is not possible to predict or identify all such factors. Consequently, the reader should not consider any such list to be a complete statement of all potential risks or uncertainties. Other factors besides those listed may also adversely affect the Company and may be material to the Company. The Company has listed the known material risks it considers relevant in evaluating the Company and its operations. The forward-looking statements in this document are intended to be subject to the safe harbor protection provided by Sections 27A and 21E of the Securities Exchange Act of 1934. These forward-looking statements are made as of the date hereof based on management’s current expectations, and the Company does not undertake an obligation to update such statements, whether as a result of new information, future events, or otherwise.

For a discussion identifying some important factors that could cause actual results to vary materially from those anticipated in the forward-looking statements, see the factors listed below, along with the discussion of “Competition” under Item 1 of this Form 10-K, “Management’s Discussion and Analysis of Financial Condition and Results of Operations” under Item 7 of this Form 10-K and the 2014 Annual Report, and “Note A: Accounting Policies” and “Note N: Commitments and Contingencies” of the “Notes to Financial Statements” of the 2014 Financial Statements included under Item 8 of this Form 10-K and the 2014 Annual Report.

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

Economic and political uncertainty can impede growth in the markets in which we operate. Demand for our products, particularly in the nonresidential and residential construction markets, could fall if companies and consumers are unable to get credit for construction projects or if an economic slowdown causes delays or cancellations of capital projects. State and federal budget issues may also hurt the funding available for infrastructure spending. The lack of available credit may limit the ability of states to issue bonds to finance construction projects. Several of our top sales states, from time-to-time, stop or slow bidding projects in their transportation departments.

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We sell most of our aggregate products, our primary business, and our cement products, to the construction industry, so our results depend on the strength of the construction industry. Since our businesses depend on construction spending, which can be cyclical, our profits are sensitive to national, regional, and local economic conditions and the intensity of the underlying spending on aggregates and cement products. During the past few years, the overall economy was hurt by mortgage security losses and the tightening credit markets. Construction spending was affected by economic conditions, changes in interest rates, demographic and population shifts, and changes in construction spending by federal, state, and local governments. If economic conditions change, a recession in the construction industry may occur and affect the demand for our products. The recent economic recession was an example, and our business was hurt. Construction spending can also be disrupted by terrorist activity and armed conflicts.

While our business operations cover a wide geographic area, our earnings depend on the strength of the local economies in which we operate because of the high cost to transport our products relative to their price. If economic conditions and construction spending decline significantly in one or more areas, particularly in our top five sales-generating states of our Aggregates business (based on net sales by state of destination) of Texas, Colorado, North Carolina, Iowa, and Georgia, our profitability will decrease. We experienced this situation with the recent economic recession.

The historic economic recession resulted in large declines in shipments of aggregate products in our industry. Recent years, however, have shown a turnaround in this trend. For the last four years, our aggregates shipments ranged from 122 million tons to 146 million tons, reflecting a certain degree of volume stability. During 2014 our heritage aggregates shipments showed 7.5% improvement compared with 2013 levels, after being relatively flat the prior year. Prior to 2010, use of aggregate products in the United States had declined almost 40% from the highest volume in 2006. While historical spending on public infrastructure projects has been comparatively more stable as governmental appropriations and expenditures are typically less interest rate-sensitive than private sector spending, during 2014 the unprecedented uncertainty on both the timing and amount of future long-term federal infrastructure funding negatively affected spending on public infrastructure projects. This uncertainty was accompanied by a reduction in some states' investment in highway maintenance. Other states, however, stepped up to play an expanding role in infrastructure spending, with the total value of public infrastructure spending increasing slightly in 2014, despite the uncertainty in long-term federal funding.

In July 2012, the President signed into law the successor federal highway bill known as MAP-21, which was designed to maintain highway spending at current annual levels of approximately \$40 billion in funding for transportation infrastructure through fiscal 2014. MAP-21 also greatly expanded TIFIA funding, a federal alternative funding mechanism for transportation projects. While the enactment of MAP-21 resulted in an increase in infrastructure spending for a period of time, MAP-21 expired by its terms on September 30, 2014. However, as Congress continues to deliberate a successor bill, the provisions of MAP-21 have been extended through May 31, 2015. Additionally, Congress authorized a \$10.8 billion General Fund transfer to the Highway Trust Fund to maintain its solvency. We are not clear when or in what form there might be a successor bill to MAP-21. The measures to extend MAP-21 and add solvency to the Highway Trust Fund have not completely alleviated the reluctance by some states and municipalities to commit to large-scale, multi-year infrastructure projects supported by federal aid. During the recent extended period of uncertainty in the level of federal funding, some states have secured alternative funding sources, including Texas, whose voters in 2014 approved use of the state's oil and gas production tax collections for annual disbursements to the State Highway Fund. Supported by state spending programs, our heritage aggregates shipments to the infrastructure construction market increased 6% in 2014 compared to 2013, as compared to a decrease of 7% in 2013 compared with 2012.

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We believe that the demand and need for infrastructure projects will support consistent growth in this market once long-term federal funding is resolved beyond 2015. In 2014, 44% of our aggregates shipments were to the infrastructure construction market.

Within the construction industry, we also sell our aggregates and cement products for use in both nonresidential construction and residential construction. Nonresidential and residential construction levels generally move with economic cycles; when the economy is strong, construction levels rise, and when the economy is weak, construction levels fall.

We experienced a 9% increase in aggregates shipments to the nonresidential construction market in 2014, with growth notable in the energy-related shipments, which benefitted from shale energy projects, principally in South Texas, as well as energy-related industrial activity. Additionally, increased aggregates shipments to the commercial part of nonresidential construction, namely office and retail, increased in certain of our geographic markets in Colorado, Georgia, North Carolina, and Texas. During 2014, a strengthened residential market precipitated nonresidential construction activities to serve increased populations. Recently, the rate of growth in residential construction has slowed, but the nonresidential construction market continues to gain momentum. This evolution is in line with expectations, as the commercial component of nonresidential construction generally follows the residential construction market with a 12-to-18 month lag. With the recent decline in global oil prices, we are uncertain the impact this decline will have on the current strong Texas economy. The Dodge Momentum Index, a 12-month leading indicator of construction spending for nonresidential building compiled by McGraw Hill Construction, reached 128.7 in December 2014, an increase of 4% compared to prior month and an increase of 9% compared to prior year. In 2014, 32% of our aggregates shipments were to the nonresidential construction market.

Our aggregates shipments to the residential construction market increased 12% in 2014. Housing strength varies considerably in different areas of the country. We saw significant residential growth in our key geographic markets, including Florida, Georgia, North Carolina, and Texas. The U.S. Census Bureau reported the total value of private residential construction put in place in 2014 increased 5%. Furthermore, housing starts, a key indicator for residential construction activity, continues to show year-over-year improvement, although starts are still below the 50-year historical annual average of 1.5 million units. For 2014, annual housing starts were up 3% to an estimated 1,004,000, as reported by the United States Census Bureau, and the rate of housing starts continues to exceed completions. This trend is expected to continue in 2015. In 2014, 14% of our aggregates shipments were to the residential construction market.

Shipments of chemical rock (comprised primarily of high-calcium carbonate material used for agricultural lime and flue gas desulfurization) and ballast product sales (collectively "ChemRock/Rail") accounted for 10% of our aggregates shipments and increased 4% in 2014 reflecting growth in non-construction, specifically landscaping and backfill.

Shipments of aggregates-related downstream products typically follow construction aggregates trends.

The Cement business was acquired from TXI on July 1, 2014. The net sales of \$209.6 million for the second half of 2014 reflected the Company's leading position in the Texas market.

Our business is dependent on funding from a combination of federal, state and local sources.

Our aggregates and cement products are used in public infrastructure projects, which include the construction, maintenance, and improvement of highways, streets, roads, bridges, schools, prisons, and similar projects. So our business is dependent on the level of federal, state, and local spending on these projects. The

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year 2014 was another year of unprecedented uncertainty as it related to both the timing and amount of future long-term federal infrastructure funding, which negatively affected spending on public infrastructure projects. Despite the uncertainty in long-term funding levels, the total value of United States overall public-works spending increased slightly in 2014, which demonstrates the commitment of states to address the underlying demand for infrastructure investment. However, infrastructure investment varies by market and was strongest in the western United States in 2014. We cannot be assured of the existence, amount, and timing of appropriations for spending on future projects.

The federal highway bill provides annual highway funding for public-sector construction projects. The most recent federal highway bill passed in 2012, MAP-21, provided annual funding at current levels of approximately \$40 billion through September 30, 2014, when it expired by its own terms. MAP-21 also greatly expands TIFIA funding, a federal alternative funding mechanism for transportation projects, to \$1 billion in fiscal 2014. MAP-21 is not subject to potential sequestration under current federal law. TIFIA is also not subject to federal debt ceiling limits. However, authorized transfers from the General Fund to the Highway Trust Fund are subject to potential sequestration. In 2014, as Congress continued to deliberate a successor bill to MAP-21, the provisions of MAP-21 were extended to May 31, 2015. Additionally, Congress authorized a \$10.8 billion General Fund transfer to the Highway Trust Fund to maintain its solvency.

Given the record level of national debt and the resulting pressure on all government spending, we cannot be assured that Congress will pass a successor federal highway bill or will extend the provisions of the current bill when they expire on May 31, 2015. Federal highway bills provide spending authorizations that represent maximum amounts. Each year, an appropriation act is passed establishing the amount that can actually be used for particular programs. The annual funding level is generally tied to receipts of highway user taxes placed in the Highway Trust Fund. Once the annual appropriation is passed, funds are distributed to each state based on formulas (apportionments) or other procedures (allocations). Apportioned and allocated funds generally must be spent on specific programs as outlined in the federal legislation. The Highway Trust Fund has experienced shortfalls in recent years, due to high gas prices, fewer miles driven and improved automobile fuel efficiency. These shortfalls created a significant decline in federal highway funding levels. In response to the projected shortfalls, money has been transferred from the General Fund into the Highway Trust Fund over the past several years. According to the Congressional Budget Office, current revenues of approximately \$34 billion are falling short of the current annual expenditure level of \$41 billion. Therefore, timely Congressional action is needed to address the funding mechanism for the Highway Trust Fund and to enact a longer-term federal highway bill. We cannot be assured of the existence, timing or amount of federal highway funding levels in the future. We also cannot be assured of the impact of the recent sharp reduction in gasoline prices on the levels of highway user taxes that might be collected in the future and the corresponding levels of funding to the Highway Trust Fund.

At the state level, each state funds its infrastructure spending from specially allocated amounts collected from various taxes, typically gasoline taxes and vehicle fees, along with voter-approved bond programs. Shortages in state tax revenues can reduce the amounts spent on state infrastructure projects, even below amounts awarded under legislative bills. Delays in state infrastructure spending can hurt our business. Many states have experienced state-level funding pressures caused by lower tax revenues and an inability to finance approved projects. North Carolina was among the states experiencing these pressures, and this state disproportionately affects our revenues and profits. Most state budgets, including North Carolina, began to improve in 2013 and 2014 as increased tax revenues helped states resolve budget deficits. States have also taken on a larger role in funding sustained infrastructure investment. For example, the Texas voters in 2014 approved use of the state's oil and gas production tax collections for annual disbursements to the State Highway Fund. We anticipate further growth in state-level funding initiatives, such as bond issues, toll roads, and special purpose taxes, as states address infrastructure needs, particularly in periods of federal funding uncertainty. In

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the November 2014 elections, voters approved 66% of transportation initiatives. Nevertheless, it is a continuing risk to our business that sufficient funding from federal, state, and local sources will not be available to address infrastructure needs.

Our aggregates business is seasonal and subject to the weather.

Since the construction aggregates business is conducted outdoors, erratic weather patterns, seasonal changes and other weather-related conditions affect our business. Adverse weather conditions, including hurricanes and tropical storms, cold weather, snow, and heavy or sustained rainfall, reduce construction activity, restrict the demand for our products, and impede our ability to efficiently transport material. Adverse weather conditions also increase our costs and reduce our production output as a result of power loss, needed plant and equipment repairs, time required to remove water from flooded operations, and similar events. Severe drought conditions can restrict available water supplies and restrict production. The construction aggregates business production and shipment levels follow activity in the construction industry, which typically occur in the spring, summer and fall. Because of the weather's effect on the construction industry's activity, the production and shipment levels for the Company's Aggregates business, including all of its aggregates-related downstream operations, vary by quarter. The second and third quarters are generally the most profitable and the first quarter is generally the least profitable.

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

Our challenge is to find aggregate deposits that we can mine economically, with appropriate permits, near either growing markets or long-haul transportation corridors that economically serve growing markets. As communities have grown, they have taken up attractive quarrying locations and have imposed restrictions on mining. We try to meet this challenge by identifying and permitting sites prior to economic expansion, buying more land around our existing quarries to increase our mineral reserves, developing underground mines, and developing a distribution network that transports aggregates products by various transportation methods, including rail and water, that allows us to transport our products longer distances than would normally be considered economical, but we can give no assurances that we will be successful.

Our business is a capital-intensive business.

The property and machinery needed to produce our products are very expensive. Therefore, we require large amounts of cash to operate our businesses. We believe that our cash on hand, along with our projected internal cash flows and our available financing resources, will be enough to give us the cash we need to support our anticipated operating and capital needs. Our ability to generate sufficient cash flow depends on future performance, which will be subject to general economic conditions, industry cycles and financial, business, and other factors affecting our operations, many of which are beyond our control. If we are unable to generate sufficient cash to operate our business, we may be required, among other things, to further reduce or delay planned capital or operating expenditures.

Our businesses face many competitors.

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

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chemical products that could be used instead of our magnesia-based products. As other examples, our aggregates business may compete with recycled asphalt and concrete products that could be used instead of new products and our cement business may compete with international competitors who are importing product to the United States with lower production and regulatory costs.

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

We expect to continue to grow, in part, by buying other businesses. We will continue to look for strategic businesses to acquire, like our recent acquisition of TXI. In the past, we have made acquisitions to strengthen our existing locations, expand our operations, and enter new geographic markets. We will continue to make selective acquisitions, joint ventures, or other business arrangements we believe will help our company. However, the continued success of our acquisition program will depend on our ability to find and buy other attractive businesses at a reasonable price and our ability to integrate acquired businesses into our existing operations. We cannot assume there will continue to be attractive acquisition opportunities for sale at reasonable prices that we can successfully integrate into our operations.

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

We have acquired many companies since 1995. Some of these acquisitions were more easily integrated into our existing operations and have performed as well or better than we expected, while others have not. For example, we have only begun the process of integrating the operations of TXI, as discussed below. We have sold some underperforming and other non-strategic assets, such as underperforming road paving operations in Arkansas and east Texas, which were sold in 2014.

Our integration of the acquisition of TXI may not be as successful as we hope.

We have a successful history of business combinations and integration of these businesses into our heritage operations. We acquired TXI in July 2014 and are continuing the integration of TXI's ready mixed concrete and cement operations. We integrated TXI's aggregates operations into our disciplined cost structure during the last half of 2014. We expect this continued integration to be successful in order for us to achieve the synergies, cost savings, and operating efficiencies we have forecast from the TXI acquisition. However, it is a risk factor that we will not be able to achieve such integration in a successful manner or on the time schedule we have projected or in a way that will achieve the level of synergies, cost savings, or operating efficiencies we have forecast from the TXI acquisition.

The acquisition of TXI involved the combination of two companies which previously operated as independent public companies. We have devoted significant management attention and resources to integrating our business practices and operations. As noted, we have integrated to date TXI's aggregates operations and are in the process of fully integrating TXI's ready mixed concrete and cement operations later this year. We believe we will be successful in this integration process. Nevertheless, we may fail to realize some of the anticipated benefits of the acquisition with TXI if the integration process takes longer than expected or is more costly than expected. Potential difficulties we may encounter in the integration process include:

- the inability to successfully combine the remaining operations in a manner that permits us to achieve the cost savings and revenue synergies anticipated to result from the proposed acquisition with TXI, which would result in the anticipated benefits of the acquisition with TXI not being realized partly or wholly in the time frame currently anticipated or at all;
- lost sales and customers as a result of certain customers of either the Company or former customers of TXI deciding not to do business with the Company;

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- complexities associated with managing the combined operations;
- integrating personnel;
- creation of uniform standards, internal controls, procedures, policies and information systems;
- potential unknown liabilities and unforeseen increased expenses, delays or regulatory issues associated with integrating the remaining operations; and
- performance shortfalls at business units as a result of the diversion of management attention caused by completing the remaining integration of the operations.

Aggregates-related downstream businesses have lower profit margins and can be more volatile.

For 2014, our asphalt, ready mixed concrete, and road paving businesses accounted for 30% of the net sales of our Aggregates business, up from 8% in 2011. These businesses typically provide lower profit margins (excluding freight and delivery revenues) than our aggregates product line due to potentially volatile input costs, highly competitive market dynamics, and lower barriers to entry. Therefore, as we expand these operations, our overall gross margin is likely to be adversely affected. We saw this impact our gross margins in recent years. However, in 2014, heritage aggregates-related downstream operations gross margin (excluding freight and delivery revenues) increased 450 basis points, reflecting increased ready mixed concrete volumes and pricing as well as higher asphalt shipments. The overall gross margin (excluding freight and delivery revenues) of our Aggregates business will continue to be reduced by the lower gross margins for our aggregates-related downstream operations.

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

Our businesses require a continued supply of diesel fuel, natural gas, coal, petroleum coke and other energy. The financial results of these businesses have been affected by the short supply or high costs of these fuels and energy. While we can contract for some fuels and sources of energy, such as fixed-price supply contracts for coal and petroleum coke, significant increases in costs or reduced availability of these items have and may in the future reduce our financial results. Moreover, fluctuations in the supply and costs of these fuels and energy can make planning our businesses more difficult. For example, in 2011, increases in energy costs when compared with 2010 lowered net earnings for our businesses by \$0.27 per diluted share. We do not hedge our diesel fuel price risk, but instead focus on volume-related price reductions, fuel efficiency, consumption, and the natural hedge created by the ability to increase aggregates prices. In 2012, while the average price we paid per gallon of diesel fuel was 5% higher compared to 2011, this was offset by a decline of 25% from 2011 on our average cost for natural gas. This trend reversed in 2013, when the average price we paid per gallon of diesel fuel was 4% lower compared to 2012, but the average cost of natural gas increased 18% from 2012. Similarly, in 2014 the average price we paid per gallon of diesel fuel was 8% lower compared to 2013, but the average cost of natural gas increased 24% from 2013. Diesel fuel, which averaged \$2.82 per gallon in 2014 and

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\$2.98 per gallon in 2013, represents the single largest component of energy costs for our Aggregates business. Diesel fuel prices declined rapidly during December 2014, ending the year at a per gallon price that was 26% below the 2014 average.

The Magnesia Specialties business has fixed price agreements for the supply of a portion of its coal and natural gas needs. The Cement business has fixed price agreements for the supply of coal.

Cement production requires large amounts of energy, including electricity and fossil fuels. Energy costs represent approximately 31% of the production costs of our Cement business. Therefore, the cost of energy is one of our largest expenses. Prices for energy are subject to market forces largely beyond our control and can be quite volatile. Price increases that we are unable to pass through in the form of price increases for our products, or disruption of the uninterrupted supply of fuel and electricity, could adversely affect us. Accordingly, volatility in energy costs can adversely affect the financial results of our Cement business. Profitability of the Cement business is also subject to kiln maintenance, which requires the plant to be shut down for a period of time as repairs are made. In 2014, the Cement business incurred shutdown costs of \$13.3 million during the second half of the year.

Similarly our aggregates-related downstream operations also require a continued supply of liquid asphalt and cement, which serve as key raw materials in the production of hot mix asphalt and ready mixed concrete, respectively. These raw materials are subject to potential supply constraints and significant price fluctuations, which are beyond our control. The financial results of our aggregates-related downstream operations have been affected by the short supply or high costs of these raw materials. We generally see frequent volatility in the costs for these raw materials. For 2014, we saw higher prices for these raw materials than 2013. Liquid asphalt prices may not always follow other energy products (e.g., oil or diesel fuel) because of complexities in the refining process which converts a barrel of oil into other fuels and petrochemical products.

Cement is a commodity sensitive to supply and price volatility.

Cement is a commodity, and competition is often based mainly on price, which is highly sensitive to changes in supply and demand. Prices change a lot in response to relatively minor changes in supply and demand, general economic conditions and other market conditions, which we cannot control. When cement producers increase production capacity or more cement is imported into the market, an oversupply of cement in the market may occur if supply exceeds demand. In that case cement prices generally fall. We cannot be assured that prices for our cement products sold will not decline in the future or that such decline will not have a material adverse effect on our Cement business.

Unexpected equipment failures, catastrophic events and scheduled maintenance may lead to production curtailments or shutdowns.

Our manufacturing processes are dependent upon critical pieces of equipment, such as our kilns and finishing mills. This equipment, on occasion, may be out of service as a result of unanticipated failures or damage during accidents. In addition to equipment failures, our facilities are also subject to the risk of catastrophic loss due to unanticipated events such as fires, explosions or violent weather conditions. Our Cement operations in California are also susceptible to damage from earthquakes, for which we maintain only a limited amount of earthquake insurance and, therefore, we are not fully insured against earthquake risk. We also have one to two-week scheduled outages at least once a year to refurbish our cement and dolomitic lime production facilities. In 2014, the Cement business incurred shutdown costs of \$13.3 million during the second half of the year. In 2014, the Magnesia Specialties business incurred shutdown costs of \$5.4 million during the year. Any significant interruption in production capability may require us to make significant capital expenditures to remedy problems or damage as well as cause us to lose revenue due to lost production time.

Our Cement and Magnesia Specialties businesses may become capacity constrained.

If our Cement or Magnesia Specialties businesses become capacity constrained, they may be unable to satisfy on a timely basis the demand for some of their products, and any resulting changes in customers would introduce volatility to the earnings of these segments. We can address capacity needs by enhancing our manufacturing productivity, increasing the operational availability of equipment, reducing machinery down time and extending machinery useful life. Future demand for our products may require us to expand further our manufacturing capacity, particularly through the purchase of additional manufacturing equipment. However, we may not be able to increase our capacity in time to satisfy increases in demand that may occur from time to time. Capacity constraints may prevent us from satisfying customer orders and result in a loss of sales to competitors that are not capacity constrained. In addition, we may suffer excess capacity if we increase our capacity to meet actual or anticipated demand and that demand decreases or does not materialize.

Our cement business could suffer if cement imports from other countries significantly increase or are sold in the U.S. in violation of U.S. fair trade laws.

The cement industry has in the past obtained antidumping orders imposing duties on imports of cement and clinker from other countries that violated U.S. fair trade laws. Currently, an antidumping order against cement and clinker from Japan will expire in 2016 unless it is extended by the Federal Trade Commission. As has always been the case, cement operators with import facilities can purchase cement from other countries, such as those in Latin America and Asia, which could compete with domestic producers. In addition, if environmental regulations increase the costs of domestic producers compared to foreign producers that are not subject to similar regulations, imported cement could achieve a significant cost advantage over domestically produced cement. An influx of cement or clinker products from countries not subject to antidumping orders, or sales of imported cement or clinker in violation of U.S. fair trade laws, could adversely affect our cement business.

Road paving construction operations present additional risks to our business.

Our aggregates-related downstream operations also present challenges in the paving construction business where many of our contracts have penalties for late completion. In some instances, including many of our fixed price contracts, we guarantee that we will complete a project by a certain date. If we subsequently fail to complete the project as scheduled we may be held responsible for costs resulting from the delay, generally in the form of contractually agreed-upon liquidated damages. Under these circumstances, the total project cost could exceed our original estimate, and we could experience a loss of profit or a loss on the project. In our road paving construction operations we also have fixed price and fixed unit price contracts where our profits can be adversely affected by a number of factors beyond our control, which can cause our actual costs to materially exceed the costs estimated at the time of our original bid. These same issues and risks can also impact some of our contracts in our asphalt and ready mixed concrete operations. These risks are somewhat mitigated by the fact that a majority of our road paving contracts are for short duration projects.

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

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

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

Our operations are subject to manufacturing, operating, and handling risks associated with the products we produce and the products we use in our operations, including the related storage and transportation of raw materials, products, hazardous substances, and wastes. We are exposed to hazards including storage tank leaks, explosions, discharges or releases of hazardous substances, exposure to dust, and the operation of mobile equipment and manufacturing machinery.

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

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

Labor disputes could disrupt operations of our businesses.

Labor unions represent 11.8% of the hourly employees of our aggregates business, 30.8% of the hourly employees of our cement business, and 100% of the hourly employees of our Magnesia Specialties business. Our collective bargaining agreements for employees of our magnesia specialties business at the Oro Grande, California cement plant, the Manistee, Michigan magnesia chemicals plant, and the Woodville, Ohio lime plant expire in June 2015, August 2015, and May 2018, respectively.

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

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

Transportation logistics play an important role in allowing us to supply products to our customers, whether by truck, rail, or ship. We also rely heavily on third-party truck and rail transportation to ship coal, natural gas, and other fuels to our plants. Any significant delays, disruptions, or the non-availability of our transportation support system could negatively affect our operations. Transportation operations are subject to capacity constraints, high fuel costs and various hazards, including extreme weather conditions and slowdowns due to labor strikes and other work stoppages. In Texas, we compete for third party trucking services with operations in the oil and gas fields, which can significantly constrain the availability of those services to us. If there are material changes in the availability or cost of transportation services, we may not be able to arrange alternative and timely means to ship our products or fuels at a reasonable cost, which could lead to interruptions or slowdowns in our businesses or increases in our costs.

The availability of rail cars can also affect our ability to transport our products. Rail cars can be used to transport many different types of products across all of our segments. If owners sell or lease rail cars for use in other industries, we may not have enough rail cars to transport our products.

We have long-term agreements with shipping companies to provide ships to transport our aggregate products from our Bahamas and Nova Scotia operations to various coastal ports. These contracts have varying expiration dates ranging from 2015 to 2017 and generally contain renewal options. Our inability to renew these agreements or enter into new ones with other shipping companies could affect our ability to transport our products.

When we sold our River District operations in 2011 as part of our asset exchange with Lafarge, we sold most of our barge long-haul distribution network. As a result, we reduced our risks from distributing our products by barges, especially along the Mississippi River. We still distribute some of our product by barge along rivers in West Virginia. We may continue to experience, to a lesser degree, risks associated with distributing our products by barges, including significant delays, disruptions, or the non-availability of our barge transportation system that could negatively affect our operations, water levels that could affect our ability to transport our products by barge, and barges that may not be available in quantities that we might need from time to time to support our operations.

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

The accounting standards we use in preparing our financial statements are often complex and require that we make significant estimates and assumptions in interpreting and applying those standards. We make critical estimates and assumptions involving accounting matters including our goodwill impairment testing, our expenses and cash requirements for our pension plans, our estimated income taxes, and how we account for our property, plant and equipment, and inventory. These estimates and assumptions involve matters that are inherently uncertain and require our subjective and complex judgments. If we used different estimates and assumptions or used different ways to determine these estimates, our financial results could differ.

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

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

The accounting standards we apply in preparing our financial statements are reviewed by regulatory bodies and are changed from time to time. New or revised accounting standards could change our financial results either positively or negatively. We urge you to read about our accounting policies in Note A of our 2014 financial statements. The federal regulatory body overseeing our accounting standards is now implementing a convergence project, which would conform the accounting in the United States for various topics to the requirements under international accounting standards. Proposed changes are being issued one topic at a time. We have not looked at how all of these topics might impact us. New or revised accounting standards could change our financial results either positively or negatively.

The *Sarbanes-Oxley Act of 2002*, and other related rules and regulations, have increased the scope, complexity, and cost of corporate governance. Reports from the Public Company Accounting Oversight Board's ("PCAOB") inspections of public accounting firms continue to outline findings and recommendations which could require these firms to perform additional work as part of their financial statement audits. The Company's costs to respond to these additional requirements and exposure to adverse findings by the PCAOB of the work performed may increase as to internal controls.

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

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

Disruptions in the credit markets could affect our business.

We have considered the current economic environment and its potential impact to the Company's business. Demand for aggregates products, particularly in the infrastructure construction market, has already been negatively affected by federal and state budget and deficit issues and the uncertainty over future highway funding levels beyond the May 2015 expiration of MAP-21. Further, delays or cancellations to capital projects in the nonresidential and residential construction markets could occur if companies and consumers are unable to obtain financing for construction projects or if consumer confidence continues to be eroded by economic uncertainty.

A recessionary construction economy can also increase the likelihood we will not be able to collect on all of our accounts receivable with our customers. We are protected in part, however, by payment bonds posted by many of our customers or end-users. Nevertheless, we experienced a delay in payment from some of our customers during the construction downturn, which can negatively affect operating cash flows. Historically, our bad debt write-offs have not been significant to our operating results, and, although the amount of our bad debt write-offs has increased, we believe our allowance for doubtful accounts is adequate.

The credit environment could impact the Company's ability to borrow money in the future. Additional financing or refinancing might not be available and, if available, may not be at economically favorable terms. Further, an increase in leverage could lead to deterioration in our credit ratings. A reduction in our credit ratings, regardless of the cause, could also limit our ability to obtain additional financing and/or increase our cost of obtaining financing. There is no guarantee we will be able to access the capital markets at financially economical interest rates, which could negatively affect our business.

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We may be required to obtain financing in order to fund certain strategic acquisitions, if they arise, or to refinance our outstanding debt. Any large strategic acquisition would require that we issue both newly issued equity and debt securities, like we did with the acquisition of TXI, in order to maintain our investment grade credit rating and could result in a ratings downgrade notwithstanding our issuance of equity securities to fund the transaction. We are also exposed to risks from tightening credit markets, through the interest payable on our outstanding debt and the interest cost on our commercial paper program, to the extent it is available to us. While management believes our credit ratings will remain at a composite investment-grade level, we cannot be assured these ratings will remain at those levels. While management believes the Company will continue to have credit available to it adequate to meet its needs, there can be no assurance of that.

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

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

Our Magnesia Specialties business now runs near capacity so unexpected changes could affect its earnings.

Because our Magnesia Specialties business essentially runs near capacity, any unplanned changes in costs or customers would introduce volatility to the earnings of this segment of our business.

Our acquisitions could harm our results of operations.

In pursuing our business strategy, we conduct discussions, evaluate opportunities, and enter into acquisition agreements. Acquisitions involve significant challenges and risks, including risks that:

- We may not realize a satisfactory return on the investment we make;
- We may not be able to retain key personnel of the acquired business;
- We may experience difficulty in integrating new employees, business systems, and technology;
- Our due diligence process may not identify compliance issues or other liabilities that are in existence at the time of our acquisition;
- We may have difficulty entering into new geographic markets in which we are not experienced; or
- We may be unable to retain the customers and partners of acquired businesses following the acquisition.

Our articles of incorporation, bylaws, and shareholder rights plan and North Carolina law may inhibit a change in control that you may favor.

Our restated articles of incorporation and restated bylaws, shareholder rights plan, and North Carolina law contain provisions that may delay, deter or inhibit a future acquisition of us not approved by our Board of Directors. This could occur even if our shareholders are offered an attractive value for their shares or if many or

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even a majority of our shareholders believe the takeover is in their best interest. These provisions are intended to encourage any person interested in acquiring us to negotiate with and obtain the approval of our Board of Directors in connection with the transaction. Provisions that could delay, deter, or inhibit a future acquisition include the following:

- a classified Board of Directors;
- the ability of the Board of Directors to establish the terms of, and issue, preferred stock without shareholder approval;
- the requirement that our shareholders may only remove directors for cause;
- the inability of shareholders to call special meetings of shareholders; and
- super majority shareholder approval requirements for business combination transactions with certain five percent shareholders.

In addition, we have in place a shareholder rights plan that will trigger a dilutive issuance of common stock upon acquisitions of our common stock by a third party above a threshold that are not approved by the Board of Directors. Additionally, the occurrence of certain change of control events could result in an event of default under certain of our existing or future debt instruments.

Changes in our effective income tax rate may harm our results of operations.

A number of factors may increase our future effective income tax rate, including:

- Governmental authorities increasing taxes or eliminating deductions, particularly the depletion deduction;
- The jurisdictions in which earnings are taxed;
- The resolution of issues arising from tax audits with various tax authorities;
- Changes in the valuation of our deferred tax assets and liabilities;
- Adjustments to estimated taxes upon finalization of various tax returns;
- Changes in available tax credits;
- Changes in stock-based compensation;
- Other changes in tax laws, and
- The interpretation of tax laws and/or administrative practices.

Any significant increase in our future effective income tax rate could reduce net earnings for future periods.

We are dependent on information technology and our systems and infrastructure face certain risks, including cybersecurity risks and data leakage risks.

We are dependent on information technology systems and infrastructure. Any significant breakdown, invasion, destruction or interruption of these systems by employees, others with authorized access to our systems, or unauthorized persons could negatively impact operations. There is also a risk that we could experience a business interruption, theft of information, or reputational damage as a result of a cyber-attack, such as an infiltration of a data center, or data leakage of confidential information either internally or at our third-party providers. While we have invested in the protection of our data and information technology to reduce these risks and routinely test the security of our information systems network, there can be no assurance that our efforts will prevent breakdowns or breaches in our systems that could adversely affect our business.

ITEM 1B. UNRESOLVED STAFF COMMENTS

There are no unresolved written comments that were received from the staff of the SEC one hundred and eighty (180) days or more before the end of our fiscal year relating to our periodic or current reports under the Securities Exchange Act of 1934.

ITEM 2. PROPERTIES

Aggregates Business

As of December 31, 2014, the Company processed or shipped aggregates from 274 quarries, underground mines, and distribution yards in 30 states, Canada, the Bahamas, and the Caribbean Islands, of which 109 are located on land owned by the Company free of major encumbrances, 56 are on land owned in part and leased in part, 103 are on leased land, and 5 are on facilities neither owned nor leased, where raw materials are removed under an agreement. The Company's aggregates reserves, on the average, exceed 60 years based on normalized levels of production, and exceed 100 years at current production rates. However, certain locations may be subject to more limited reserves and may not be able to expand. In addition, as of December 31, 2014, the Company processed and shipped ready mixed concrete and/or asphalt products from 134 properties in 5 states, of which 111 are located on land owned by the Company free of major encumbrances, 1 is on land owned in part and leased in part, 21 are on leased land, and 1 is on a facility neither owned or leased, where product is sold under an agreement.

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

The Company estimates proven and probable reserves based on the results of drilling. Proven reserves are reserves of deposits designated using closely spaced drill data, and based on that data the reserves are believed to be relatively homogenous. Proven reserves have a certainty of 85% to 90%. Probable reserves are reserves that are inferred utilizing fewer drill holes and/or assumptions about the economically mineable reserves based on local geology or drill results from adjacent properties. The degree of certainty for probable

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reserves is 70% to 75%. In determining the amount of reserves, the Company's policy is to not include calculations that exceed certain depths, so for deposits, such as granite, that typically continue to depths well below the ground, there may be additional deposits that are not included in the reserve calculations. The Company also deducts reserves not available due to property boundaries, set-backs, and plant configurations, as deemed appropriate when estimating reserves. The Company uses the same methods of analysis to evaluate and estimate the amount of its aggregates reserves used in the cement manufacturing process for its Cement business as it does for its Aggregates business. For additional information on the Company's assessment of reserves, see "Management's Discussion and Analysis of Financial Condition and Results of Operations – Other Financial Information - Critical Accounting Policies and Estimates- Property, Plant and Equipment" under Item 7 of this Form 10-K and the 2014 Annual Report for discussion of reserves evaluation by the Company.

Set forth in the tables below are the Company's estimates of reserves of recoverable aggregates of suitable quality for economic extraction, shown on a state-by-state basis, and the Company's total annual production for the last 3 years, along with the Company's estimate of years of production available, shown on a segment-by-segment basis. The number of producing quarries shown on the table includes underground mines. The Company's reserve estimates for the last 2 years are shown for comparison purposes on a state-by-state basis. The changes in reserve estimates at a particular state level from year to year reflect the tonnages of reserves on locations that have been opened or closed during the year, whether by acquisition, disposition, or otherwise; production and sales in the normal course of business; additional reserve estimates or refinements of the Company's existing reserve estimates; opening of additional reserves at existing locations; the depletion of reserves at existing locations; and other factors. The Company evaluates its reserve estimates primarily on a Company-wide, or segment-by-segment basis, and does not believe comparisons of changes in reserve estimates on a state-by-state basis from year to year are particularly meaningful. The Company's estimate of reserves shown in the tables below include reserves used in the Company's Cement and Magnesia Specialties businesses.

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State	Number of Producing Quarries	Tonnage of Reserves for each general type of aggregate at 12/31/13 (Add 000)		Tonnage of Reserves for each general type of aggregate at 12/31/14 (Add 000)		Change in Tonnage from 2013 (Add 000)		Percentage of aggregate reserves located at an existing quarry, and reserves not located at an existing quarry.		Percentage of Aggregate reserves on land that has not been zoned for quarrying.* **	Percent of reserves owned and percent leased	
		Hard Rock	S & G	Hard Rock	S & G	Hard Rock	S & G	At Quarry	Not at Quarry		Owned	Leased
Alabama	5	101,697	12,110	130,199	12,110	28,502	0	100%	0%	0%	28%	72%
Arkansas	3	227,821	0	238,844	0	11,023	0	95%	5%	0%	52%	48%
California****	1			329,392	0	329,392	0	100%	0%	0%	100%	0%
Colorado	6	111,520	96,413	107,562	87,575	(3,958)	(8,838)	85%	15%	0%	71%	29%
Florida	1	253,244	0	252,614	0	(630)	0	100%	0%	0%	0%	100%
Georgia	16	2,165,285	0	2,144,817	0	(20,468)	0	95%	5%	0%	80%	20%
Indiana	10	510,230	47,978	501,461	52,450	(8,769)	4,472	100%	0%	0%	36%	64%
Iowa	24	719,102	34,131	688,783	38,983	(30,319)	4,852	100%	0%	0%	15%	85%
Kansas	4	100,880	0	99,859	0	(1,021)	0	100%	0%	8%	37%	63%
Kentucky	1	0	28,690	0	24,891	0	(3,799)	100%	0%	0%	0%	100%
Louisiana	3				8,902	0	8,902	100%	0%	0%	8%	92%
Maryland	2	96,067	0	135,006	0	38,939	0	100%	0%	0%	100%	0%
Minnesota	2	435,472	0	420,116	0	(15,356)	0	75%	25%	0%	66%	34%
Mississippi	1	0	67,216	0	67,210	0	(6)	100%	0%	0%	100%	0%
Missouri	4	423,224	0	416,034	0	(7,190)	0	90%	10%	0%	17%	83%
Montana	0	50,000	0	50,000	0	0	0	100%	0%	0%	100%	0%
Nebraska	3	188,854	0	185,498	0	(3,356)	0	100%	0%	0%	49%	51%
Nevada	1	139,342	0	138,662	0	(680)	0	100%	0%	0%	82%	18%
North Carolina	34	3,322,590	0	3,452,099	0	129,509	0	78%	22%	0%	69%	31%
Ohio***	12	724,741	135,781	722,920	120,161	(1,821)	(15,620)	45%	55%	0%	96%	4%
Oklahoma	8	820,646	14,412	1,214,840	14,023	394,194	(389)	100%	0%	0%	84%	16%
South Carolina	6	520,707	29,711	517,472	29,110	(3,235)	(601)	100%	0%	0%	62%	38%
Tennessee	1	36,756	0	36,389	0	(367)	0	100%	0%	0%	100%	0%
Texas****	22	1,123,383	76,168	2,367,460	144,067	1,244,077	67,899	100%	0%	0%	52%	48%
Utah	1	25,248	0	24,514	0	(734)	0	100%	0%	0%	0%	100%
Virginia	4	364,373	0	350,113	0	(14,260)	0	85%	15%	0%	75%	25%
Washington	3	41,102	0	40,806	0	(296)	0	66%	36%	0%	41%	59%
West Virginia	2	41,578	0	45,352	0	3,774	0	43%	57%	0%	88%	12%
Wyoming	2	151,220	0	148,162	0	(3,058)	0	100%	0%	0%	0%	100%
U. S. Total	182	12,695,082	542,610	14,758,974	599,482	2,063,892	56,872	92%	8%	0%	55%	45%
Non-U. S.	2	825,865	0	867,914	0	42,049	0	100%	0%	0%	95%	5%
Grand Total	184	13,520,947	542,610	15,626,888	599,482	2,105,941	56,872					

* The Company calculates its aggregate reserves for purposes of this table based on land that has been zoned for quarrying and land for which the Company has determined zoning is not required.

** The Company may own additional land adjacent or near existing quarries on which reserves may be located but does not include such reserves in these calculations if zoning is required but has not been obtained.

*** The Company's reserves presented for the State of Ohio include dolomitic limestone reserves used in the business of the Magnesia Specialties segment.

**** The Company's reserves presented for the States of California and Texas include limestone reserves used in the business of the Cement segment.

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Reportable Segment*	Total Annual Production (in tons) (add 000)			Number of years of production available at December 31, 2014
	For year ended December 31			
	2014	2013	2012	
Mid-America Group	59,785	57,529	58,748	124.2
Southeast Group	18,932	17,275	18,632	185.5
West Group	62,579	53,395	49,430	84.5
Total Aggregates Business	141,296	128,199	126,810	114.8

* Prior year segment information has been reclassified to conform to the presentation of the Company's current reportable segments.

Cement Business

As of December 31, 2014, the Company, through its subsidiaries, processed or shipped cement from 12 properties in 4 states, of which 8 are located on land owned by the Company free of major encumbrances and 4 are on leased land. The Company's Cement business has production facilities located at two sites in Texas and one in California: Midlothian, Texas, south of Dallas/Fort Worth; Hunter, Texas, between Austin and San Antonio; and Oro Grande, California, near Los Angeles. The following table summarizes certain information about the Company's cement manufacturing facilities at December 31, 2014:

Plant	Rated Annual Productive Capacity—Tons of Clinker	Manufacturing Process	Service Date	Internally Estimated Minimum Reserves—Years
Midlothian, TX	2,200,000	Dry	2001	57
Hunter, TX	2,250,000	Dry	2013 and 1981	160
Oro Grande, CA	2,200,000	Dry	2008	59
Total	6,650,000			

Reserves identified with the facilities shown above are contained on approximately 5,579 acres of land owned by the Company. As of December 31, 2014, the Company estimated its total proven and probable limestone reserves on such land to be approximately 933 million tons.

The Company's cement manufacturing facilities include kilns, crushers, pre-heaters/calciners, coolers, finish mills and other equipment used to process limestone and other raw materials into cement, as well as equipment used to extract and transport the limestone from the adjacent quarries. These cement manufacturing facilities are served by rail and truck.

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As of December 31, 2014, the Company, through its subsidiaries, also operated 5 cement distribution terminals and 1 cement packaging facility.

Magnesia Specialties Business

The Magnesia Specialties business currently operates major manufacturing facilities in Manistee, Michigan, and Woodville, Ohio. Both of these facilities are owned.

Other Properties

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

Condition and Utilization

The Company's principal properties, which are of varying ages and are of different construction types, are believed to be generally in good condition, are generally well maintained, and are generally suitable and adequate for the purposes for which they are used.

During 2014, the principal properties of the Aggregates business were believed to be utilized at average productive capacities of approximately 65% and were capable of supporting a higher level of market demand. However, during the economic recession, the Company adjusted its production schedules to meet reduced demand for its products. For example, the Company has reduced operating hours at a number of its facilities, closed some of its facilities, and temporarily idled some of its facilities. In 2014, the Company's Aggregates business operated at a level significantly below capacity, which restricted the Company's ability to capitalize \$39.8 million of costs that could have been inventoried under normal operating conditions. If demand does not improve over the near term, such reductions and temporary idling could continue. The Company expects, however, as the economy continues to recover, it will be able to resume production at its normalized levels and increase production again as demand for its products increases.

During 2014 the Texas cement plants were operating between 75 and 85 percent utilization and the California cement plant was operating in the low 70s percent utilization, reflective of a slower recovery in the southern California construction economy. The Portland Cement Association ("PCA") anticipates California markets should reach a demand/supply equilibrium during 2016. The Cement business' leadership, in collaboration with the aggregates and ready mixed concrete teams, have developed strategic plans regarding interplant efficiencies, as well as tactical plans addressing plant utilization and efficiency, providing incremental supply for a sold-out Texas cement market and a road map for significantly improved profitability for 2015 and beyond. Significant gains in plant utilization and efficiency are typically achieved only during plant shutdowns.

During 2014, the Magnesia Specialties business was essentially running near capacity at the Manistee, Michigan, magnesia-based chemicals plant and the Woodville, Ohio, lime plant. The Company expects future organic growth to result from increased pricing, rationalization of the current product portfolio and/or further cost reductions. In the current operating environment, any unplanned change in costs or customers introduces volatility to the earnings of the Magnesia Specialties segment.

ITEM 3. LEGAL PROCEEDINGS

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

The Company was not required to pay any penalties in 2014 for failure to disclose certain "reportable transactions" under Section 6707A of the Internal Revenue Code.

See also "Note N: Commitments and Contingencies" of the "Notes to Financial Statements" of the 2014 Financial Statements included under Item 8 of this Form 10-K and the 2014 Annual Report and "Management's Discussion and Analysis of Financial Condition and Results of Operations - Environmental Regulation and Litigation" under Item 7 of this Form 10-K and the 2014 Annual Report.

ITEM 4. MINE SAFETY DISCLOSURES

The information concerning mine safety violations or other regulatory matters required by Section 1503(a) of the Dodd-Frank Wall Street Reform and Consumer Protection Act and Item 104 of Regulation S-K (17 CFR 229.104) is included in Exhibit 95 to this Annual Report on Form 10-K.

EXECUTIVE OFFICERS OF THE REGISTRANT

The following sets forth certain information regarding the executive officers of Martin Marietta Materials, Inc. as of February 13, 2015:

<u>Name</u>	<u>Age</u>	<u>Present Position</u>	<u>Year Assumed Present Position</u>	<u>Other Positions and Other Business Experience Within the Last Five Years</u>
C. Howard Nye	52	Chairman of the Board; Chief Executive Officer; President; President of Aggregates Business; Chairman of Magnesia Specialties Business	2014 2010 2006 2010 2007	
Anne H. Lloyd	53	Executive Vice President; Chief Financial Officer	2009 2005	Treasurer (2006-2013)
Roselyn R. Bar	56	Senior Vice President; General Counsel; Corporate Secretary	2005 2001 1997	
Dana F. Guzzo	49	Senior Vice President; Chief Information Officer; Chief Accounting Officer; Controller	2011 2011 2006 2005	
Donald A. McCunniff	57	Senior Vice President, Human Resources	2011	Senior Vice President, Human Resources, CenturyLink Inc. (2009-2010)
Daniel L. Grant	60	Senior Vice President, Strategy & Development	2013	Senior Vice President, Strategy & Development, Lehigh Hanson, Inc., a producer of construction materials, and a subsidiary of Heidelberg Cement (1995-2013)

PART II**ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES*****Market Information, Holders, and Dividends***

The Company's Common Stock, \$.01 par value, is traded on the New York Stock Exchange ("NYSE") (Symbol: MLM). Information concerning stock prices and dividends paid is included under the caption "Quarterly Performance (Unaudited)" of the 2014 Annual Report, and that information is incorporated herein by reference. There were 1,012 holders of record of the Company's Common Stock as of February 13, 2015.

Recent Sales of Unregistered Securities

None.

[Table of Contents](#)**Issuer Purchases of Equity Securities**

<u>Period</u>	<u>Total Number of Shares Purchased</u>	<u>Average Price Paid per Share</u>	<u>Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs(1)</u>	<u>Maximum Number of Shares that May Yet be Purchased Under the Plans or Programs</u>
October 1, 2014 – October 31, 2014	0	\$ —	0	5,041,871
November 1, 2014 – November 30, 2014	0	\$ —	0	5,041,871
December 1, 2014 – December 31, 2014	0	\$ —	0	5,041,871
Total	0	\$ —	0	5,041,871

- (1) The Company's initial stock repurchase program, which authorized the repurchase of 2.5 million shares of common stock, was announced in a press release dated May 6, 1994, and has been updated as appropriate. The program does not have an expiration date. The Company announced in a press release dated February 22, 2006 that its Board of Directors had authorized the repurchase of an additional 5 million shares of common stock. The Company announced in a press release dated August 15, 2007 that its Board of Directors had authorized the repurchase of an additional 5 million shares of common stock. The Company announced in a press release dated February 10, 2015 that its Board of Directors had authorized the repurchase of an additional 15 million shares of common stock, for a total repurchase authorization of 20 million shares.

ITEM 6. SELECTED FINANCIAL DATA

The information required in response to this Item 6 is included under the caption "Five Year Summary" of the 2014 Annual Report, and that information is incorporated herein by reference.

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

The information required in response to this Item 7 is included under the caption "Management's Discussion and Analysis of Financial Condition and Results of Operations" in the 2014 Annual Report, and that information is incorporated herein by reference, except that the information contained under the caption "Management's Discussion and Analysis of Financial Condition and Results of Operations—Outlook 2015" in the 2014 Annual Report is not incorporated herein by reference.

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

The information required in response to this Item 7A is included under the caption "Management's Discussion and Analysis of Financial Condition and Results of Operations-Quantitative and Qualitative Disclosures About Market Risk" of the 2014 Annual Report, and that information is incorporated herein by reference.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

The information required in response to this Item 8 is included under the caption “Consolidated Statements of Earnings,” “Consolidated Statements of Comprehensive Earnings,” “Consolidated Balance Sheets,” “Consolidated Statements of Cash Flows,” “Consolidated Statements of Total Equity,” “Notes to Financial Statements,” “Management’s Discussion and Analysis of Financial Condition and Results of Operations,” and “Quarterly Performance (Unaudited)” of the 2014 Annual Report, and that information is incorporated herein by reference, except that the information contained under the caption “Management’s Discussion and Analysis of Financial Condition and Results of Operations—Outlook 2015” in the 2014 Annual Report is not incorporated herein by reference.

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

None.

ITEM 9A. CONTROLS AND PROCEDURES

As of December 31, 2014, an evaluation was performed under the supervision and with the participation of the Company’s management, including the Chief Executive Officer (“CEO”) and Chief Financial Officer (“CFO”), of the effectiveness of the design and operation of the Company’s disclosure controls and procedures and the Company’s internal control over financial reporting. Based on that evaluation, the Company’s management, including the CEO and CFO, concluded that the Company’s disclosure controls and procedures were effective in ensuring that all material information required to be disclosed is made known to them in a timely manner as of December 31, 2014 and further concluded that the Company’s internal control over financial reporting was effective in providing reasonable assurance regarding the reliability of financial reporting and the preparation of the Company’s financial statements for external purposes in accordance with generally accepted accounting principles as of December 31, 2014. As permitted by the Securities and Exchange Commission, management’s assessment of and conclusion on the effectiveness of internal control over financial reporting did not include the internal controls over certain assets and the net sales of the acquired cement and ready mixed concrete operations, which are included in the 2014 consolidated financial statements and constituted 18% of consolidated total assets and 17% of consolidated net sales as of and for the year ended December 31, 2014. There were no changes in the Company’s internal control over financial reporting during the most recently completed fiscal quarter that materially affected, or are reasonably likely to materially affect, the Company’s internal control over financial reporting.

The foregoing evaluation of the Company’s disclosure controls and procedures was based on the definition in Exchange Act Rule 13A-15(e), which requires that disclosure controls and procedures are effectively designed to ensure that information required to be disclosed by an issuer in the reports that it files or submits with the SEC under the Exchange Act is recorded, processed, summarized, and reported, within the time periods specified in the SEC’s rules and forms, and is accumulated and communicated to the issuer’s management, including its principal executive and principal financial officers, or persons performing similar functions, as appropriate to allow timely decisions regarding required disclosure.

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

The Company's management has issued its annual statement of financial responsibility and report on the Company's internal control over financial reporting, which included management's assessment that the Company's internal control over financial reporting was effective at December 31, 2014. The Company's independent registered public accounting firm has issued an attestation report that the Company's internal control over financial reporting was effective at December 31, 2014. Management's report on the Company's internal controls and the attestation report of the Company's independent registered public accounting firm are included in the 2014 Financial Statements, included under Item 8 of this Form 10-K and the 2014 Annual Report. See also "Management's Discussion and Analysis of Financial Condition and Results of Operations - Internal Control and Accounting and Reporting Risk" under Item 7 of this Form 10-K and the 2014 Annual Report.

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

PART III

ITEM 10. DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE

The information concerning directors of the Company, the Audit Committee of the Board of Directors, and the Audit Committee financial expert serving on the Audit Committee, all as required in response to this Item 10, is included under the captions "Corporate Governance Matters" and "Section 16(a) Beneficial Ownership Reporting Compliance" in the Company's definitive proxy statement to be

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filed with the SEC pursuant to Regulation 14A within 120 days after the close of the Company's fiscal year ended December 31, 2014 (the "2015 Proxy Statement"), and that information is hereby incorporated by reference in this Form 10-K. Information concerning executive officers of the Company required in response to this Item 10 is included in Part I, under the heading "Executive Officers of the Registrant," of this Form 10-K. The information concerning the Company's code of ethics required in response to this Item 10 is included in Part I, under the heading "Available Information," of this Form 10-K.

ITEM 11. EXECUTIVE COMPENSATION

The information required in response to this Item 11 is included under the captions "Executive Compensation," "Compensation Discussion and Analysis," "Corporate Governance Matters," "Management Development and Compensation Committee Report," and "Compensation Committee Interlocks and Insider Participation" in the Company's 2015 Proxy Statement, and that information is hereby incorporated by reference in this Form 10-K.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS

The information required in response to this Item 12 is included under the captions "General Information," "Security Ownership of Certain Beneficial Owners and Management," and "Securities Authorized for Issuance Under Equity Compensation Plans" in the Company's 2015 Proxy Statement, and that information is hereby incorporated by reference in this Form 10-K.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS, AND DIRECTOR INDEPENDENCE

The information required in response to this Item 13 is included under the captions "Compensation Committee Interlocks and Insider Participation in Compensation Decisions" and "Corporate Governance Matters" in the Company's 2015 Proxy Statement, and that information is hereby incorporated by reference in this Form 10-K.

ITEM 14. PRINCIPAL ACCOUNTANT FEES AND SERVICES

The information required in response to this Item 14 is included under the caption "Independent Auditors" in the Company's 2015 Proxy Statement, and that information is hereby incorporated by reference in this Form 10-K.

PART IV

ITEM 15. EXHIBITS AND FINANCIAL STATEMENT SCHEDULES

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

The following consolidated financial statements of Martin Marietta Materials, Inc. and consolidated subsidiaries, included in the 2014 Annual Report and incorporated by reference under Item 8 of this Form 10-K:

Consolidated Statements of Earnings—
for years ended December 31, 2014, 2013, and 2012

Consolidated Statements of Comprehensive Earnings—
for years ended December 31, 2014, 2013, and 2012

Consolidated Balance Sheets—
at December 31, 2014 and 2013

Consolidated Statements of Cash Flows—
for years ended December 31, 2014, 2013, and 2012

Consolidated Statements of Total Equity—
for years ended December 31, 2014, 2013, and 2012

Notes to Financial Statements

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

The following financial statement schedule of Martin Marietta Materials, Inc. and consolidated subsidiaries is included in Item 15(c) of this Form 10-K.

Schedule II - Valuation and Qualifying Accounts

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

The report of the Company's independent registered public accounting firm with respect to the above-referenced financial statements is included in the 2014 Annual Report, and that report is hereby incorporated by reference in this Form 10-K. The report on the financial statement schedule and the consent of the Company's independent registered public accounting firm are attached as Exhibit 23.01 to this Form 10-K.

(3) Exhibits

The list of Exhibits on the accompanying Index of Exhibits included in Item 15(b) of this Form 10-K is hereby incorporated by reference. Each management contract or compensatory plan or arrangement required to be filed as an exhibit is indicated by asterisks.

(b) Index of Exhibits

Exhibit No.

- 3.01 —Restated Articles of Incorporation of the Company, as amended (incorporated by reference to Exhibit 3.01 to the Martin Marietta Materials, Inc. Annual Report on Form 10-K for the fiscal year ended December 31, 2013) (Commission File No. 1-12744)
- 3.02 —Restated Bylaws of the Company, as amended (incorporated by reference to Exhibit 3.01 to the Martin Marietta Materials, Inc. Current Report on Form 8-K, filed on November 10, 2011) (Commission File No. 1-12744)
- 4.01 —Specimen Common Stock Certificate (incorporated by reference to Exhibit 4.01 to the Martin Marietta Materials, Inc. registration statement on Form S-1 (SEC Registration No. 33- 72648)
- 4.02 —Articles 2 and 8 of the Company’s Restated Articles of Incorporation, as amended (incorporated by reference to Exhibit 4.02 to the Martin Marietta Materials, Inc. Annual Report on Form 10-K for the fiscal year ended December 31, 1996) (Commission File No. 1-12744)
- 4.03 —Article 1 of the Company’s Restated Bylaws, as amended (incorporated by reference to Exhibit 3.01 to the Martin Marietta Materials, Inc. Current Report on Form 8-K, filed on November 10, 2011) (Commission File No. 1-12744)
- 4.04 —Indenture dated as of December 1, 1995 between Martin Marietta Materials, Inc. and First Union National Bank of North Carolina (incorporated by reference to Exhibit 4(a) to the Martin Marietta Materials, Inc. registration statement on Form S-3 (SEC Registration No. 33- 99082))
- 4.05 —Form of Martin Marietta Materials, Inc. 7% Debenture due 2025 (incorporated by reference to Exhibit 4(a)(i) to the Martin Marietta Materials, Inc. registration statement on Form S-3 (SEC Registration No. 33-99082))
- 4.06 —Indenture dated as of April 30, 2007 between Martin Marietta Materials, Inc. and Branch Banking and Trust Company, Inc., as trustee (incorporated by reference to Exhibit 4.1 to the Martin Marietta Materials, Inc. Current Report on Form 8-K, filed on April 30, 2007 (Commission File No. 1-12744))
- 4.07 —Second Supplemental Indenture, dated as of April 30, 2007, between Martin Marietta Materials, Inc. and Branch Banking and Trust Company, Inc., as trustee, to that certain Indenture dated as of April 30, 2007 between Martin Marietta Materials, Inc. and Branch Banking and Trust Company, Inc., as trustee, pursuant to which were issued \$250,000,000 aggregate principal amount of 6 ¼% Senior Notes due 2037 of Martin Marietta Materials, Inc. (incorporated by reference to Exhibit 4.3 to the Martin Marietta Materials, Inc. Current Report on Form 8-K, filed on April 30, 2007 (Commission File No. 1-12744))
- 4.08 —Third Supplemental Indenture, dated as of April 21, 2008, between Martin Marietta Materials, Inc. and Branch Banking and Trust Company, Inc., as trustee, to that certain Indenture dated as of April 30, 2007 between Martin Marietta Materials, Inc. and Branch Banking and Trust Company, Inc., as trustee, pursuant to which were issued \$300,000,000 aggregate principal amount of 6.60% Senior Notes due 2018 of Martin Marietta Materials, Inc. (incorporated by reference to Exhibit 4.1 to the Martin Marietta Materials, Inc. Current Report on Form 8-K, filed on April 21, 2008 (Commission File No. 1-12744))
- 4.09 —Rights Agreement, dated as of September 27, 2006, by and between Martin Marietta Materials, Inc. and American Stock Transfer & Trust Company, as Rights Agent, which includes the Form of Articles of Amendment With Respect to the Junior Participating Class B Preferred Stock of Martin Marietta Materials, Inc., as Exhibit A, and the Form of Rights Certificate, as Exhibit B (incorporated by reference to Exhibit 4.1 of the Company’s Current Report on Form 8-K, filed on September 28, 2006) (Commission File No. 1-12744)

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- 4.10 —Purchase Agreement dated as of June 23, 2014 among Martin Marietta Materials, Inc. and Deutsche Bank Securities Inc. and J.P. Morgan Securities LLC, as representatives of the several initial purchasers named in Schedule 1 thereto (incorporated by reference to Exhibit 4.1 of the Company's Current Report on Form 8-K, filed on June 24, 2014) (Commission File No. 1-12744)
- 4.11 —Indenture, dated as of July 2, 2014, between Martin Marietta Materials, Inc. and Regions Bank, as trustee (incorporated by reference to Exhibit 4.1 of the Company's Current Report on Form 8-K, filed on July 2, 2014) (Commission File No. 1-12744)
- 4.12 —Form of Floating Rate Senior Notes due 2017 (included in Exhibit 4.10)
- 4.13 —Form of 4.250% Senior Notes due 2024 (included in Exhibit 4.10)
- 4.14 —Registration Rights Agreement, dated as of July 2, 2014, among Martin Marietta Materials, Inc., Deutsche Bank Securities Inc. and J.P. Morgan Securities LLC, as representatives of the Initial Purchasers (incorporated by reference to Exhibit 4.4 of the Company's Current Report on Form 8-K, filed on July 2, 2014) (Commission File No. 1-12744)
- 10.01 —\$600,000,000 Credit Agreement dated as of November 29, 2013 among Martin Marietta Materials, Inc. and JPMorgan Chase Bank, N.A., as Administrative Agent, and Wells Fargo Bank, N.A., Branch Banking and Trust Company, and SunTrust Bank, as Co-Syndication Agents (incorporated by reference to Exhibit 10.01 to the Martin Marietta Materials, Inc., Current Report on Form 8-K filed on December 5, 2013) (Commission File No. 1-12744)
- 10.02 —Credit and Security Agreement dated as of April 19, 2013, among Martin Marietta Funding LLC, as borrower, Martin Marietta Materials, Inc., as servicer, and SunTrust Bank, as lender together with the other lenders from time to time party thereto, and SunTrust Bank, as administrative agent for the lenders (incorporated by reference to Exhibit 10.01 to the Martin Marietta Materials, Inc. Current Report on Form 8-K filed on April 24, 2013) (Commission File No. 1-12744)
- 10.03 —Commitment Letter dated as of June 20, 2014 to the Credit and Security Agreement, dated as of April 19, 2013 (as last amended April 18, 2014), among Martin Marietta Funding LLC, as borrower, Martin Marietta Materials, Inc., as servicer, and SunTrust Bank, as lender together with the other lenders from time to time party thereto, and SunTrust Bank, as administrative agent for the lenders (incorporated by reference to Exhibit 10.01 to the Martin Marietta Materials, Inc. Current Report on Form 8-K filed on June 25, 2014) (Commission File No. 1-12744)
- 10.04 —First Amendment dated as of June 23, 2014 to the Credit Agreement dated as of November 29, 2013, among Martin Marietta Materials, Inc., the lenders listed therein and J.P. Morgan Chase Bank, N.A., as administrative agent (incorporated by reference to Exhibit 10.02 to the Martin Marietta Materials, Inc. Current Report on Form 8-K filed on June 25, 2014) (Commission File No. 1-12744)
- 10.05 —Second Amendment to Credit and Security Agreement, dated as of April 18, 2014, among Martin Marietta Funding LLC, as borrower, Martin Marietta Materials, Inc., as servicer, and SunTrust Bank, as lender together with the other lenders from time to time party thereto, and SunTrust Bank, as administrative agent for the lenders (incorporated by reference to Exhibit 10.02 to the Martin Marietta Materials, Inc. Current Report on Form 8-K filed on April 24, 2014) (Commission File No. 1-12744)
- 10.06 —Fifth Amendment to Credit and Security Agreement, dated as of September 30, 2014, among Martin Marietta Funding LLC, as borrower, Martin Marietta Materials, Inc., as servicer, and SunTrust Bank, as lender together with the other lenders from time to time party thereto, and SunTrust Bank, as administrative agent for the lenders (incorporated by reference to Exhibit 10.01 to the Martin Marietta Materials, Inc. Current Report on Form 8-K filed on October 3, 2014) (Commission File No. 1-12744)

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- 10.07 —Purchase and Contribution Agreement dated as of April 19, 2013, between Martin Marietta Materials, Inc., as seller and as servicer, and Martin Marietta Funding LLC, as buyer (incorporated by reference to Exhibit 10.02 to the Martin Marietta Materials, Inc. Current Report on Form 8-K filed on April 24, 2013) (Commission File No. 1-12744)
- 10.08 —Form of Martin Marietta Materials, Inc. Third Amended and Restated Employment Protection Agreement (incorporated by reference to Exhibit 10.01 to the Martin Marietta Materials, Inc. Current Report on Form 8-K, filed on August 19, 2008) (Commission File No. 1- 12744)**
- 10.09 —Amended and Restated Martin Marietta Materials, Inc. Common Stock Purchase Plan for Directors (incorporated by reference to Exhibit 10.05 to the Martin Marietta Materials, Inc. Annual Report on Form 10-K for the fiscal year ended December 31, 2013) (Commission File No. 1-12744)**
- 10.10 —Martin Marietta Materials, Inc. Amended and Restated Executive Incentive Plan (incorporated by reference to Exhibit 10.05 to the Martin Marietta Materials, Inc. Annual Report on Form 10-K for the fiscal year ended December 31, 2008) (Commission File No. 1-12744)**
- 10.11 —Martin Marietta Materials, Inc. Incentive Stock Plan, as Amended (incorporated by reference to Exhibit 10.06 to the Martin Marietta Materials, Inc. Annual Report on Form 10-K for the fiscal year ended December 31, 2008) (Commission File No. 1-12744)**
- 10.12 —Martin Marietta Materials, Inc. Amended and Restated Stock-Based Award Plan dated April 3, 2006 (incorporated by reference to Exhibit 10.01 to the Martin Marietta Materials, Inc. Quarterly Report on Form 10-Q for the quarter ended June 30, 2006) (Commission File No. 1-12744)**
- 10.13 —Martin Marietta Materials, Inc. Amended Omnibus Securities Award Plan (incorporated by reference to Exhibit 10.16 to the Martin Marietta Materials, Inc. Annual Report on Form 10-K for the fiscal year ended December 31, 2000) (Commission File No. 1-12744)**
- 10.14 —Martin Marietta Materials, Inc. Third Amended and Restated Supplemental Excess Retirement Plan (incorporated by reference to Exhibit 10 to the Martin Marietta Materials, Inc. Quarterly Report on Form 10-Q for the quarter ended June 30, 2012) (Commission File No. 1-12744)**
- 10.15 —Form of Option Award Agreement under the Martin Marietta Materials, Inc. Amended and Restated Stock-Based Award Plan (incorporated by reference to Exhibit 10.11 to the Martin Marietta Materials, Inc. Annual Report on Form 10-K for the fiscal year ended December 31, 2008) (Commission File No. 1-12744)**
- 10.16 —Form of Restricted Stock Unit Agreement under the Martin Marietta Materials, Inc. Amended and Restated Stock-Based Award Plan (incorporated by reference to Exhibit 10.01 to the Martin Marietta Materials, Inc. Quarterly Report on Form 10-Q for the quarter ended June 30, 2009) (Commission File No. 1-12744)**
- 10.17 —Form of Amendment to the Stock Unit Agreement under the Martin Marietta Materials, Inc. Amended and Restated Stock-Based Award Plan (incorporated by reference to Exhibit 10.13 to the Martin Marietta Materials, Inc. Annual Report on Form 10-K for the fiscal year ended December 31, 2008) (Commission File No. 1-12744)**
- 10.18 —Form of Restricted Stock Unit Agreement used for Directors under the Martin Marietta Materials, Inc. Amended and Restated Stock-Based Award Plan (incorporated by reference to Exhibit 10.14 to the Martin Marietta Materials, Inc. Annual Report on Form 10-K for the fiscal year ended December 31, 2013) (Commission File No. 1-12744)**
- *10.19 —Form of Special Restricted Stock Unit Agreement used under the Martin Marietta Materials, Inc. Amended and Restated Stock-Based Award Plan**
- *10.20 —Form of Performance Share Unit Award Agreement used under the Martin Marietta Materials, Inc. Amended and Restated Stock-Based Award Plan**
- *12.01 —Computation of ratio of earnings to fixed charges for the year ended December 31, 2014

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- *13.01 —Excerpts from Martin Marietta Materials, Inc. 2014 Annual Report to Shareholders, portions of which are incorporated by reference in this Form 10-K. Those portions of the 2014 Annual Report to Shareholders that are not incorporated by reference shall not be deemed to be “filed” as part of this report.
- *21.01 —List of subsidiaries of Martin Marietta Materials, Inc.
- *23.01 —Consent of Ernst & Young LLP, Independent Registered Public Accounting Firm for Martin Marietta Materials, Inc. and consolidated subsidiaries
- *24.01 —Powers of Attorney (included in this Form 10-K immediately following Signatures)
- *31.01 —Certification dated February 24, 2015 of Chief Executive Officer pursuant to Securities and Exchange Act of 1934, rule 13a-14, as adopted pursuant to Section 302 of the Sarbanes- Oxley Act of 2002
- *31.02 —Certification dated February 24, 2015 of Chief Financial Officer pursuant to Securities and Exchange Act of 1934, rule 13a-14, as adopted pursuant to Section 302 of the Sarbanes- Oxley Act of 2002
- *32.01 —Certification dated February 24, 2015 of Chief Executive Officer required by 18 U.S.C. 1350, as adopted pursuant to Section 906 of the Sarbanes- Oxley Act of 2002
- *32.02 —Certification dated February 24, 2015 of Chief Financial Officer required by 18 U.S.C. 1350, as adopted pursuant to Section 906 of the Sarbanes- Oxley Act of 2002
- *95 —Mine Safety Disclosure Exhibit
- *101.INS —XBRL Instance Document
- *101.SCH —XBRL Taxonomy Extension Schema Document
- *101.CAL —XBRL Taxonomy Extension Calculation Linkbase Document
- *101.LAB —XBRL Taxonomy Extension Label Linkbase Document
- *101.PRE —XBRL Taxonomy Extension Presentation Linkbase Document
- *101.DEF —XBRL Taxonomy Extension Definition Linkbase

Other material incorporated by reference:

Martin Marietta Materials, Inc.’s 2015 Proxy Statement filed pursuant to Regulation 14A, portions of which are incorporated by reference in this Form 10-K. Those portions of the 2015 Proxy Statement which are not incorporated by reference shall not be deemed to be “filed” as part of this report.

* Filed herewith

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

(c) Financial Statement Schedule

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

<u>Col A</u>	<u>Col B</u>	<u>Col C</u>		<u>Col D</u>	<u>Col E</u>
Description	Balance at beginning of period	Additions		Deductions- describe	Balance at end of period
		(1) Charged to costs and expenses	(2) Charged to other accounts — describe		
	(Amounts in Thousands)				
Year ended December 31, 2014					
Allowance for doubtful accounts	\$ 4,081	\$ —	\$ —	\$ 4(a)	\$ 4,077
Allowance for uncollectible notes receivable	809	—	1,103(b)	426(a)	1,486
Inventory valuation allowance	99,026	11,762	9,942(c)	1,541(d)	119,189
Year ended December 31, 2013					
Allowance for doubtful accounts	\$ 6,069	\$ —	\$ —	\$ 1,988(a)	\$ 4,081
Allowance for uncollectible notes receivable	440	369	—	—	809
Inventory valuation allowance	96,817	1,165	1,044(c)	—	99,026
Year ended December 31, 2012					
Allowance for doubtful accounts	\$ 5,295	\$ 774	\$ —	\$ —	\$ 6,069
Allowance for uncollectible notes receivable	295	145	—	—	440
Inventory valuation allowance	92,481	4,475	—	139(d)	96,817

- (a) Write off of uncollectible accounts and change in estimates.
(b) Application of reserves to acquired notes receivable.
(c) Application of reserve policy to acquired inventories.
(d) Divestitures.

SIGNATURES

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

MARTIN MARIETTA MATERIALS, INC.

By: /s/ Roselyn R. Bar

Roselyn R. Bar

Senior Vice President, General Counsel and Corporate Secretary

Dated: February 24, 2015

POWER OF ATTORNEY

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

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

<u>Signature</u>	<u>Title</u>	<u>Date</u>
<u>/s/ C. Howard Nye</u> C. Howard Nye	Chairman of the Board, President and Chief Executive Officer	February 19, 2015
<u>/s/ Anne H. Lloyd</u> Anne H. Lloyd	Executive Vice President and Chief Financial Officer	February 19, 2015
<u>/s/ Dana F. Guzzo</u> Dana F. Guzzo	Senior Vice President, Chief Information Officer, Chief Accounting Officer, and Controller	February 19, 2015
<u>/s/ Sue W. Cole</u> Sue W. Cole	Director	February 19, 2015
<u>/s/ David G. Maffucci</u> David G. Maffucci	Director	February 19, 2015
<u>/s/ William E. McDonald</u> William E. McDonald	Director	February 19, 2015
<u>/s/ Frank H. Menaker, Jr.</u> Frank H. Menaker, Jr.	Director	February 19, 2015
<u>/s/ Laree E. Perez</u> Laree E. Perez	Director	February 19, 2015
<u>/s/ Michael J. Quillen</u> Michael J. Quillen	Director	February 19, 2015
<u>/s/ Dennis L. Rediker</u> Dennis L. Rediker	Director	February 19, 2015
<u>/s/ Richard A. Vinroot</u> Richard A. Vinroot	Director	February 19, 2015
<u>/s/ Stephen P. Zelnak, Jr.</u> Stephen P. Zelnak, Jr.	Director	February 19, 2015

EXHIBITS

<u>Exhibit No.</u>	
3.01	—Restated Articles of Incorporation of the Company, as amended (incorporated by reference to Exhibit 3.01 to the Martin Marietta Materials, Inc. Annual Report on Form 10-K for the fiscal year ended December 31, 2013) (Commission File No. 1-12744)
3.02	—Restated Bylaws of the Company, as amended (incorporated by reference to Exhibit 3.01 to the Martin Marietta Materials, Inc. Current Report) on Form 8-K, filed on November 10, 2011) (Commission File No. 1-12744)
4.01	—Specimen Common Stock Certificate (incorporated by reference to Exhibit 4.01 to the Martin Marietta Materials, Inc. registration statement on Form S-1 (SEC Registration No. 33-72648))
4.02	—Articles 2 and 8 of the Company’s Restated Articles of Incorporation, as amended (incorporated by reference to Exhibit 4.02 to the Martin Marietta Materials, Inc. Annual Report on Form 10-K for the fiscal year ended December 31, 1996) (Commission File No. 1-12744)
4.03	—Article 1 of the Company’s Restated Bylaws, as amended (incorporated by reference to Exhibit 3.01 to the Martin Marietta Materials, Inc. Current Report on Form 8-K, filed on November 10, 2011) (Commission File No. 1-12744)
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4.05	—Form of Martin Marietta Materials, Inc. 7% Debenture due 2025 (incorporated by reference to Exhibit 4(a)(i) to the Martin Marietta Materials, Inc. registration statement on Form S-3 (SEC Registration No. 33-99082))
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4.08	—Third Supplemental Indenture, dated as of April 21, 2008, between Martin Marietta Materials, Inc. and Branch Banking and Trust Company, Inc., as trustee, to that certain Indenture dated as of April 30, 2007 between Martin Marietta Materials, Inc. and Branch Banking and Trust Company, Inc., as trustee, pursuant to which were issued \$300,000,000 aggregate principal amount of 6.60% Senior Notes due 2018 of Martin Marietta Materials, Inc. (incorporated by reference to Exhibit 4.1 to the Martin Marietta Materials, Inc. Current Report on Form 8-K, filed on April 21, 2008 (Commission File No. 1-12744))
4.09	—Rights Agreement, dated as of September 27, 2006, by and between Martin Marietta Materials, Inc. and American Stock Transfer & Trust Company, as Rights Agent, which includes the Form of Articles of Amendment With Respect to the Junior Participating Class B Preferred Stock of Martin Marietta Materials, Inc., as Exhibit A,

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and the Form of Rights Certificate, as Exhibit B (incorporated by reference to Exhibit 4.1 of the Company's Current Report on Form 8-K, filed on September 28, 2006) (Commission File No. 1-12744)

- 4.10 —Purchase Agreement dated as of June 23, 2014 among Martin Marietta Materials, Inc. and Deutsche Bank Securities Inc. and J.P. Morgan Securities LLC, as representatives of the several initial purchasers named in Schedule 1 thereto (incorporated by reference to Exhibit 4.1 of the Company's Current Report on Form 8-K, filed on June 24, 2014) (Commission File No. 1-12744)
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- 4.14 —Registration Rights Agreement, dated as of July 2, 2014, among Martin Marietta Materials, Inc., Deutsche Bank Securities Inc. and J.P. Morgan Securities LLC, as representatives of the Initial Purchasers (incorporated by reference to Exhibit 4.4 of the Company's Current Report on Form 8-K, filed on July 2, 2014) (Commission File No. 1-12744)
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- 10.02 — Credit and Security Agreement dated as of April 19, 2013, among Martin Marietta Funding LLC, as borrower, Martin Marietta Materials, Inc., as servicer, and SunTrust Bank, as lender together with the other lenders from time to time party thereto, and SunTrust Bank, as administrative agent for the lenders (incorporated by reference to Exhibit 10.01 to the Martin Marietta Materials, Inc. Current Report on Form 8-K filed on April 24, 2013) (Commission File No. 1-12744)
- 10.03 —Commitment Letter dated as of June 20, 2014 to the Credit and Security Agreement, dated as of April 19, 2013 (as last amended April 18, 2014), among Martin Marietta Funding LLC, as borrower, Martin Marietta Materials, Inc., as servicer, and SunTrust Bank, as lender together with the other lenders from time to time party thereto, and SunTrust Bank, as administrative agent for the lenders (incorporated by reference to Exhibit 10.01 to the Martin Marietta Materials, Inc. Current Report on Form 8-K filed on June 25, 2014) (Commission File No. 1-12744)
- 10.04 —First Amendment dated as of June 23, 2014 to the Credit Agreement dated as of November 29, 2013, among Martin Marietta Materials, Inc., the lenders listed therein and J.P. Morgan Chase Bank, N.A., as administrative agent (incorporated by reference to Exhibit 10.02 to the Martin Marietta Materials, Inc. Current Report on Form 8-K filed on June 25, 2014) (Commission File No. 1-12744)
- 10.05 —Second Amendment to Credit and Security Agreement, dated as of April 18, 2014, among Martin Marietta Funding LLC, as borrower, Martin Marietta Materials, Inc., as servicer, and SunTrust Bank, as lender together with the other lenders from time to time party thereto, and SunTrust Bank, as administrative agent for the lenders (incorporated by reference to Exhibit 10.02 to the Martin Marietta Materials, Inc. Current Report on Form 8-K filed on April 24, 2014) (Commission File No. 1-12744)
- 10.06 —Fifth Amendment to Credit and Security Agreement, dated as of September 30, 2014, among Martin Marietta Funding LLC, as borrower, Martin Marietta Materials, Inc., as servicer, and SunTrust Bank, as lender together with the other lenders from time to

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- time party thereto, and SunTrust Bank, as administrative agent for the lenders (incorporated by reference to Exhibit 10.01 to the Martin Marietta Materials, Inc. Current Report on Form 8-K filed on October 3, 2014) (Commission File No. 1-12744)
- 10.07 —Purchase and Contribution Agreement dated as of April 19, 2013, between Martin Marietta Materials, Inc., as seller and as servicer, and Martin Marietta Funding LLC, as buyer (incorporated by reference to Exhibit 10.02 to the Martin Marietta Materials, Inc. Current Report on Form 8-K filed on April 24, 2013) (Commission File No. 1-12744)
- 10.08 —Form of Martin Marietta Materials, Inc. Third Amended and Restated Employment Protection Agreement (incorporated by reference to Exhibit 10.01 to the Martin Marietta Materials, Inc. Current Report on Form 8-K, filed on August 19, 2008) (Commission File No. 1-12744)**
- 10.09 —Amended and Restated Martin Marietta Materials, Inc. Common Stock Purchase Plan for Directors (incorporated by reference to Exhibit 10.05 to the Martin Marietta Materials, Inc. Annual Report on Form 10-K for the fiscal year ended December 31, 2013) (Commission File No. 1-12744)**
- 10.10 —Martin Marietta Materials, Inc. Amended and Restated Executive Incentive Plan (incorporated by reference to Exhibit 10.05 to the Martin Marietta Materials, Inc. Annual Report on Form 10-K for the fiscal year ended December 31, 2008) (Commission File No. 1-12744)**
- 10.11 —Martin Marietta Materials, Inc. Incentive Stock Plan, as Amended (incorporated by reference to Exhibit 10.06 to the Martin Marietta Materials, Inc. Annual Report on Form 10-K for the fiscal year ended December 31, 2008) (Commission File No. 1-12744)**
- 10.12 —Martin Marietta Materials, Inc. Amended and Restated Stock-Based Award Plan dated April 3, 2006 (incorporated by reference to Exhibit 10.01 to the Martin Marietta Materials, Inc. Quarterly Report on Form 10-Q for the quarter ended June 30, 2006) (Commission File No. 1-12744)**
- 10.13 —Martin Marietta Materials, Inc. Amended Omnibus Securities Award Plan (incorporated by reference to Exhibit 10.16 to the Martin Marietta Materials, Inc. Annual Report on Form 10-K for the fiscal year ended December 31, 2000) (Commission File No. 1-12744)**
- 10.14 —Martin Marietta Materials, Inc. Third Amended and Restated Supplemental Excess Retirement Plan (incorporated by reference to Exhibit 10 to the Martin Marietta Materials, Inc. Quarterly Report on Form 10-Q for the quarter ended June 30, 2012) (Commission File No. 1-12744)**
- 10.15 —Form of Option Award Agreement under the Martin Marietta Materials, Inc. Amended and Restated Stock-Based Award Plan (incorporated by reference to Exhibit 10.11 to the Martin Marietta Materials, Inc. Annual Report on Form 10-K for the fiscal year ended December 31, 2008) (Commission File No. 1-12744)**
- 10.16 —Form of Restricted Stock Unit Agreement under the Martin Marietta Materials, Inc. Amended and Restated Stock-Based Award Plan (incorporated by reference to Exhibit 10.01 to the Martin Marietta Materials, Inc. Quarterly Report on Form 10-Q for the quarter ended June 30, 2009) (Commission File No. 1-12744)**
- 10.17 —Form of Amendment to the Stock Unit Agreement under the Martin Marietta Materials, Inc. Amended and Restated Stock-Based Award Plan (incorporated by reference to Exhibit 10.13 to the Martin Marietta Materials, Inc. Annual Report on Form 10-K for the fiscal year ended December 31, 2008) (Commission File No. 1-12744)**
- 10.18 —Form of Restricted Stock Unit Agreement used for Directors under the Martin Marietta Materials, Inc. Amended and Restated Stock-Based Award Plan (incorporated by reference to Exhibit 10.14 to the Martin Marietta Materials, Inc. Annual Report on Form 10-K for the fiscal year ended December 31, 2013) (Commission File No. 1-12744)**

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*10.19	—Form of Special Restricted Stock Unit Agreement used under the Martin Marietta Materials, Inc. Amended and Restated Stock-Based Award Plan**
*10.20	—Form of Performance Share Unit Award Agreement used under the Martin Marietta Materials, Inc. Amended and Restated Stock-Based Award Plan**
*12.01	—Computation of ratio of earnings to fixed charges for the year ended December 31, 2014
*13.01	—Excerpts from Martin Marietta Materials, Inc. 2014 Annual Report to Shareholders, portions of which are incorporated by reference in this Form 10-K. Those portions of the 2014 Annual Report to Shareholders that are not incorporated by reference shall not be deemed to be “filed” as part of this report.
*21.01	—List of subsidiaries of Martin Marietta Materials, Inc.
*23.01	—Consent of Ernst & Young LLP, Independent Registered Public Accounting Firm for Martin Marietta Materials, Inc. and consolidated subsidiaries
*24.01	—Powers of Attorney (included in this Form 10-K immediately following Signatures)
*31.01	—Certification dated February 24, 2015 of Chief Executive Officer pursuant to Securities and Exchange Act of 1934, rule 13a-14, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
*31.02	—Certification dated February 24, 2015 of Chief Financial Officer pursuant to Securities and Exchange Act of 1934, rule 13a-14, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
*32.01	—Certification dated February 24, 2015 of Chief Executive Officer required by 18 U.S.C. 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
*32.02	—Certification dated February 24, 2015 of Chief Financial Officer required by 18 U.S.C. 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
*95	—Mine Safety Disclosure Exhibit
*101.INS	—XBRL Instance Document
*101.SCH	—XBRL Taxonomy Extension Schema Document
*101.CAL	—XBRL Taxonomy Extension Calculation Linkbase Document
*101.LAB	—XBRL Taxonomy Extension Label Linkbase Document
*101.PRE	—XBRL Taxonomy Extension Presentation Linkbase Document
*101.DEF	—XBRL Taxonomy Extension Definition Linkbase

Other material incorporated by reference:

Martin Marietta Materials, Inc.’s 2015 Proxy Statement filed pursuant to Regulation 14A, portions of which are incorporated by reference in this Form 10-K. Those portions of the 2015 Proxy Statement which are not incorporated by reference shall not be deemed to be “filed” as part of this report.

* Filed herewith

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

MARTIN MARIETTA MATERIALS, INC.

FORM OF SPECIAL RESTRICTED STOCK UNIT AGREEMENT

THIS SPECIAL RESTRICTED STOCK UNIT AGREEMENT (the "Award Agreement"), made as of [], between Martin Marietta Materials, Inc., a North Carolina corporation (the "Corporation"), and (the "Employee").

1. GRANT

Pursuant to the Martin Marietta Materials, Inc. Amended and Restated Stock-Based Award Plan (the "Plan"), the Corporation hereby grants the Employee Restricted Stock Units on the terms and conditions contained in this Award Agreement, and subject to the terms and conditions of the Plan. The term "Restricted Stock Unit" or "Unit(s)" as used in this Award Agreement refers only to the Restricted Stock Units awarded to the Employee under this Award Agreement.

2. GRANT DATE

The Grant Date is [].

3. RESTRICTION PERIOD

Subject to the terms and conditions hereof and of the Plan, the restriction period begins on the Grant Date and ends on [] (the "Vesting Date").

4. DIVIDEND EQUIVALENTS

On each date that dividends are paid (each a "Dividend Payment Date") on shares of the Corporation's common stock, par value \$0.01 per share (the "Common Stock") with respect to which the record date (the "Record Date") also occurs during the Restriction Period, the Corporation will credit to an account for the Employee an amount equal to the dividend paid on a share of the Common Stock multiplied by the number of Restricted Stock Units. These dividend equivalent amounts shall be paid to the Employee quarterly on each March 31, June 30, September 30 and December 31 during the Restriction Period; provided, however, that if any such date falls on a non-business day, such payment will be made on the business day immediately prior to such date. Any remaining dividend equivalent amounts credited to the account of the Employee on the date that the Restricted Stock Units are converted to shares of Common Stock, or subsequently credited to such account with respect to a Record Date that occurs during the Restriction Period, shall be paid to the Employee on the next successive Dividend Payment Date. The dividend equivalent amounts shall be paid from the general assets of the Corporation and shall be treated and reported as additional compensation for the year in which payment is made.

5. AWARD PAYOUT

Unless forfeited or converted and paid earlier as provided in Section 7 below, the Restricted Stock Units granted hereunder will vest (“Vest”) and be converted into shares of Common Stock and delivered to the Employee as soon as practicable following the Vesting Date (but in no event later than 60 days following the Vesting Date) provided that the Employee is employed by the Corporation on the Vesting Date. The vesting and conversion from Units to Common Stock will be one Unit for one share of Common Stock.

6. TRANSFERABLE ONLY UPON DEATH

This Restricted Stock Unit grant shall not be assignable or transferable by the Employee except by will or the laws of descent and distribution.

7. TERMINATION, DISABILITY OR DEATH

- (a) Termination. If the Employee’s employment with the Corporation is terminated prior to the Vesting Date for any reason other than on account of death or Disability (as defined below), whether by the Employee or by the Corporation with Cause (as defined below), then the Restricted Stock Units will be forfeited upon such termination. “Cause” shall mean the Employee’s having been convicted in a court of competent jurisdiction of a felony or having been adjudged by a court of competent jurisdiction to be liable for fraudulent or dishonest conduct, or gross abuse of authority or discretion, with respect to the Corporation, and such conviction or adjudication has become final and non-appealable. If the Employee’s employment with the Corporation is terminated prior to the Vesting Date by the Corporation without Cause, then the terms of all outstanding Units shall be unaffected by such termination and the Restricted Stock Units will vest on []; provided, however, that in the case of the Employee’s termination on account of Disability, if the Vesting Date occurs following such termination but before the date which is six months following such termination, to the extent compliance with the requirements of Treas. Reg. § 1.409A-3(i)(2) (or any successor provision) is necessary to avoid the application of an additional tax under Section 409A of the Internal Revenue Code of 1986, as amended (“Section 409A), the Vesting Date shall be postponed until the date that is six months following such termination.
- (b) Disability. If the Employee’s employment with the Corporation is terminated prior to the Vesting Date as the result of a disability under circumstances entitling the Employee to the commencement of benefits under a long-term disability plan maintained by the Corporation (“Disability”), then the terms of all outstanding units shall be unaffected by such Disability and the Restricted Stock Units will vest on []; provided, however, that in the case of the Employee’s termination on account of Disability, if the Vesting Date occurs following such termination but before the date which is six months following such termination, to the extent compliance with the requirements of Treas. Reg. § 1.409A-3(i)(2) (or any successor provision) is necessary to avoid the application of an additional tax under Section 409A of the Internal Revenue Code of 1986, as amended (“Section 3 409A), the Vesting Date shall be postponed until the date that is six months following such termination.
- (c) Death. If, prior to the Vesting Date, the Employee dies while employed by the Corporation or after termination by reason of Disability, then the Restriction Period shall lapse and the Vesting Period shall be accelerated and all outstanding Units shall be converted into shares of Common Stock and delivered to the Employee’s estate or beneficiary.

8. TAX WITHHOLDING

At the time Units are converted into shares of Common Stock and delivered to the Employee, the Employee will recognize ordinary income equal to the fair market value of the common shares received. The Corporation shall withhold applicable taxes as required by law at the time of such Vesting by deducting shares of Common Stock from the payment to satisfy the obligation prior to the delivery of the certificates for shares of Common Stock. Withholding will be at the minimum rates prescribed by law; therefore, the Employee may owe additional taxes as a result of the distribution. The Employee may not request tax to be withheld at greater than the minimum rate. If the Employee terminates employment on account of Disability or Retirement and the Units are not forfeited, the Corporation may require the Employee to pay to the Corporation or withhold from the Employee's compensation, by canceling Units or otherwise, an amount equal to satisfy the obligation to withhold federal employment taxes as required by law.

9. CHANGE IN CONTROL

In the event of a change in control of the Corporation, as defined in Section 11 of the Plan, the Restriction Period of all outstanding Units shall lapse and the Vesting Date shall be accelerated and all outstanding Units shall convert to shares of Common Stock. Such shares will be distributed no later than 2 1/2 months following the date of such change in control.

10. AMENDMENT AND TERMINATION OF PLAN OR AWARDS

As provided in Section 8 of the Plan, subject to certain limitations contained within Section 8, the Board of Directors may at any time amend, suspend or discontinue the Plan and the Management Development and Compensation Committee of the Board of Directors may at any time alter or amend all Award Agreements under the Plan. Notwithstanding Section 8 of the Plan, no such amendment, suspension or discontinuance of the Plan or alteration or amendment of this Award Agreement shall accelerate any distribution under the Plan or, except with the Employee's express written consent, adversely affect any Restricted Stock Unit granted under this Award Agreement; provided, however, that the Board of Directors or the Management Development and Compensation Committee may amend the Plan or this Award Agreement to the extent it deems appropriate to cause this Agreement or the Units hereunder to comply with Section 409A of the Internal Revenue Code of 1986, as amended ("Section 409A") (including the distribution requirements thereunder) or be exempt from Section 409A or the tax penalty under Section 409A(a)(1)(B). If the Plan and the Award Agreement are terminated in a manner consistent with the requirements of Treas. Reg. § 1.409A-3(j)(4)(ix), the Board of Directors may, in its sole discretion, accelerate the conversion of Units to shares of Common Stock and immediately distribute such shares of Common Stock to the Employee.

11. EXECUTION OF AWARD AGREEMENT

No Restricted Stock Unit granted under this Award Agreement is distributable nor is this Award Agreement enforceable until this Award Agreement has been fully executed by the Corporation and the Employee. By executing this Award Agreement, the Employee shall be deemed to have accepted and consented to any action taken under the Plan by the Management Development and Compensation Committee, the Board of Directors or their delegates.

12. MISCELLANEOUS

- (a) Nothing contained in the Award Agreement confers on the Employee the rights of a shareholder with respect to this Restricted Stock Unit award during the Restriction Period.
- (b) For purposes of this Award Agreement, the Employee will be considered to be in the employ of the Corporation during an approved leave of absence unless otherwise provided in an agreement between the Employee and the Corporation.
- (c) Nothing contained in this Award Agreement or in any Restricted Stock Unit granted hereunder shall confer upon any Employee any right of continued employment by the Corporation, expressed or implied, nor limit in any way the right of the Corporation to terminate the Employee's employment at any time.
- (d) Except as provided under Section 6 herein, neither these Units nor any of the rights or obligations hereunder shall be assigned or delegated by either party hereto.

13. NOTICES

Notices and all other communications provided for in this Award Agreement shall be in writing and shall be deemed to have been duly given when personally delivered or when mailed by overnight mail courier service, postage prepaid, addressed as follows:

If to the Employee, to the address set forth in the first paragraph in this Award Agreement.

If to the Corporation, to:

Martin Marietta Materials, Inc.
2710 Wycliff Road
Raleigh, NC 27607
Fax: (919) 783-4535
Attn: Corporate Secretary

or to such other address or such other person as the Employee or the Corporation shall designate in writing in accordance with this Section 13, except that notices regarding changes in notices shall be effective only upon receipt.

14. GOVERNING LAW

This Award Agreement shall be governed by the laws of the State of North Carolina.

IN WITNESS WHEREOF, the Corporation has caused this Award Agreement to be executed and the Employee has hereunto set his hand as of the day and year first above written.

MARTIN MARIETTA MATERIALS, INC.

By: _____
Corporate Secretary

EMPLOYEE

By: _____
Employee's Signature

MARTIN MARIETTA MATERIALS, INC.
FORM OF PERFORMANCE SHARE UNIT AWARD AGREEMENT

THIS PERFORMANCE SHARE UNIT AWARD AGREEMENT, made as of [] (the “**Award Agreement**”), between Martin Marietta Materials, Inc., a North Carolina corporation (the “**Company**”), (the “**Employee**”).

1. GRANT

Pursuant to the Martin Marietta Materials, Inc. Amended and Restated Stock-Based Award Plan (the “**Plan**”), the Company hereby grants the Employee Performance Share Units (the “**Award**”) as the target amount of a performance-based stock unit award on the terms and conditions contained in this Award Agreement, and subject to the terms and conditions of the Plan. Depending on the Company’s performance as set forth in Section 4, the participant may earn zero percent (0%) to two hundred percent (200%) of the target number of Performance Share Units awarded. The term “**Performance Share Unit**” or “**PSU(s)**” as used in this Award Agreement refers only to the Performance Share Units awarded to the Employee under this Award Agreement.

2. GRANT DATE

The Grant Date is [].

3. MEASUREMENT PERIOD

Subject to the terms and conditions hereof and of the Plan, the measurement period begins on [] and ends on [] (the “**Measurement Period**”). Except as otherwise provided in this Award Agreement or the Plan, the PSUs will become vested on December 31, 2016, at the end of the Measurement Period (the “**Vesting Date**”).

4. PAYMENT OF PERFORMANCE SHARE UNITS

- (a) Vesting of Award. Unless forfeited or converted and paid earlier as provided in Section 7 below, the Performance Share Units granted hereunder will vest (“**Vest**” or “**Vesting**”) and be converted into shares of Common Stock and delivered to the Employee as soon as practicable following the Vesting Date (but in no event later than 60 days following the Vesting Date) provided that the Employee is employed by the Company on the Vesting Date. The Vesting and conversion from PSUs to Common Stock will be one PSU for one share of Common Stock.
- (b) Performance Goals. The performance goals that must be attained in order to satisfy the Vesting requirements subject to this Award (the “**Performance Goals**”) are as follows: Omitted for filing purposes.
- 1) [] percent ([]%) of the Award will vest based on [Measure 1] during the Measurement Period (“[]”);
 - 2) [] percent ([]%) of the Award will vest based on [Measure 2] during the Measurement Period (“[]”); and

3) [] percent ([]%) of the Award will vest based on [Measure 3] during the Measurement Period (“[]”).

- (c) Percentage of Awards Payable. The percentage of the Award that Vests and will be paid with respect to the Measurement Period in connection with the PSUs is conditioned on the satisfaction of the performance goals set forth in the table below, which have been established by the Committee (the “**Percentage**”). Omitted for filing purposes.

Percentage of Target PSUs That Vest

<u>Measure</u>	<u>Weight</u>	<u>50% Threshold</u>	<u>100% Target</u>	<u>200% Maximum</u>
[Measure 1]	[]%	[]	[]	[]
[Measure 2]	[]%	[]	[]	[]
[Measure 3]	[]%	[]	[]	[]

- (d) Shares Payable. The number of PSUs payable is the target number awarded in this Award Agreement multiplied by the Percentage of Target PSUs that vest in the table above. Performance levels below threshold performance result in a payout of zero for that portion, and performance levels above maximum performance result in a payout of 200% for that portion. For performance levels falling between the values as shown above, the Percentage will be determined by interpolation. Payment will be made in Common Stock.
- (e) The Value of the Stock Issued as Payment for PSUs Earned. The basis of the Common Stock payable will be its fair market value (“**Fair Market Value**”) determined by the closing price as of the most recent New York Stock Exchange close for the Common Stock on the business day that immediately precedes the date on which payment is made under this Award Agreement (the “**Payment Date**”).
- (f) Payment Determination. The Committee may exercise its discretion to reduce the payment under this Award Agreement to no more than the target level if the Company’s TSR for the Measurement Period is less than zero (0).
- (g) Non-Recurring Events. The Committee shall exclude from the performance results any non-recurring expenses or gains/losses, such as acquisition costs, unless, in the Committee’s discretion, it determines otherwise.

5. DIVIDEND EQUIVALENTS

On each date that dividends are paid (each a “**Dividend Payment Date**”) on shares of the Company’s common stock, par value \$0.01 per share (the “**Common Stock**”) with respect to which the record date (the “**Record Date**”) also occurs during the Restriction Period, the Company will credit to an account for the Employee an amount equal to the dividend paid on a share of the Common Stock multiplied by the number of Performance Share Units. These dividend equivalent amounts shall be paid to the Employee quarterly on each March 31, June 30, September 30 and December 31 during the Restriction Period; provided, however, that if any such date falls on a non-business day, such payment will be made on the business day immediately prior to such date. Any remaining dividend equivalent amounts credited to the account of the Employee on the date that the

Performance Share Units are converted to shares of Common Stock, or subsequently credited to such account with respect to a Record Date that occurs during the Restriction Period, shall be paid to the Employee on the next successive Dividend Payment Date. The dividend equivalent amounts shall be paid from the general assets of the Company and shall be treated and reported as additional compensation for the year in which payment is made.

6. TRANSFERABLE ONLY UPON DEATH

This Performance Share Unit grant shall not be assignable or transferable by the Employee except by will or the laws of descent and distribution.

7. TERMINATION, RETIREMENT, DISABILITY OR DEATH

- (a) Termination. If the Employee's employment with the Company is terminated prior to the Vesting Date for any reason other than on account of death, Disability or Retirement (in each case, as defined below), whether by the Employee or by the Company, and in the latter case whether with or without cause, then the Performance Share Units will be forfeited upon such termination.
- (b) Retirement or Disability. If the Employee's employment with the Company is terminated prior to the Vesting Date upon Retirement (as defined below) or as the result of a disability under circumstances entitling the Employee to the commencement of benefits under a long-term disability plan maintained by the Company ("**Disability**"), then the terms of all outstanding PSUs will be unaffected by such Retirement or Disability and the PSUs will be paid in accordance with Section 4 above. "**Retirement**" is defined as termination of employment with the Corporation after reaching age 62 under circumstances that qualify for normal retirement in accordance with the Martin Marietta Materials, Inc. Pension Plan; provided, that, the Management Development and Compensation Committee of the Board of Directors may in its sole discretion classify an Employee's termination of employment as Retirement under other circumstances.
- (c) Death. If, prior to the Vesting Date, the Employee dies while employed by the Company or after termination by reason of Disability, then the terms of all outstanding PSUs will be unaffected by such death and the PSUs will be paid in accordance with Section 4 above to the Employee's estate or beneficiary.
- (d) Committee Negative Discretion. The Management Development and Compensation Committee of the Board of Directors may in its sole discretion decide to reduce or eliminate any amount otherwise payable with respect to an award under Sections 7(b) or 7(c).

8. TAX WITHHOLDING

At the time PSUs are converted into shares of Common Stock and delivered to the Employee, the Employee will recognize ordinary income equal to the Fair Market Value of the common shares received. The Company shall withhold applicable taxes as required by law at the time of such Vesting by deducting shares of Common Stock from the payment to satisfy the obligation prior to the delivery of the certificates for shares of Common Stock. Withholding will be at the minimum rates prescribed by law; therefore, the Employee may owe additional taxes as a result of the distribution.

The Employee may not request tax to be withheld at greater than the minimum rate. If the Employee terminates employment on account of Disability or Retirement and the PSUs are not forfeited, the Company may require the Employee to pay to the Company or withhold from the Employee's compensation, by canceling PSUs or otherwise, an amount equal to satisfy the obligation to withhold federal employment taxes as required by law.

9. CHANGE IN CONTROL

In the event of a change in control of the Company, as defined in Section 11 of the Plan, all outstanding PSUs will be deemed non-forfeitable and the Percentage of the Award payable will be the greater of (1) the Percentage as determined by the performance during the Measurement Period up to the day before the effective date of the change in control, or (2) the target Percentage (100%). The PSUs will be distributed in shares of Common Stock no later than 2 1/2 months following the date of such change in control.

10. AMENDMENT AND TERMINATION OF PLAN OR AWARDS

As provided in Section 8 of the Plan, subject to certain limitations contained within Section 8, the Board of Directors may at any time amend, suspend or discontinue the Plan and the Management Development and Compensation Committee of the Board of Directors may at any time alter or amend all Award Agreements under the Plan. Notwithstanding Section 8 of the Plan, no such amendment, suspension or discontinuance of the Plan or alteration or amendment of this Award Agreement shall accelerate any distribution under the Plan or, except with the Employee's express written consent, adversely affect any PSU granted under this Award Agreement; provided, however, that the Board of Directors or the Management Development and Compensation Committee may amend the Plan or this Award Agreement to the extent it deems appropriate to cause this Agreement or the PSUs hereunder to comply with Section 409A (including the distribution requirements thereunder) or be exempt from Section 409A or the tax penalty under Section 409A(a)(1)(B). If the Plan and the Award Agreement are terminated in a manner consistent with the requirements of Treas. Reg. § 1.409A-3(j)(4)(ix), the Board of Directors may, in its sole discretion, accelerate the conversion of PSUs to shares of Common Stock and immediately distribute such shares of Common Stock to the Employee.

11. EXECUTION OF AWARD AGREEMENT

No PSU granted under this Award Agreement is distributable nor is this Award Agreement enforceable until this Award Agreement has been fully executed by the Company and the Employee. By executing this Award Agreement, the Employee shall be deemed to have accepted and consented to any action taken under the Plan by the Management Development and Compensation Committee, the Board of Directors or their delegates.

12. MISCELLANEOUS

- (a) Nothing contained in the Award Agreement confers on the Employee the rights of a shareholder with respect to this Performance Share Unit award during the Measurement Period.
- (b) For purposes of this Award Agreement, the Employee will be considered to be in the employ of the Company during an approved leave of absence unless otherwise provided in an agreement between the Employee and the Company.

- (c) Nothing contained in this Award Agreement or in any Performance Share Unit granted hereunder shall confer upon any Employee any right of continued employment by the Company, expressed or implied, nor limit in any way the right of the Company to terminate the Employee's employment at any time.
- (d) Except as provided under Section 6 herein, neither these PSUs nor any of the rights or obligations hereunder shall be assigned or delegated by either party hereto.

13. NOTICES

Notices and all other communications provided for in this Award Agreement shall be in writing and shall be deemed to have been duly given when personally delivered or when mailed by overnight mail courier service, postage prepaid, addressed as follows:

If to the Employee, to the address set forth in the first paragraph in this Award Agreement.

If to the Company, to:

Martin Marietta Materials, Inc.
2710 Wycliff Road
Raleigh, NC 27607
Fax: (919) 783-4535
Attn: Corporate Secretary

or to such other address or such other person as the Employee or the Company shall designate in writing in accordance with this Section 13, except that notices regarding changes in notices shall be effective only upon receipt.

14. GOVERNING LAW

This Award Agreement shall be governed by the laws of the State of North Carolina.

IN WITNESS WHEREOF, the Company has caused this Award Agreement to be executed and the Employee has hereunto set his hand as of the day and year first above written.

MARTIN MARIETTA MATERIALS, INC.

By: _____
Corporate Secretary

EMPLOYEE

By: _____
Employee's Signature

MARTIN MARIETTA MATERIALS, INC. AND CONSOLIDATED SUBSIDIARIES

COMPUTATION OF RATIO OF EARNINGS TO FIXED CHARGES

For the Year Ended December 31, 2014

(add 000, except ratio)

EARNINGS:	
Earnings before income taxes*	\$250,485
Gain from less than 50%-owned associated companies, net	(931)
Interest expense**	66,067
Portion of rents representative of an interest factor	15,739
Adjusted Earnings and Fixed Charges	\$331,360
FIXED CHARGES:	
Interest expense**	\$ 66,067
Capitalized interest	8,033
Portion of rents representative of an interest factor	15,739
Total Fixed Charges	\$ 89,839
Ratio of Earnings to Fixed Charges	3.69

* Represents earnings from continuing operations plus/minus net (loss) earnings attributable to noncontrolling interests.

** Interest expense excluded \$266 for the interest expense component associated with uncertain tax provisions.

**STATEMENT OF FINANCIAL RESPONSIBILITY AND REPORT OF MANAGEMENT
ON INTERNAL CONTROL OVER FINANCIAL REPORTING**

The management of Martin Marietta Materials, Inc., is responsible for the consolidated financial statements, the related financial information contained in this 2014 Annual Report and the establishment and maintenance of adequate internal control over financial reporting. The consolidated balance sheets for Martin Marietta Materials, Inc., at December 31, 2014 and 2013, 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, 2014, 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. As permitted by the Securities and Exchange Commission, management's assessment of and conclusion on the effectiveness of internal control over financial reporting did not include the internal controls over certain assets and the net sales of the acquired cement and ready mixed concrete operations, which are included in the 2014 consolidated financial statements and constituted 18% of consolidated total assets and 17% of consolidated net sales as of and for the year ended December 31, 2014.

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

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

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

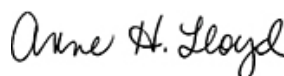
Management of Martin Marietta Materials, Inc., assessed the effectiveness of the Corporation's internal control over financial reporting as of December 31, 2014. In making this assessment, management used the criteria set forth in *Internal Control – Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 framework) (COSO). Based on management's assessment under the framework in *Internal Control – Integrated Framework*, management concluded that the Corporation's internal control over financial reporting was effective as of December 31, 2014.

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



C. Howard Nye
Chairman, President and Chief Executive Officer

February 24, 2015



Anne H. Lloyd
Executive Vice President and Chief Financial Officer

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

We have audited Martin Marietta Materials, Inc.'s internal control over financial reporting as of December 31, 2014, based on criteria established in *Internal Control – Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 framework) (the COSO criteria). Martin Marietta Materials, Inc.'s management is responsible for maintaining effective internal control over financial reporting, and for its assessment of the effectiveness of internal control over financial reporting included in the accompanying Statement of Financial Responsibility and Report of Management on Internal Control over Financial Reporting. Our responsibility is to express an opinion on the Corporation's internal control over financial reporting based on our audit.

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

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

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

As indicated in the accompanying Statement of Financial Responsibility and Report of Management on Internal Control over Financial Reporting, management's assessment of and conclusion on the effectiveness of internal control over financial reporting did not include the internal controls over certain assets and the net sales of the acquired cement and ready mixed concrete operations, which are included in the 2014 consolidated financial statements of Martin Marietta Materials, Inc. and constituted 18% of consolidated total assets and 17% of consolidated net sales as of and for the year ended December 31, 2014. Our audit of internal control over financial reporting of Martin Marietta Materials, Inc. also did not include an evaluation of the internal control over financial reporting over these assets and net sales.

In our opinion, Martin Marietta Materials, Inc., maintained, in all material respects, effective internal control over financial reporting as of December 31, 2014, based on the COSO criteria.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated balance sheets of Martin Marietta Materials, Inc., as of December 31, 2014 and 2013, 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, 2014, of Martin Marietta Materials, Inc., and our report dated February 24, 2015 expressed an unqualified opinion thereon.

Ernst & Young LLP

Raleigh, North Carolina
February 24, 2015

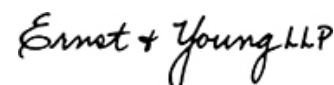
*Board of Directors and Shareholders
Martin Marietta Materials, Inc.*

We have audited the accompanying consolidated balance sheets of Martin Marietta Materials, Inc. as of December 31, 2014 and 2013, 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, 2014. These financial statements are the responsibility of the Corporation's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of Martin Marietta Materials, Inc. at December 31, 2014 and 2013, and the consolidated results of its operations and its cash flows for each of the three years in the period ended December 31, 2014, in conformity with U.S. generally accepted accounting principles.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), Martin Marietta Materials, Inc.'s internal control over financial reporting as of December 31, 2014, based on criteria established in *Internal Control – Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 framework) and our report dated February 24, 2015 expressed an unqualified opinion thereon.

The signature of Ernst & Young LLP is written in a cursive, handwritten style in black ink.

Raleigh, North Carolina
February 24, 2015

(add 000, except per share)

	2014	2013	2012
Net Sales	\$2,679,095	\$1,943,218	\$1,832,957
Freight and delivery revenues	278,856	212,333	198,944
Total revenues	2,957,951	2,155,551	2,031,901
Cost of sales	2,156,735	1,579,261	1,505,823
Freight and delivery costs	278,856	212,333	198,944
Total cost of revenues	2,435,591	1,791,594	1,704,767
Gross Profit	522,360	363,957	327,134
Selling, general and administrative expenses	169,245	150,091	138,398
Acquisition-related expenses, net	42,891	671	35,140
Other operating income, net	(4,649)	(4,793)	(2,574)
Earnings from Operations	314,873	217,988	156,170
Interest expense	66,057	53,467	53,339
Other nonoperating (income) and expenses, net	(362)	295	(1,299)
Earnings from continuing operations before taxes on income	249,178	164,226	104,130
Taxes on income	94,847	44,045	17,431
Earnings from Continuing Operations	154,331	120,181	86,699
Loss on discontinued operations, net of related tax benefit of \$40, \$417 and \$801, respectively	(37)	(749)	(1,172)
Consolidated net earnings	154,294	119,432	85,527
Less: Net (loss) earnings attributable to noncontrolling interests	(1,307)	(1,905)	1,053
Net Earnings Attributable to Martin Marietta	\$ 155,601	\$ 121,337	\$ 84,474
Net Earnings (Loss) Attributable to Martin Marietta			
Earnings from continuing operations	\$ 155,638	\$ 122,086	\$ 85,646
Discontinued operations	(37)	(749)	(1,172)
	\$ 155,601	\$ 121,337	\$ 84,474
Net Earnings (Loss) Attributable to Martin Marietta			
Per Common Share (see Note A)			
– Basic from continuing operations attributable to common shareholders	\$ 2.73	\$ 2.64	\$ 1.86
– Discontinued operations attributable to common shareholders	–	(0.02)	(0.03)
	\$ 2.73	\$ 2.62	\$ 1.83
– Diluted from continuing operations attributable to common shareholders	\$ 2.71	\$ 2.63	\$ 1.86
– Discontinued operations attributable to common shareholders	–	(0.02)	(0.03)
	\$ 2.71	\$ 2.61	\$ 1.83
Weighted-Average Common Shares Outstanding			
– Basic	56,854	46,164	45,828
– Diluted	57,088	46,285	45,970

The notes on pages 16 through 42 are an integral part of these financial statements.

(add 000)	2014	2013	2012
Consolidated Net Earnings	\$ 154,294	\$ 119,432	\$ 85,527
Other comprehensive earnings (loss), net of tax:			
Defined benefit pension and postretirement plans:			
Net (loss) gain arising during period, net of tax of \$(39,752), \$36,294 and \$(19,724), respectively	(62,767)	55,472	(30,147)
Amortization of prior service credit, net of tax of \$(1,108), \$(1,111) and \$(1,103), respectively	(1,702)	(1,696)	(1,686)
Amortization of actuarial loss, net of tax of \$1,490, \$6,211 and \$4,799, respectively	2,289	9,493	7,335
Amount recognized in net periodic pension cost due to settlement, net of tax of \$289 and \$308 in 2013 and 2012, respectively	-	440	471
	(62,180)	63,709	(24,027)
Foreign currency translation (loss) gain	(624)	(2,255)	1,081
Amortization of terminated value of forward starting interest rate swap agreements into interest expense, net of tax of \$470, \$438 and \$409, respectively	718	670	625
	(62,086)	62,124	(22,321)
Consolidated comprehensive earnings	92,208	181,556	63,206
Less: Comprehensive (loss) earnings attributable to noncontrolling interests	(1,348)	(1,836)	1,011
Comprehensive Earnings Attributable to Martin Marietta	\$ 93,556	\$ 183,392	\$ 62,195

The notes on pages 16 through 42 are an integral part of these financial statements.

Assets (add 000)	2014	2013
Current Assets:		
Cash and cash equivalents	\$ 108,651	\$ 42,437
Accounts receivable, net	421,001	245,421
Inventories, net	484,919	347,307
Current deferred income tax benefits	244,638	74,821
Other current assets	29,607	45,380
Total Current Assets	1,288,816	755,366
Property, plant and equipment, net	3,402,770	1,799,241
Goodwill	2,068,799	616,621
Operating permits, net	499,487	17,041
Other intangibles, net	95,718	31,550
Other noncurrent assets	108,802	40,007
Total Assets	\$ 7,464,392	\$ 3,259,826
Liabilities and Equity (add 000, except parenthetical share data)		
Current Liabilities:		
Bank overdraft	\$ 183	\$ 2,556
Accounts payable	202,476	103,600
Accrued salaries, benefits and payroll taxes	36,576	18,114
Pension and postretirement benefits	6,953	2,026
Accrued insurance and other taxes	58,356	29,103
Current maturities of long-term debt and short-term facilities	14,336	12,403
Other current liabilities	77,768	42,747
Total Current Liabilities	396,648	210,549
Long-term debt	1,571,059	1,018,518
Pension, postretirement and postemployment benefits	249,333	78,489
Noncurrent deferred income taxes	734,583	279,999
Other noncurrent liabilities	160,021	97,352
Total Liabilities	3,111,644	1,684,907
Equity:		
Common stock (\$0.01 par value; 100,000,000 shares authorized; 67,293,000 and 46,261,000 shares outstanding at December 31, 2014 and 2013, respectively)	671	461
Preferred stock (\$0.01 par value; 10,000,000 shares authorized; no shares outstanding)	-	-
Additional paid-in capital	3,243,619	432,792
Accumulated other comprehensive loss	(106,159)	(44,114)
Retained earnings	1,213,035	1,148,738
Total Shareholders' Equity	4,351,166	1,537,877
Noncontrolling interests	1,582	37,042
Total Equity	4,352,748	1,574,919
Total Liabilities and Equity	\$ 7,464,392	\$ 3,259,826

The notes on pages 16 through 42 are an integral part of these financial statements.

(add 000)	2014	2013	2012
Cash Flows from Operating Activities:			
Consolidated net earnings	\$ 154,294	\$ 119,432	\$ 85,527
Adjustments to reconcile consolidated net earnings to net cash provided by operating activities:			
Depreciation, depletion and amortization	222,746	173,761	177,211
Stock-based compensation expense	8,993	7,008	7,781
Gains on divestitures and sales of assets	(52,297)	(2,265)	(956)
Deferred income taxes	50,292	24,113	13,929
Excess tax benefits from stock-based compensation transactions	(2,508)	(2,368)	(777)
Other items, net	4,795	(429)	2,073
Changes in operating assets and liabilities, net of effects of acquisitions and divestitures:			
Accounts receivable, net	(16,650)	(22,523)	(20,302)
Inventories, net	(12,020)	(11,639)	(9,640)
Accounts payable	5,303	20,063	(8,673)
Other assets and liabilities, net	18,710	3,798	(23,484)
Net Cash Provided by Operating Activities	381,658	308,951	222,689
Cash Flows from Investing Activities:			
Additions to property, plant and equipment	(232,183)	(155,233)	(151,023)
Acquisitions, net	(189)	(64,478)	(160)
Cash received in acquisition	59,887	-	-
Proceeds from divestitures and sales of assets	121,985	8,564	9,973
Payment of railcar construction advances	(14,513)	-	-
Reimbursement of railcar construction advances	14,513	-	-
Repayments from affiliate	1,175	-	-
Loan to affiliate	-	(3,402)	(2,000)
Net Cash Used for Investing Activities	(49,325)	(214,549)	(143,210)
Cash Flows from Financing Activities:			
Borrowings of long-term debt	868,762	604,417	181,000
Repayments of long-term debt	(1,057,289)	(621,142)	(193,655)
Debt issuance costs	(2,782)	(2,148)	(621)
Change in bank overdraft	(2,373)	2,556	-
Payments on capital lease obligations	(3,075)	(28)	-
Dividends paid	(91,304)	(74,197)	(73,767)
Distributions to owners of noncontrolling interests	(800)	(876)	(800)
Purchase of remaining interest in existing subsidiaries	(19,480)	-	-
Issuances of common stock	39,714	11,691	6,959
Excess tax benefits from stock-based compensation transactions	2,508	2,368	777
Net Cash Used for Financing Activities	(266,119)	(77,359)	(80,107)
Net Increase (Decrease) in Cash and Cash Equivalents	66,214	17,043	(628)
Cash and Cash Equivalents, beginning of year	42,437	25,394	26,022
Cash and Cash Equivalents, end of year	\$ 108,651	\$ 42,437	\$ 25,394
Supplemental Disclosures of Cash Flow Information:			
Cash paid for interest	\$ 81,304	\$ 52,034	\$ 53,039
Cash paid for income taxes	\$ 15,955	\$ 23,491	\$ 12,826

The notes on pages 16 through 42 are an integral part of these financial statements.

CONSOLIDATED STATEMENTS OF TOTAL EQUITY

(add 000, except per share data)	Shares of Common Stock	Common Stock	Additional Paid-In Capital	Accumulated Other Comprehensive (Loss) Earnings	Retained Earnings	Total Shareholders' Equity	Non- controlling Interests	Total Equity
Balance at December 31, 2011	45,726	\$ 456	\$ 401,864	\$ (83,890)	\$ 1,090,891	\$ 1,409,321	\$ 39,543	\$ 1,448,864
Consolidated net earnings	–	–	–	–	84,474	84,474	1,053	85,527
Other comprehensive loss	–	–	–	(22,279)	–	(22,279)	(42)	(22,321)
Dividends declared (\$1.60 per common share)	–	–	–	–	(73,767)	(73,767)	–	(73,767)
Issuances of common stock for stock award plans	276	3	5,012	–	–	5,015	–	5,015
Stock-based compensation expense	–	–	7,781	–	–	7,781	–	7,781
Distributions to owners of noncontrolling interests	–	–	–	–	–	–	(800)	(800)
Balance at December 31, 2012	46,002	459	414,657	(106,169)	1,101,598	1,410,545	39,754	1,450,299
Consolidated net earnings (loss)	–	–	–	–	121,337	121,337	(1,905)	119,432
Other comprehensive earnings	–	–	–	62,055	–	62,055	69	62,124
Dividends declared (\$1.60 per common share)	–	–	–	–	(74,197)	(74,197)	–	(74,197)
Issuances of common stock for stock award plans	259	2	11,127	–	–	11,129	–	11,129
Stock-based compensation expense	–	–	7,008	–	–	7,008	–	7,008
Distributions to owners of noncontrolling interests	–	–	–	–	–	–	(876)	(876)
Balance at December 31, 2013	46,261	461	432,792	(44,114)	1,148,738	1,537,877	37,042	1,574,919
Consolidated net earnings (loss)	–	–	–	–	155,601	155,601	(1,307)	154,294
Other comprehensive loss	–	–	–	(62,045)	–	(62,045)	(41)	(62,086)
Dividends declared (\$1.60 per common share)	–	–	–	–	(91,304)	(91,304)	–	(91,304)
Issuances of common stock, stock options and stock appreciation rights for TXI acquisition	20,309	203	2,751,670	–	–	2,751,873	–	2,751,873
Issuances of common stock for stock award plans	723	7	41,765	–	–	41,772	–	41,772
Stock-based compensation expense	–	–	8,993	–	–	8,993	–	8,993
Distributions to owners of noncontrolling interests	–	–	–	–	–	–	(800)	(800)
Purchase of subsidiary shares from noncontrolling interest	–	–	8,399	–	–	8,399	(33,312)	(24,913)
Balance at December 31, 2014	67,293	\$ 671	\$ 3,243,619	\$ (106,159)	\$ 1,213,035	\$ 4,351,166	\$ 1,582	\$ 4,352,748

The notes on pages 16 through 42 are an integral part of these financial statements.

Note A: Accounting Policies

Organization. Martin Marietta Materials, Inc., (the "Corporation" or "Martin Marietta") is engaged principally in the construction aggregates business. The aggregates product line accounted for 58% of consolidated 2014 net sales and includes crushed stone, sand and gravel, and is used for construction of highways and other infrastructure projects, and in the nonresidential and residential construction industries. Aggregates products are also used in the railroad, agricultural, utility and environmental industries. These aggregates products, along with the Corporation's aggregates-related downstream product lines, i.e., asphalt products, ready mixed concrete and road paving construction services (which accounted for 25% of consolidated 2014 net sales), are sold and shipped from a network of more than 400 quarries, distribution facilities and plants to customers in 32 states, Canada, the Bahamas and the Caribbean Islands. The aggregates and aggregates-related downstream product lines are reported collectively as the "Aggregates business." As of December 31, 2014, the Aggregates business contains the following reportable segments: Mid-America Group, Southeast Group and West Group. The Mid-America Group operates in Indiana, Iowa, northern Kansas, Kentucky, Maryland, Minnesota, Missouri, eastern Nebraska, North Carolina, Ohio, South Carolina, Virginia, Washington and West Virginia. The Southeast Group has operations in Alabama, Florida, Georgia, Mississippi, Tennessee, Nova Scotia and the Bahamas. The West Group operates in Arkansas, Colorado, southern Kansas, Louisiana, western Nebraska, Nevada, Oklahoma, Texas, Utah and Wyoming. The following states accounted for 68% of the Aggregates business' 2014 net sales: Texas, Colorado, North Carolina, Iowa and Georgia.

The Cement segment, accounting for 8% of consolidated 2014 net sales, produces Portland and specialty cements, such as masonry and oil well cements. Similar to the Aggregates business, cement is used in infrastructure projects, nonresidential and residential construction, and the railroad, agricultural, utility and environmental industries. Texas and California accounted for 71% and 24%, respectively, of the Cement business' 2014 net sales.

The Magnesia Specialties segment, accounting for 9% of consolidated 2014 net sales, produces magnesia-based chemicals products used in industrial, agricultural and environmental applications and dolomitic lime sold primarily to customers in the steel industry.

Use of Estimates. The preparation of the Corporation's consolidated financial statements in conformity with accounting principles generally accepted in the United States requires management to make certain estimates and assumptions 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, intangible assets and other long-lived assets and assumptions used in the calculation of taxes on income, retirement and other postemployment benefits, and the allocation of the purchase price to the fair values of assets acquired and liabilities assumed as part of business combinations. These estimates and assumptions are based on management's best estimates and judgment. Management evaluates its 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 of these estimates and assumptions. As future events and their effects cannot be determined with precision, actual results could differ significantly from these estimates. Changes in estimates, including those resulting from continuing changes in the economic environment, are reflected in the financial statements for the period in which the change in estimate occurs.

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

Early Adoption of New Accounting Standard. Effective January 1, 2014, the Corporation early adopted the Financial Accounting Standard Board's (the "FASB") final guidance on reporting discontinued operations. The guidance is to be applied prospectively and redefines discontinued operations to be either 1) a component of an entity or group of components that has been disposed of or is classified as held for sale that represents a strategic shift that has or will have a

major effect on an entity's operations and financial results or 2) a business that, upon acquisition, meets the criteria to be classified as held for sale. The adoption of the accounting standard did not have any effect on the Corporation's financial position or results of operations.

Revenue Recognition. Total revenues include sales of materials 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 risks associated with ownership have passed to unaffiliated customers. Typically, this occurs when finished products are shipped. Revenues derived from the road paving business are recognized using the percentage completion method under the revenue-cost approach. Under the revenue-cost approach, recognized contract revenue equals the total estimated contract revenue multiplied by the percentage of completion. Recognized costs equal the total estimated contract cost multiplied by the percentage of completion.

The FASB issued an accounting standard update that amends the accounting guidance on revenue recognition. The new standard intends to provide a more robust framework for addressing revenue issues, improve comparability of revenue recognition practices and improve disclosure requirements. The new standard is effective for interim and annual reporting periods beginning after December 15, 2016 and can be applied on a full retrospective or modified retrospective approach. The Corporation is currently evaluating the impact of the provisions of the new standard, and at this time does not expect the impact to be material to its results of operations.

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

Cash and Cash Equivalents. Cash equivalents are comprised of highly-liquid instruments with original maturities of three months or less from the date of purchase. The Corporation manages its cash and cash equivalents to ensure that short-term operating cash needs are met and that excess funds are managed efficiently. The Corporation subsidizes shortages in

operating cash through short-term borrowing facilities. The Corporation utilizes excess cash to either pay down short-term borrowings or invest in money market funds, money market demand deposit accounts or Eurodollar time deposit accounts. Money market demand deposits and Eurodollar time deposit accounts are exposed to bank solvency risk. Money market demand deposit accounts are FDIC insured up to \$250,000. The Corporation's deposits in bank funds generally exceed the \$250,000 FDIC insurance limit. The Corporation's cash management policy prohibits cash and cash equivalents over \$100,000,000 to be maintained at any one bank.

Customer Receivables. Customer receivables are stated at cost. The Corporation does not charge interest on customer accounts receivables. The Corporation records an allowance for doubtful accounts, which includes a provision for probable losses based on historical write offs and a specific reserve for accounts greater than \$50,000 deemed at risk. The Corporation writes off customer receivables as bad debt expense when it becomes apparent based upon customer facts and circumstances that such amounts will not be collected.

Inventories Valuation. Inventories are stated at the lower of cost or market. Costs for finished products and in process inventories are determined by the first-in, first-out method. The Corporation records an allowance for finished product inventories in excess of sales for a twelve-month period, as measured by historical sales. The Corporation also establishes an allowance for expendable parts over five years old and supplies over one year old.

Post-production stripping costs, which represent costs of removing overburden and waste materials to access mineral deposits, are recorded as a component of inventory and recognized in cost of sales in the same period as the revenue from the sale of the inventory.

Properties and Depreciation. Property, plant and equipment are stated at cost.

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

<u>Class of Assets</u>	<u>Range of Service Lives</u>
Buildings	5 to 20 years
Machinery & Equipment	2 to 20 years
Land Improvements	5 to 15 years

The Corporation 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.

The Corporation 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 over the life of the reserves.

Depreciation is computed over estimated service lives, principally by the straight-line method. Depletion of mineral reserves is calculated over proven and probable reserves by 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 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 are less than its carrying value.

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

Goodwill and Intangible Assets. Goodwill represents the excess purchase price paid for acquired businesses over the estimated fair value of identifiable assets and liabilities. Other intangibles represent amounts assigned principally to contractual agreements and are amortized ratably over periods based on related contractual terms.

The Corporation's reporting units, which represent the level at which goodwill is tested for impairment, are based on the geographic regions of the Aggregates business. Additionally,

the Cement business is a separate reporting unit. Goodwill is allocated to each reporting unit based on the location of acquisitions and divestitures at the time of consummation.

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

Retirement Plans and Postretirement Benefits. The Corporation sponsors defined benefit retirement plans and also provides other postretirement benefits. The Corporation 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 not recognized as net periodic benefit cost in the same year, but rather 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.

Stock-Based Compensation. The Corporation has stock-based compensation plans for employees and its Board of Directors. The Corporation recognizes all forms of stock-based payments to employees, including stock options, 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.

The Corporation uses the accelerated expense recognition method for stock options. The accelerated recognition method requires stock options that vest ratably to be divided into tranches. The expense for each tranche is allocated to its particular vesting period.

The Corporation expenses the fair value of restricted stock awards, incentive compensation awards and Board of Directors' fees paid in the form of common stock based on the closing price of the Corporation's common stock on the awards' respective grant dates.

The Corporation uses the lattice valuation model to determine the fair value of stock option awards. The lattice valuation

model takes into account employees' exercise patterns based on changes in the Corporation's stock price and other variables. The period of time for which options are expected to be outstanding, or expected term of the option, is a derived output of the lattice valuation model. The Corporation considers the following factors when estimating the expected term of options: vesting period of the award, expected volatility of the underlying stock, employees' ages and external data.

Key assumptions used in determining the fair value of the stock options awarded in 2014, 2013 and 2012 were:

	2014	2013	2012
Risk-free interest rate	2.50%	1.70%	1.38%
Dividend yield	1.50%	1.80%	2.10%
Volatility factor	35.30%	35.40%	37.50%
Expected term	8.5 years	8.6 years	7.3 years

Based on these assumptions, the weighted-average fair value of each stock option granted was \$43.42, \$36.48 and \$22.18 for 2014, 2013 and 2012, respectively.

The risk-free interest rate reflects the interest rate on zero-coupon U.S. government bonds available at the time each option was granted having a remaining life approximately equal to the option's expected life. The dividend yield represents the dividend rate expected to be paid over the option's expected life. The Corporation's volatility factor measures the amount by which its stock price is expected to fluctuate during the expected life of the option and is based on historical stock price changes. Forfeitures are required to be estimated at the time of grant and revised, if necessary, in subsequent periods if actual forfeitures differ from those estimates. The Corporation estimates forfeitures and will ultimately recognize compensation cost only for those stock-based awards that vest.

The Corporation recognizes income tax benefits resulting from the payment of dividend equivalents on unvested stock-based payments as an increase to additional paid-in capital and includes them in the pool of excess tax benefits.

Environmental Matters. The Corporation 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 estimate of fair value is affected by management's assumptions regarding the scope of the work required, inflation rates and quarry closure dates.

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

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

Uncertain Tax Positions. The Corporation 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 percent likely of being realized upon ultimate settlement with a taxing authority that has full knowledge of all relevant information. The Corporation's unrecognized tax benefits are recorded in other current and other noncurrent liabilities, as appropriate, on the consolidated balance sheets.

The Corporation 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.

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

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

Warranties. The Corporation's construction contracts contain warranty provisions covering defects in equipment, materials, design or workmanship that generally run from nine months to one year after project completion. Because

of the nature of its projects, including contract owner inspections of the work both during construction and prior to acceptance, the Corporation has not experienced material warranty costs for these short-term warranties and therefore does not believe an accrual for these costs is necessary. Certain construction contracts carry longer warranty periods, ranging from two to ten years, for which the Corporation has accrued an estimate of warranty cost based on experience with the type of work and any known risks relative to the project. These costs were not material to the Corporation's consolidated results of operations for the years ended December 31, 2014, 2013 and 2012.

Consolidated Comprehensive Earnings and Accumulated Other Comprehensive Loss. Consolidated comprehensive earnings for the Corporation 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 Corporation's consolidated statements of comprehensive earnings.

Accumulated other comprehensive loss consists of unrealized gains and losses related to the funded status of the pension and postretirement benefit plans; foreign currency translation; and the unamortized value of terminated forward starting interest rate swap agreements, and is presented on the Corporation's consolidated balance sheets.

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

	Pension and Postretirement Benefit Plans	Foreign Currency	Unamortized Value of Terminated Forward Starting Interest Rate Swap	Total
years ended December 31 (add 000)				
	2014			
Accumulated other comprehensive (loss) earnings at beginning of period	\$ (44,549)	\$ 3,902	\$(3,467)	\$ (44,114)
Other comprehensive loss before reclassifications, net of tax	(62,726)	(624)	-	(63,350)
Amounts reclassified from accumulated other comprehensive loss, net of tax	587	-	718	1,305
Other comprehensive (loss) earnings, net of tax	(62,139)	(624)	718	(62,045)
Accumulated other comprehensive (loss) earnings at end of period	\$(106,688)	\$ 3,278	\$(2,749)	\$(106,159)
Cumulative noncurrent deferred tax assets at end of period	\$ 68,568	\$ -	\$ 1,799	\$ 70,367
	2013			
Accumulated other comprehensive (loss) earnings at beginning of period	\$(108,189)	\$ 6,157	\$(4,137)	\$(106,169)
Other comprehensive earnings (loss) before reclassifications, net of tax	55,403	(2,255)	-	53,148
Amounts reclassified from accumulated other comprehensive loss, net of tax	8,237	-	670	8,907
Other comprehensive earnings (loss), net of tax	63,640	(2,255)	670	62,055
Accumulated other comprehensive (loss) earnings at end of period	\$ (44,549)	\$ 3,902	\$(3,467)	\$ (44,114)
Cumulative noncurrent deferred tax assets at end of period	\$ 29,198	\$ -	\$ 2,269	\$ 31,467
	2012			
Accumulated other comprehensive (loss) earnings at beginning of period	\$ (84,204)	\$ 5,076	\$(4,762)	\$ (83,890)
Other comprehensive (loss) earnings before reclassifications, net of tax	(30,105)	1,081	-	(29,024)
Amounts reclassified from accumulated other comprehensive loss, net of tax	6,120	-	625	6,745
Other comprehensive (loss) earnings, net of tax	(23,985)	1,081	625	(22,279)
Accumulated other comprehensive (loss) earnings at end of period	\$(108,189)	\$ 6,157	\$(4,137)	\$(106,169)
Cumulative noncurrent deferred tax assets at end of period	\$ 70,881	\$ -	\$ 2,707	\$ 73,588

Reclassifications out of accumulated other comprehensive loss are as follows:

years ended December 31 (add 000)	2014	2013	2012	Affected line items in the consolidated statements of earnings
Pension and postretirement benefit plans				
Settlement charge	\$ -	\$ 729	\$ 779	
Amortization of:				
Prior service credit	(2,810)	(2,807)	(2,789)	
Actuarial loss	3,779	15,704	12,134	
	969	13,626	10,124	Cost of sales; Selling, general & administrative expenses
Tax effect	(382)	(5,389)	(4,004)	Taxes on income
Total	\$ 587	\$ 8,237	\$ 6,120	
Unamortized value of terminated forward starting interest rate swap				
Additional interest expense	\$ 1,188	\$ 1,108	\$ 1,034	Interest expense
Tax effect	(470)	(438)	(409)	Taxes on income
Total	\$ 718	\$ 670	\$ 625	

Earnings Per Common Share. The Corporation computes earnings per share ("EPS") pursuant to the two-class method. The two-class method determines EPS for each class of common stock and participating securities according to dividends or dividend equivalents and their respective participation rights in undistributed earnings. The Corporation pays nonforfeitable dividend equivalents during the vesting period on its restricted stock awards and incentive stock awards, 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 Corporation's unvested restricted stock awards and incentive stock awards. 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 are 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 Corporation'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 (add 000)	2014	2013	2012
Net earnings from continuing operations attributable to Martin Marietta	\$155,638	\$122,086	\$85,646
Less: Distributed and undistributed earnings attributable to unvested awards	647	513	500
Basic and diluted net earnings attributable to common shareholders from continuing operations attributable to Martin Marietta	154,991	121,573	85,146
Basic and diluted net earnings attributable to common shareholders from discontinued operations	(37)	(749)	(1,172)
Basic and diluted net earnings attributable to common shareholders attributable to Martin Marietta	\$154,954	\$120,824	\$83,974
Basic weighted-average common shares outstanding	56,854	46,164	45,828
Effect of dilutive employee and director awards	234	121	142
Diluted weighted-average common shares outstanding	57,088	46,285	45,970

Reclassifications. Effective January 1, 2014, the Corporation reorganized the operations and management reporting structure of the Aggregates business, resulting in a change to the reportable segments. Segment information for prior years has been reclassified to conform to the presentation of the current reportable segments.

Note B: Goodwill and Intangible Assets

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

December 31 (add 000)	Mid- America Group	Southeast Group	West Group	Cement	Total
	2014				
Balance at beginning of period	\$263,967	\$50,346	\$302,308	\$ -	\$ 616,621
Division reorganization	18,150	-	(18,150)	-	-
Acquisitions	-	-	600,372	883,900	1,484,272
Divestitures	-	-	(32,094)	-	(32,094)
Balance at end of period	\$282,117	\$50,346	\$852,436	\$883,900	\$2,068,799
2013					
Balance at beginning of period	\$263,868	\$50,001	\$302,335	\$ -	\$ 616,204
Acquisitions	99	345	-	-	444
Adjustments to purchase price allocations	-	-	(27)	-	(27)
Balance at end of period	\$263,967	\$50,346	\$302,308	\$ -	\$ 616,621

Intangible assets subject to amortization consist of the following:

December 31 (add 000)	Gross Amount	Accumulated Amortization	Net Balance
	2014		
Noncompetition agreements	\$ 6,274	\$ (5,971)	\$ 303
Customer relationships	36,610	(7,654)	28,956
Operating permits	498,462	(5,575)	492,887
Use rights and other	15,385	(6,940)	8,445
Trade names	12,800	(1,143)	11,657
Total	\$569,531	\$(27,283)	\$542,248
2013			
Noncompetition agreements	\$ 6,274	\$ (5,583)	\$ 691
Customer relationships	20,660	(6,160)	14,500
Operating permits	6,800	(1,394)	5,406
Use rights and other	10,115	(6,156)	3,959
Total	\$ 43,849	\$(19,293)	\$ 24,556

Intangible assets deemed to have an indefinite life and not being amortized consist of the following:

December 31 (add 000)	Aggregates Business	Cement	Magnesia Specialties	Total
	2014			
Operating permits	\$ 6,600	\$ -	\$ -	\$ 6,600
Use rights	9,385	20,027	-	29,412
Trade names	-	14,380	2,565	16,945
Total	\$15,985	\$34,407	\$2,565	\$ 52,957
2013				
Operating permits	\$11,635	\$ -	\$ -	\$ 11,635
Use rights	9,835	-	-	9,835
Trade names	-	-	2,565	2,565
Total	\$21,470	\$ -	\$2,565	\$ 24,035

During 2014, the Corporation acquired \$559,277,000 of intangibles from the Texas Industries Inc. ("TXI") acquisition, consisting of the following:

(add 000, except year data)	Amount	Weighted-average amortization period
Subject to amortization:		
Customer relationships	\$ 20,150	12.0 years
Operating permits	487,100	87.3 years
Use rights and other	4,820	8.2 years
Trade names	12,800	6.0 years
	524,870	81.7 years
Not subject to amortization:		
Trade names	14,380	N/A
Use rights	20,027	
	34,407	
Total	\$559,277	

Use rights include, but are not limited to, water rights, sub-leases and proprietary information.

Total amortization expense for intangible assets for the years ended December 31, 2014, 2013 and 2012 was \$9,311,000, \$3,587,000 and \$3,593,000, respectively.

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

(add 000)	
2015	\$ 14,488
2016	14,183
2017	14,044
2018	13,153
2019	11,847
Thereafter	474,533
Total	\$ 542,248

Note C: Business Combinations and Divestitures

Business Combinations. On July 1, 2014, pursuant to the merger agreement (the "Merger Agreement") dated as of January 27, 2014 by and among the Corporation, Project Holdings, Inc., a wholly-owned subsidiary of the Corporation ("Merger Sub"), and TXI, Merger Sub merged with and into TXI, with TXI surviving as a wholly-owned subsidiary of the Corporation (the "Acquisition"). As a result of the Acquisition, each outstanding share of TXI common stock (other than shares owned by TXI, the Corporation or Merger Sub, which were canceled) was converted into 0.7 shares of the Corporation's common stock, with cash paid in lieu of fractional shares. The Corporation issued 20,309,000 shares of its common stock to former TXI stockholders in connection with the Acquisition. Based on the Corporation's closing stock price on July 1, 2014 of \$132.00, the aggregate value of the Corporation's common stock delivered to former TXI stockholders was \$2,680,788,000. Additionally, the fair value of outstanding TXI stock options and stock appreciation rights that were converted into Martin Marietta stock awards at the acquisition date of \$71,085,000 and shares withheld for income tax obligations were components of the total consideration, which was \$2,756,934,000.

TXI was the largest producer of cement in Texas and a major cement producer in California. TXI was also a major supplier of construction aggregate, ready mixed concrete and concrete products. The Acquisition expands the Corporation's geographic footprint and positions the Corporation to benefit from the strength of the combined aggregates platform.

The Corporation has determined preliminary fair values of the assets acquired and liabilities assumed. Although initial accounting for the business combination has been recorded, certain amounts are subject to change based on the additional reviews performed, such as asset and liability verification. Specific accounts subject to ongoing purchase accounting adjustments include, but are not limited to, parts and supplies inventories; property, plant and equipment; other assets; goodwill; accounts payable; and deferred taxes. Therefore, the measurement period remains open as of December 31, 2014. During the quarter ended December 31, 2014, the Corporation recorded measurement period adjustments that were typical for a material acquisition. The following is a summary of the estimated fair values of the assets acquired and the liabilities assumed as of the acquisition date (dollars in thousands).

Assets:	
Cash and cash equivalents	\$ 59,887
Receivables	160,807
Inventory	129,932
Other current assets	61,594
Property, plant and equipment	1,602,860
Real estate and other investments	59,584
Intangible assets, other than goodwill	559,277
Other noncurrent assets	6,525
Goodwill	1,484,272
Total Assets	4,124,738
Liabilities:	
Accounts payable and accrued expenses	297,404
Notes and contracts payable and capital leases	747,426
Deferred income tax liabilities	322,974
Total Liabilities	1,367,804
Total Consideration	\$ 2,756,934

Real estate and other investments include property held for resale and a noncontrolling interest in a joint venture.

Goodwill represents the excess purchase price over the fair values of assets acquired and liabilities assumed. The goodwill was generated by the synergies the transaction provides, including overhead savings, purchasing leverage generated by a larger company, benefits of the existing long-haul transportation system, and cost savings achieved through increased vertical integration of the business. None of the goodwill generated by the transaction will be deductible for income tax purposes.

Total revenues and earnings from operations included in the consolidated earnings statements attributable to TXI operations for the year ended December 31, 2014 are \$539,061,000 and \$42,239,000, respectively.

Business development and acquisition integration expenses related to the TXI acquisition, which is inclusive of severance costs of which a portion will be paid in 2015, were \$90,487,000 for the year ended December 31, 2014.

Unaudited Pro Forma Financial Information. The unaudited pro forma financial information in the table below summarizes the results of operations for the Corporation and TXI as though the companies were combined as of January 1, 2013. Transactions between the Corporation and TXI during the periods presented in the pro forma financial statements have been eliminated as if the Corporation and TXI were consolidated affiliates during the periods. Financial information for periods prior to the July 1, 2014 acquisition date included in the pro forma earnings does not reflect any cost savings

or associated costs to achieve such savings from operating efficiencies, synergies, debt refinancing, utilization of TXI net operating loss carryforwards or other restructuring that result from the combination. The pro forma financial information for the year ended December 31, 2014 reflects the elimination of business development and acquisition integration expenses and the gain on the required divestiture of assets, which combined represented an after-tax expense of \$51,776,000. This expense has been reflected in the pro forma earnings for the year ended December 31, 2013.

The unaudited pro forma financial information for the year ended December 31, 2014 includes TXI's historical operating results for the six months ended May 31, 2014 (due to a difference in TXI's historical reporting periods) and the results of operations for the TXI locations from July 1, 2014, the acquisition date, to December 31, 2014. The unaudited pro forma financial information for the year ended December 31, 2013 includes the historical results of TXI for the twelvemonths ended November 30, 2013 (due to a difference in TXI's historical reporting periods).

The pro forma financial statements do not purport to project the future financial position or operating results of the combined company. The pro forma financial information as presented below is for informational purposes only and is not indicative of the results of operations that would have been achieved if the acquisitions had taken place as of January 1, 2013.

years ended December 31 (add 000)	2014	2013
Net Sales	\$ 3,088,642	\$ 2,638,682
Earnings from continuing operations attributable to controlling interest	\$ 171,822	\$ 39,164

Divestitures of Assets. In accordance with an agreement between the Corporation and the U.S. Department of Justice ("DOJ") as part of its review of the business combination with TXI, the Corporation agreed to divest a Corporate owned aggregates quarry in Oklahoma and two Corporate owned rail yards in Texas. On August 15, 2014, the Corporation divested of the properties in exchange for cash and real property and recognized a pretax gain of \$47,804,000, which is included in acquisition-related expenses, net, in the consolidated statements of earnings and comprehensive earnings.

Purchase of Remaining Interest in Existing Subsidiaries. During 2014, the Corporation acquired the remaining interest in two joint ventures in separate transactions. Net cash paid for both transactions was \$19,480,000.

Note D: Accounts Receivable, Net

December 31 (add 000)	2014	2013
Customer receivables	\$ 418,016	\$ 246,528
Other current receivables	7,062	2,974
	425,078	249,502
Less allowances	(4,077)	(4,081)
Total	\$ 421,001	\$ 245,421

Of the total accounts receivable, net, balance, \$3,765,000 and \$3,192,000 at December 31, 2014 and 2013, respectively, were due from unconsolidated affiliates.

Note E: Inventories, Net

December 31 (add 000)	2014	2013
Finished products	\$ 413,766	\$ 368,334
Products in process and raw materials	65,250	16,077
Supplies and expendable parts	125,092	61,922
	604,108	446,333
Less allowances	(119,189)	(99,026)
Total	\$ 484,919	\$ 347,307

Note F: Property, Plant and Equipment, Net

December 31 (add 000)	2014	2013
Land and land improvements	\$ 849,704	\$ 728,396
Mineral reserves and interests	990,438	461,587
Buildings	157,233	118,655
Machinery and equipment	3,568,342	2,575,340
Construction in progress	125,959	92,906
	5,691,676	3,976,884
Less allowances for depreciation, depletion and amortization	(2,288,906)	(2,177,643)
Total	\$ 3,402,770	\$ 1,799,241

The gross asset value and related allowance for amortization for machinery and equipment recorded under capital leases at December 31 were as follows:

(add 000)	2014	2013
Machinery and equipment under capital leases	\$ 25,775	\$ 10,341
Less allowance for amortization	(2,808)	(104)
Total	\$ 22,967	\$ 10,237

Depreciation, depletion and amortization expense related to property, plant and equipment was \$211,242,000, \$168,333,000 and \$171,940,000 for the years ended December 31, 2014, 2013 and 2012, respectively. Depreciation, depletion and amortization expense for 2014 and 2013 includes amortization of machinery and equipment under capital leases.

Interest cost of \$8,033,000, \$1,792,000 and \$2,537,000 was capitalized during 2014, 2013 and 2012, respectively.

At December 31, 2014 and 2013, \$68,340,000 and \$62,826,000, respectively, of the Aggregates business' net property, plant and equipment were located in foreign countries, namely the Bahamas and Canada.

Note G: Long-Term Debt

December 31 (add 000)	2014	2013
6.6% Senior Notes, due 2018	\$ 299,123	\$ 298,893
7% Debentures, due 2025	124,500	124,471
6.25% Senior Notes, due 2037	228,184	228,148
4.25% Senior Notes, due 2024	395,309	—
Floating Rate Notes, due 2017, interest rate of 1.33% at December 31, 2014	298,869	—
Term Loan Facility, due 2018, interest rate of 1.67% at December 31, 2014 and 2013	236,258	248,441
Trade Receivable Facility, interest rate of 0.77% at December 31, 2013	—	130,000
Other notes	3,152	968
Total	1,585,395	1,030,921
Less current maturities	(14,336)	(12,403)
Long-term debt	\$ 1,571,059	\$ 1,018,518

The Corporation's 6.6% Senior Notes due 2018, 7% Debentures due 2025, 6.25% Senior Notes due 2037, 4.25% Senior Notes due 2024 and Floating Rate Notes due 2017 (collectively, the "Senior Notes") are senior unsecured obligations of the Corporation, ranking equal in right of payment with the Corporation's existing and future unsecured indebtedness. Upon a change of control repurchase event and a resulting below-investment-grade credit rating, the Corporation 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 to, but not including, the purchase date.

All Senior Notes and Debentures are carried net of original issue discount, which is being amortized by the effective interest method over the life of the issue. Senior Notes are redeemable prior to their respective maturity dates. The principal amount, effective interest rate and maturity date for the Corporation's Senior Notes and Debentures are as follows:

	Principal Amount (add 000)	Effective Interest Rate At Issue Date	Maturity Date
6.6% Senior Notes	\$ 300,000	6.81%	April 15, 2018
7% Debentures	\$ 125,000	7.12%	December 1, 2025
6.25% Senior Notes	\$ 230,000	6.45%	May 1, 2037
4.25% Senior Notes	\$ 400,000	4.25%	July 2, 2024
Floating Rate Notes	\$ 300,000	LIBOR+1.10%	June 30, 2017

On June 23, 2014, the Corporation priced its offering of \$300,000,000 aggregate principal amount of its Floating Rate Senior Notes due 2017 (the "Floating Rate Notes") and \$400,000,000 of its 4.25% Senior Notes due 2024 (the "4.25% Senior Notes" and together with the Floating Rate Notes, the "Notes") as a private placement. The bonds were issued as part of refinancing \$650,000,000 of 9.25% notes assumed with TXI. The transaction closed and settlement occurred on July 2, 2014. In connection with the issuance of the Notes, the Corporation entered into an indenture, dated as of July 2, 2014, between the Corporation and Regions Bank, as trustee, and a Registration Rights Agreement, dated as of July 2, 2014, with respect to the Notes, among the Corporation, Deutsche Bank Securities Inc. and J.P. Morgan Securities LLC, as representatives of the several initial purchasers named in Schedule I to the purchase agreement entered into on June 23, 2014 with respect to the Notes. The Floating Rate Notes bear interest at a rate equal to the three-month London Interbank Offered Rate ("LIBOR") plus 1.10% and may not be redeemed prior to maturity. The 4.25% Senior Notes may be redeemed in whole or in part prior to their maturity at a make-whole redemption price.

On December 19, 2014, the Corporation completed the exchange of \$300,000,000 in aggregate principal amount of the original 2017 Notes and \$400,000,000 in aggregate principal amount of the original 2024 Notes. The original 2017 Notes and original 2024 Notes were validly tendered and not validly withdrawn prior to the expiration of the exchange offers, and the Corporation accepted for exchange all such original Notes pursuant to the exchange offers. The offer expired on December 22, 2014.

The Corporation has a credit agreement with JPMorgan Chase Bank, N.A., as Administrative Agent, Wells Fargo Bank, N.A., Branch Banking and Trust Company and SunTrust Bank, as Co-Syndication Agents, and the lenders party thereto (the "Credit Agreement"). The Credit Agreement provides a \$250,000,000 senior unsecured term loan (the "Term Loan Facility") and a \$350,000,000 five-year senior unsecured revolving facility (the "Revolving Facility", and together with the Term Loan Facility, the "Senior Unsecured Credit Facilities"). The Senior Unsecured Credit Facilities are syndicated with the following banks:

Lender (add 000)	Revolving Facility Commitment	Term Loan Facility Commitment
JPMorgan Chase Bank, N.A.	\$ 46,667	\$ 33,333
Wells Fargo Bank, N.A.	46,667	33,333
Branch Banking and Trust Company ("BB&T")	46,667	33,333
SunTrust Bank	46,667	33,333
Deutsche Bank AG New York Branch	46,667	33,333
PNC Bank, National Association	29,167	20,833
Regions Bank	29,167	20,833
The Northern Trust Company	29,167	20,833
Comerica Bank	14,582	10,418
The Bank of Tokyo-Mitsubishi UFJ, Ltd.	14,582	10,418
Total	\$ 350,000	\$ 250,000

Borrowings under the Senior Unsecured Credit Facilities bear interest, at the Corporation's option, at rates based upon the LIBOR or a base rate, plus, for each rate, a margin determined in accordance with a ratings-based pricing grid.

Under the Term Loan Facility, the Corporation is required to make quarterly principal payments equal to 1.25% of the original principal balance during 2014 and 2015 and 1.875% of the remaining principal balance during the remaining years, with the remaining outstanding principal, together with interest accrued thereon, due in full on November 29, 2018.

The Revolving Facility expires on November 29, 2018, 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 Corporation under the Revolving Facility. At December 31, 2014 and 2013, the Corporation had \$2,507,000 of outstanding letters of credit issued under the Revolving Facility. The Corporation paid an upfront loan commitment fee to the bank group

that is being amortized over the life of the Revolving Facility. Unused fees are paid on undrawn revolving balances.

On July 1, 2014, the Corporation, through a wholly-owned special purpose subsidiary, amended its trade receivable securitization facility (the "Trade Receivable Facility") to increase the borrowing capacity from \$150,000,000 to \$250,000,000. On September 30, 2014, the Corporation extended the maturity of its Trade Receivable Facility to September 30, 2016. The Trade Receivable Facility, with SunTrust Bank, Regions Bank, PNC Bank, National Association and certain other lenders that may become a party to the facility from time to time, is backed by eligible trade receivables, as defined, of \$369,575,000 and \$234,101,000 at December 31, 2014 and 2013, respectively. These receivables are originated by the Corporation and then sold to the special purpose subsidiary wholly-owned by the Corporation. Borrowings under the Trade Receivable Facility bear interest at a rate equal to one-month LIBOR plus 0.7% and are limited to the lesser of the facility limit or the borrowing base, as defined, of \$313,428,000 and \$174,977,000 at December 31, 2014 and 2013, respectively. The Corporation continues to be responsible for the servicing and administration of the receivables purchased by the wholly-owned special purpose subsidiary.

The Corporation has a \$5,000,000 short-term line of credit. No amounts were outstanding under this line of credit at December 31, 2014 or 2013.

The Corporation's Credit Agreement requires the Corporation's ratio of consolidated debt to consolidated earnings before interest, taxes, depreciation, depletion and amortization ("EBITDA"), 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 Corporation may exclude from the Ratio debt incurred in connection with certain acquisitions for a period of 180 days so long as the Corporation, as a consequence of such specified acquisition, does not have its rating on long-term unsecured debt fall below BBB by Standard & Poor's or Baa2 by Moody's and 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 Facility, consolidated debt, including debt for which the Corporation is a co-borrower (see Note N), may be reduced by the Corporation's unrestricted cash and cash equivalents in excess of \$50,000,000, such reduction not to exceed \$200,000,000, for purposes of the covenant calculation.

Effective June 23, 2014, the Corporation amended the Credit Agreement to reduce the risk that the impact of the business combination with TXI does not impair liquidity available under the Term Loan Facility and the Revolving Facility. The amendment adjusts consolidated EBITDA to add back fees, costs or expenses relating to the TXI business combination incurred in any period prior to the closing of the combination not to exceed \$95,000,000; any integration or similar costs or expenses related to the TXI business combination incurred in any period prior to the second anniversary of the closing of the TXI business combination not to exceed \$70,000,000; and any make-whole fees incurred in connection with the redemption of TXI's 9.25% senior notes due 2020. The amendment also temporarily increased the maximum Ratio to 3.75x at June 30, 2014 and September 30, 2014. The Ratio returned to the pre-amendment maximum of 3.50x for the December 31, 2014 calculation date. The Corporation was in compliance with this Ratio at December 31, 2014.

The Corporation's long-term debt maturities for the five years following December 31, 2014, and thereafter are:

(add 000)	
2015	\$ 14,336
2016	19,064
2017	317,349
2018	486,383
2019	55
Thereafter	748,208
Total	\$ 1,585,395

Accumulated other comprehensive loss includes the unamortized value of terminated forward starting interest rate swap agreements. For the years ended December 31, 2014, 2013 and 2012, the Corporation recognized \$1,188,000, \$1,108,000 and \$1,034,000, respectively, as additional interest expense. The ongoing amortization of the terminated value of the forward starting interest rate swap agreements will increase annual interest expense by approximately \$1,200,000 until the maturity of the 6.6% Senior Notes in 2018.

Note H: Financial Instruments

The Corporation's financial instruments include temporary cash investments, accounts receivable, notes receivable, bank overdraft, 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 and Eurodollar time deposits with the following financial institutions: Branch Banking and Trust Company, Comerica Bank, Fifth Third Bank, JPMorgan Chase Bank, N.A., Regions Bank and Wells Fargo Bank, N.A. The Corporation's cash equivalents have maturities of less than three months. Due to the short maturity of these investments, they are carried on the consolidated balance sheets at cost, which approximates fair value.

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, Iowa and Georgia. 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.

The bank overdraft represents amounts to be funded to financial institutions for checks that have cleared the bank. The estimated fair value of the bank overdraft approximates its carrying value.

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 Corporation's long-term debt were \$1,585,395,000 and \$1,680,584,000, respectively, at December 31, 2014 and \$1,030,921,000 and \$1,068,324,000, respectively, at December 31, 2013. The estimated fair value of the Corporation'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 I: Income Taxes

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

years ended December 31 (add 000)	2014	2013	2012
Federal income taxes:			
Current	\$35,313	\$30,856	\$ (2,530)
Deferred	46,616	8,399	12,581
Total federal income taxes	81,929	39,255	10,051
State income taxes:			
Current	10,307	3,201	458
Deferred	3,376	478	1,670
Total state income taxes	13,683	3,679	2,128
Foreign income taxes:			
Current	1,262	972	4,062
Deferred	(2,027)	139	1,190
Total foreign income taxes	(765)	1,111	5,252
Total taxes on income	\$94,847	\$44,045	\$17,431

In 2014, the increase in federal deferred tax expense includes the effect of utilizing net operating loss carry-forwards acquired in the acquisition of TXI to the extent allowed. In 2013, the Corporation entered into Advance Pricing Agreements ("APA") with the United States and Canadian taxing authorities covering intercompany shipments during the years 2005 through 2011. In August 2013, the Corporation filed the required amended returns and paid the taxes due to settle the Canadian APA, which increased the sales price charged for the intercompany shipments from Canada to the United States during the years 2005 through 2011. The Corporation also filed amended returns in the United States for the years 2005 through 2011 to request gross compensating refunds of \$10,239,000 allowed pursuant to the corresponding APA with the United States. For the year ended December 31, 2012, the current federal tax benefit is primarily attributable to the estimated settlement of the APA and a refund related to the 2006 tax year.

For the years ended December 31, 2014, 2013 and 2012, excess tax benefits attributable to stock-based compensation transactions that were recorded to shareholders' equity amounted to \$2,508,000, \$2,368,000 and \$777,000, respectively.

For the years ended December 31, 2014, 2013 and 2012, foreign pretax loss was \$10,557,000, \$10,227,000 and \$5,473,000, respectively. In 2014, current foreign tax expense primarily related to unrecognized tax benefits for tax positions taken in prior years and the deferred foreign tax benefit primarily related to the true-up of deferred tax

liabilities. In 2013, current foreign tax expense was primarily attributable to the settlement of the Canadian APA. In 2012, current foreign tax expense primarily related to the estimated settlement of the APA offset by the reversal of the valuation allowance on deferred tax assets. The tax effect of currency translations included in foreign taxes was immaterial. No deferred tax asset was recognized on the loss of the Corporation's wholly-owned Bahamas subsidiary in 2014, 2013 and 2012 since the tax benefit is not expected to reverse in the foreseeable future.

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

years ended December 31	2014	2013	2012
Statutory tax rate	35.0%	35.0%	35.0%
Increase (reduction) resulting from:			
Effect of statutory depletion	(9.6)	(12.0)	(17.6)
State income taxes	3.6	1.5	1.3
Domestic production deduction	(0.9)	(2.1)	0.1
Transfer pricing	(0.2)	0.9	0.7
Goodwill write-off	3.9	-	-
Foreign tax rate differential	1.3	2.1	0.6
Disallowed compensation	3.7	0.3	0.3
Purchase accounting transaction costs	2.4	-	-
Foreign valuation allowance	-	-	(3.4)
Other items	(1.1)	1.1	(0.3)
Effective income tax rate	38.1%	26.8%	16.7%

For income tax purposes, the statutory depletion deduction 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 Corporation's statutory depletion deduction and the corresponding impact on the effective income tax rate on continuing operations.

The settlement of the APA allowed the Corporation's Canadian subsidiary to utilize certain net operating loss and tax credit carryforwards for which a valuation allowance was previously established. The Corporation reversed a \$3,644,000 valuation allowance in 2012 when the estimated effect of the APA settlement was recorded.

The Corporation is entitled to receive a nine percent tax deduction related to income from domestic (i.e., United States) production activities. The deduction reduced income tax expense and increased consolidated net earnings by \$3,239,000, or \$0.05 per diluted share, in 2014 and \$3,979,000, or \$0.09 per diluted share, in 2013. For 2012, no deduction was allowed due to the taxable income limitation.

In 2014, the Corporation wrote off goodwill which is not deductible for income tax purposes as part of the sale of certain operations. In addition, the Corporation incurred certain compensation and transaction expenses in 2014 in connection with the TXI acquisition that are not deductible for income tax purposes.

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

December 31 (add 000)	Deferred Assets (Liabilities)	
	2014	2013
Deferred tax assets related to:		
Employee benefits	\$ 74,288	\$ 31,067
Inventories	64,484	53,229
Valuation and other reserves	48,278	18,372
Net operating loss carryforwards	171,781	5,379
Accumulated other comprehensive loss	70,367	31,467
Other items, net	14,191	—
Gross deferred tax assets	443,389	139,514
Valuation allowance on deferred tax assets	(6,133)	(5,858)
Total net deferred tax assets	437,256	133,656
Deferred tax liabilities related to:		
Property, plant and equipment	(638,730)	(257,366)
Goodwill and other intangibles	(288,471)	(78,577)
Other items, net	—	(2,891)
Total deferred tax liabilities	(927,201)	(338,834)
Net deferred tax liability	\$ (489,945)	\$ (205,178)

The increase in the net deferred tax liability is primarily a result of the deferred taxes recorded in connection with the acquisition of TXI.

Deferred tax assets and (liabilities) recognized on the Corporation's consolidated balance sheets are as follows:

December 31 (add 000)	2014	2013
	Current deferred income tax benefits	\$ 244,638
Noncurrent deferred income taxes	(734,583)	(279,999)
Net deferred income tax liability	\$ (489,945)	\$ (205,178)

Deferred tax assets for employee benefits result from the temporary differences between the deductions for pension and postretirement obligations and stock-based compensation transactions. For financial reporting purposes, such amounts are expensed based on authoritative accounting

guidance. For income tax purposes, amounts related to pension and postretirement obligations are deductible as funded. Amounts related to stock-based compensation transactions are deductible for income tax purposes upon vesting or exercise of the underlying award. Deferred tax assets are carried on stock options with exercise prices in excess of the Corporation's stock price at December 31, 2014. If these options expire without being exercised, the deferred tax assets are written off by reducing the pool of excess tax benefits to the extent available and expensing any excess.

The Corporation had domestic federal and state net operating loss carryforwards of \$710,163,000 (federal \$465,467,000; state \$244,696,000) and \$121,977,000 (state) at December 31, 2014 and 2013, respectively. These carryforwards have various expiration dates through 2034. At December 31, 2014 and 2013, deferred tax assets associated with these carryforwards were \$171,781,000, including the offset of unrecognized tax benefits, and \$5,379,000, respectively, for which valuation allowances of \$5,084,000 and \$5,006,000, respectively, were recorded. The Corporation also had domestic tax credit carryforwards of \$3,682,000 and \$2,354,000 at December 31, 2014 and 2013, respectively, for which valuation allowances were recorded in the amount of \$1,049,000 and \$852,000 at December 31, 2014 and 2013, respectively. Federal tax credit carryforwards recorded at December 31, 2014 will begin to expire in 2025. State tax credit carryforwards recorded at December 31, 2014 expire in 2018. At December 31, 2014, the Corporation also had Alternative Minimum Tax ("AMT") credit carryforwards of \$28,809,000, acquired in the TXI acquisition, which do not expire. The Corporation does not expect to be subject to AMT for 2014.

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. No deferred tax liabilities were recorded on goodwill acquired in the TXI acquisition.

The Corporation provides deferred taxes, as required, on the undistributed net earnings of all non-U.S. subsidiaries for which the indefinite reversal criterion has not been met.

The Corporation expects to reinvest permanently the earnings from its wholly-owned Canadian subsidiary and accordingly, has not provided deferred taxes on the subsidiary's undistributed net earnings. The APA settlement materially impacted the Canadian subsidiary's undistributed net earnings, estimated to be \$29,400,000 for the year ended December 31, 2014. The determination of the unrecognized deferred tax liability for temporary differences related to the investment in the wholly-owned Canadian subsidiary is not practicable due to the complexities associated with the calculation of a hypothetical tax liability payable upon the repatriation of earnings.

On September 13, 2013, the U.S. Treasury Department and Internal Revenue Service ("IRS") issued final regulations addressing costs incurred in acquiring, producing or improving tangible property (the "tangible property regulations"). On August 14, 2014, final regulations were issued on the depreciation of general asset accounts and the disposal of assets subject to depreciation. The tangible property regulations are generally effective for tax years beginning on or after January 1, 2014, and may be adopted in earlier years. The Corporation is required to include the tax impact of regulatory changes in the period of enactment. In 2013, the Corporation estimated the tax impact of these accounting method changes to increase noncurrent deferred tax liabilities in the amount of \$1,334,000, with a corresponding reduction in current taxes payable. The Corporation adopted the regulations as of January 1, 2014, and has included the revised estimated impact of \$268,000 in the consolidated balance sheet at December 31, 2014.

The following table summarizes the Corporation's unrecognized tax benefits, excluding interest and correlative effects:

years ended December 31 (add 000)	2014	2013	2012
Unrecognized tax benefits at beginning of year	\$11,826	\$15,380	\$ 9,288
Gross increases – tax positions in prior years	2,075	9,845	19,434
Gross decreases – tax positions in prior years	(203)	(5,121)	(13,876)
Gross increases – tax positions in current year	3,369	2,540	1,555
Gross decreases – tax positions in current year	(51)	(529)	–
Settlements with taxing authorities	–	(8,599)	(1,021)
Lapse of statute of limitations	(1,872)	(1,690)	–
Unrecognized tax benefits assumed with acquisition	5,963	–	–
Unrecognized tax benefits at end of year	\$21,107	\$11,826	\$ 15,380

For the year ended December 31, 2014, acquisition of tax positions taken during a prior year includes the unrecognized tax benefits acquired in the acquisition of TXI. For the year ended December 31, 2013, settlements with taxing authorities related to the Canadian APA settlement. No unrecognized tax benefits were included as of December 31, 2013 for the effect of the APA. For the year ended December 31, 2012, gross increases in tax positions in prior years included the estimated effect of the Canadian APA that increased the sales price charged for intercompany shipments during the settlement period. Upon final settlement, the Corporation was allowed a corresponding tax refund in the United States for the years 2005 through 2011, which was not included in unrecognized tax benefits at December 31, 2012.

At December 31, 2014, 2013 and 2012, unrecognized tax benefits of \$9,362,000, \$6,301,000 and \$14,386,000, respectively, related to interest accruals and permanent income tax differences net of federal tax benefits, would have favorably affected the Corporation's effective income tax rate if recognized.

Unrecognized tax benefits are reversed as a discrete event if an examination of applicable tax returns is not begun by a federal or state tax authority within the statute of limitations or upon effective settlement with federal or state tax authorities. Management believes its accrual for unrecognized tax benefits is sufficient to cover uncertain tax positions reviewed during audits by taxing authorities. The Corporation anticipates that it is reasonably possible that its unrecognized tax benefits may decrease up to \$10,547,000, excluding indirect benefits, during the twelve months ending December 31, 2015 due to expected settlements with taxing authorities and the expiration of the statute of limitations for the 2010 and 2011 tax years.

For the year ended December 31, 2014, \$687,000 or \$0.01 per diluted share, was reversed into income upon the statute of limitations expiration for the 2009 and 2010 tax years. For the year ended December 31, 2013, \$1,368,000, or \$0.03 per diluted share, was reversed into income upon the statute of limitations expiration for the 2009 tax year. For the year ended December 31, 2012, \$1,617,000, or \$0.04 per diluted share, was reversed into income resulting from a refund of federal tax and interest related to the 2006 tax year and the estimated effects of the APA.

For the years ended December 31, 2014, 2013 and 2012, total interest, net of tax, included in income tax expense in the consolidated statements of earnings was \$266,000, \$1,446,000 and \$119,000, respectively. At December 31, 2014, accrued interest of \$398,000, net of tax benefits of \$182,000, was recorded as a noncurrent liability on the Corporation's consolidated balance sheet; accrued interest of \$209,000, net of tax benefits of \$133,000, was recorded as a current liability, and interest receivable of \$344,000, net of tax expense of \$225,000, was recorded as a current asset. At December 31, 2013, accrued interest of \$191,000, net of tax benefits of \$125,000, was recorded as a noncurrent liability on the Corporation's consolidated balance sheet; accrued interest of \$227,000, net of tax benefits of \$148,000, was recorded as a current liability, and interest receivable of \$344,000, net of tax expense of 225,000, was recorded as a current asset.

The Corporation's open tax years subject to federal, foreign or state examinations are 2010 through 2014.

Note J: Retirement Plans, Postretirement and Postemployment Benefits

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

In connection with the TXI acquisition, the Corporation assumed three defined benefit plans, including two pension plans and a postretirement health benefit plan. The Financial Security Plan is a pension plan that covers approximately 60 executive and managerial employees of TXI. As of December 31, 2014, the plan is unfunded and frozen. The Riverside pension and postretirement plans cover approximately 600 employees and retirees of Riverside Cement Company, a subsidiary of TXI. The pension plan has assets, but is currently underfunded while the postretirement plan is unfunded. No additional benefits can be accrued under the pension plan. The postretirement plan is closed to new entrants. Effective with the TXI acquisition, approximately 2,000 employees were added as participants in the Corporation's pension plans.

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

Defined Benefit Retirement Plans. Retirement plan assets 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 Corporation sponsors a Supplemental Excess Retirement Plan ("SERP") that generally provides for the payment of retirement benefits in excess of allowable Internal Revenue Code limits. The SERP 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 Corporation 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 (add 000)	2014	2013	2012
Components of net periodic benefit cost:			
Service cost	\$ 17,125	\$ 16,121	\$ 13,084
Interest cost	28,935	23,016	23,653
Expected return on assets	(32,661)	(26,660)	(23,899)
Amortization of:			
Prior service cost	445	449	466
Actuarial loss	4,045	15,679	12,417
Transition asset	(1)	(1)	(1)
Settlement charge	-	729	779
Termination benefit charge	13,652	-	-
Net periodic benefit cost	\$ 31,540	\$ 29,333	\$ 26,499

The expected return on assets is based on the fair value of the plan assets. The termination benefit charge represents the increased benefits payable to former TXI executives as part of their change-in-control agreements.

The Corporation recognized the following amounts in consolidated comprehensive earnings:

years ended December 31 (add 000)	2014	2013	2012
Actuarial loss (gain)	\$105,546	\$ (90,755)	\$ 47,877
Amortization of:			
Prior service cost	(445)	(449)	(466)
Actuarial loss	(4,045)	(15,679)	(12,417)
Transition asset	1	1	1
Settlement charge	-	(729)	(779)
Total	\$101,057	\$(107,611)	\$ 34,216

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

December 31 (add 000)	2014		2013	
	Gross	Net of tax	Gross	Net of tax
Prior service cost	\$ 1,197	\$ 729	\$ 1,640	\$ 992
Actuarial loss	186,013	113,288	84,512	51,087
Transition asset	(9)	(5)	(10)	(6)
Total	\$187,201	\$ 114,012	\$86,142	\$52,073

The prior service cost, actuarial loss and transition asset expected to be recognized in net periodic benefit cost during 2015 are \$422,000 (net of deferred taxes of \$166,000), \$12,432,000 (net of deferred taxes of \$4,897,000) and \$1,000, respectively. These amounts are included in accumulated other comprehensive loss at December 31, 2014.

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

years ended December 31 (add 000)	2014	2013
Change in projected benefit obligation:		
Net projected benefit obligation at beginning of year	\$ 496,040	\$535,783
Service cost	17,125	16,121
Interest cost	28,935	23,016
Actuarial loss (gain)	99,071	(57,533)
Gross benefits paid	(23,489)	(21,347)
Acquisitions	122,641	–
Nonrecurring termination benefit	13,652	–
Net projected benefit obligation at end of year	\$ 753,975	\$496,040

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

years ended December 31 (add 000)	2014	2013
Change in plan assets:		
Fair value of plan assets at beginning of year	\$ 443,973	\$376,443
Actual return on plan assets, net	26,186	59,882
Employer contributions	25,654	28,995
Gross benefits paid	(23,489)	(21,347)
Acquisitions	51,718	–
Fair value of plan assets at end of year	\$ 524,042	\$443,973

(add 000)	2014	2013
Funded status of the plan at end of year	\$ (229,933)	\$ (52,067)
Accrued benefit cost	\$ (229,933)	\$ (52,067)

years ended December 31 (add 000)	2014	2013
Amounts recognized on consolidated balance sheets consist of:		
Current liability	\$ (4,183)	\$ (56)
Noncurrent liability	(225,750)	(52,011)
Net amount recognized at end of year	\$ (229,933)	\$ (52,067)

The accumulated benefit obligation for all defined benefit pension plans was \$684,647,000 and \$453,161,000 at December 31, 2014 and 2013, 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 (add 000)	2014	2013
Projected benefit obligation	\$ 753,975	\$ 495,180
Accumulated benefit obligation	\$ 684,647	\$ 452,449
Fair value of plan assets	\$ 524,042	\$ 443,211

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

	2014	2013
Discount rate	4.25%	5.17%
Rate of increase in future compensation levels	4.50%	5.00%

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

	2014	2013	2012
Discount rate	5.17%	4.24%	5.14%
Rate of increase in future compensation levels	5.00%	5.00%	5.00%
Expected long-term rate of return on assets	7.00%	7.00%	7.25%

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.

For 2014, the Corporation estimated the remaining lives of participants in the pension plans using the RP-2014 Mortality Table. The no-collar table was used for salaried participants and the blue-collar table, reflecting the experience of the Corporation's participants, was used for hourly participants. For 2013, the Corporation used the RP-2000 Mortality Table projected to 2020 with no phased-out improvements. The Corporation used the white-collar table for salaried participants and the blue-collar table for hourly participants. The RP-2000 Mortality Table projected to 2015 with no phased-out improvements was used in 2012.

The target allocation for 2014 and the actual pension plan asset allocation by asset class are as follows:

Asset Class	Percentage of Plan Assets		
	2014 Target Allocation	December 31 2014	2013
Equity securities	55%	59%	57%
Debt securities	31%	29%	33%
Hedge funds	7%	4%	5%
Real estate	7%	7%	4%
Cash	—	1%	1%
Total	100%	100%	100%

The Corporation's investment strategy is for approximately 50% of equity securities to be invested in mid-sized to large capitalization U.S. funds with the remaining to be 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:

December 31 (add 000)	Quoted Prices in Active Markets for Identical Assets (Level 1)				Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total Fair Value
	2014						
Equity securities:							
Mid-sized to large cap	\$	—	\$	219,092	\$	—	\$ 219,092
International and emerging growth funds	—	—	87,706	—	—	—	87,706
Debt securities:							
Core fixed income	—	—	154,997	—	—	—	154,997
High-yield bonds	—	—	—	—	—	—	—
Real estate	—	—	—	—	20,363	—	20,363
Hedge funds	—	—	—	—	38,264	—	38,264
Cash	—	3,620	—	—	—	—	3,620
Total	\$	3,620	\$	461,795	\$	58,627	\$ 524,042

2013							
Equity securities:							
Mid-sized to large cap	\$	—	\$	182,426	\$	—	\$ 182,426
International and emerging growth funds	—	—	71,662	—	—	—	71,662
Debt securities:							
Core fixed income	—	—	122,327	—	—	—	122,327
High-yield bonds	—	—	24,579	—	—	—	24,579
Real estate	—	—	—	—	19,357	—	19,357
Hedge funds	—	—	—	—	21,764	—	21,764
Cash	—	1,858	—	—	—	—	1,858
Total	\$	1,858	\$	400,994	\$	41,121	\$ 443,973

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 which 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.

The change in the fair value of pension plan assets valued using significant unobservable inputs (Level 3) is as follows:

years ended December 31 (add 000)	Real Estate	Hedge Funds
2014		
Balance at beginning of year	\$ 19,357	\$ 21,764
Purchases, sales, settlements, net	441	15,600
Unrealized gain	565	900
Balance at end of year	\$ 20,363	\$ 38,264
2013		
Balance at beginning of year	\$ 17,728	\$ 19,252
Purchases, sales, settlements, net	706	—
Realized gain	11	—
Unrealized gain	912	2,512
Balance at end of year	\$ 19,357	\$ 21,764

In 2014 and 2013, the Corporation made pension and SERP contributions of \$25,654,000 and \$28,995,000, respectively. The Corporation currently estimates that it will contribute \$33,500,000 to its pension and SERP plans in 2015.

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:

(add 000)	
2015	\$ 32,025
2016	\$ 33,821
2017	\$ 35,540
2018	\$ 37,217
2019	\$ 38,976
Years 2020 - 2024	\$ 219,357

Postretirement Benefits. The net periodic postretirement benefit (credit) cost of postretirement plans includes the following components:

years ended December 31 (add 000)	2014	2013	2012
Components of net periodic benefit credit:			
Service cost	\$ 206	\$ 227	\$ 227
Interest cost	1,164	1,013	1,234
Amortization of:			
Prior service credit	(3,255)	(3,255)	(3,255)
Actuarial (gain) loss	(266)	25	(283)
Total net periodic benefit credit	\$ (2,151)	\$ (1,990)	\$ (2,077)

The Corporation recognized the following amounts in consolidated comprehensive earnings:

years ended December 31 (add 000)	2014	2013	2012
Actuarial (gain) loss	\$ (3,026)	\$ (1,011)	\$ 1,993
Prior service credit	-	-	-
Amortization of:			
Prior service credit	3,255	3,255	3,255
Actuarial gain (loss)	266	(25)	283
Total	\$ 495	\$ 2,219	\$ 5,531

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

December 31 (add 000)	2014		2013	
	Gross	Net of tax	Gross	Net of tax
Prior service credit	\$ (7,088)	\$ (4,316)	\$ (10,343)	\$ (6,252)
Actuarial gain	(4,733)	(2,883)	(1,970)	(1,192)
Total	\$ (11,821)	\$ (7,199)	\$ (12,313)	\$ (7,444)

The prior service credit and actuarial gain expected to be recognized in net periodic benefit cost during 2015 is \$2,302,000 (net of a deferred tax liability of \$907,000) and \$328,000 (net of a deferred tax liability of \$129,000), respectively, and are included in accumulated other comprehensive loss at December 31, 2014.

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

years ended December 31 (add 000)	2014	2013
Change in benefit obligation:		
Net benefit obligation at beginning of year	\$27,352	\$29,095
Service cost	206	227
Interest cost	1,164	1,013
Participants' contributions	2,100	1,370
Actuarial gain	(3,026)	(1,011)
Gross benefits paid	(4,856)	(3,342)
Acquisitions	2,146	-
Net benefit obligation at end of year	\$25,086	\$27,352

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

years ended December 31 (add 000)	2014	2013
Change in plan assets:		
Fair value of plan assets at beginning of year	\$ -	\$ -
Employer contributions	2,756	1,972
Participants' contributions	2,100	1,370
Gross benefits paid	(4,856)	(3,342)
Fair value of plan assets at end of year	\$ -	\$ -

December 31 (add 000)	2014	2013
Funded status of the plan at end of year	\$ (25,086)	\$ (27,352)
Accrued benefit cost	\$ (25,086)	\$ (27,352)

December 31 (add 000)	2014	2013
Amounts recognized on consolidated balance sheets consist of:		
Current liability	\$ (2,770)	\$ (1,970)
Noncurrent liability	(22,316)	(25,382)
Net amount recognized at end of year	\$ (25,086)	\$ (27,352)

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

	2014	2013
Discount rate	3.83%	4.42%

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

	2014	2013	2012
Discount rate	4.42%	3.54%	4.44%

For 2014, the Corporation estimated the remaining lives of participants in the postretirement plan using the RP-2014 table. For 2013, the Corporation used the RP-2000 Mortality Table. The RP-2000 Mortality Table projected to 2015 with no phased-out improvements was used in 2012.

Assumed health care cost trend rates at December 31 are:

	2014	2013
Health care cost trend rate assumed for next year	7.0%	7.5%
Rate to which the cost trend rate gradually declines	5.0%	5.0%
Year the rate reaches the ultimate rate	2019	2019

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

(add 000)	One Percentage Point	
	Increase	(Decrease)
Total service and interest cost components	\$ 56	\$ (48)
Postretirement benefit obligation	\$ 1,387	\$ (1,196)

The Corporation estimates that it will contribute \$2,770,000 to its postretirement health care plans in 2015.

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

(add 000)	
2015	\$2,770
2016	\$2,438
2017	\$2,383
2018	\$2,293
2019	\$2,156
Years 2020 - 2024	\$8,899

Defined Contribution Plans. The Corporation maintains defined contribution plans that cover substantially all employees. These plans, qualified under Section 401(a) of the Internal Revenue Code, are retirement savings and investment plans for the Corporation's salaried and hourly employees. Under certain provisions of these plans, the Corporation, at established rates, matches employees' eligible contributions. The Corporation's matching obligations were

\$8,602,000 in 2014, \$7,097,000 in 2013 and \$6,216,000 in 2012. Matching contributions reflect the participation of the new employees effective July 1, 2014 in connection with the TXI acquisition.

Postemployment Benefits. The Corporation has accrued postemployment benefits of \$1,267,000 and \$1,096,000 at December 31, 2014 and 2013, respectively.

Note K: Stock-Based Compensation

The shareholders approved, on May 23, 2006, the Martin Marietta Materials, Inc. Stock-Based Award Plan, as amended from time to time (along with the Amended Omnibus Securities Award Plan, originally approved in 1994, the "Plans"). The Corporation has been authorized by the Board of Directors to repurchase shares of the Corporation's common stock for issuance under the Plans (see Note M).

Under the Plans, the Corporation grants 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 in 2014 and 2013 expire ten years after the grant date while outstanding options granted prior to 2013 expire eight years after the grant date.

In connection with the TXI acquisition, the Corporation issued 821,282 Martin Marietta stock options ("Replacement Options") to holders of outstanding TXI stock options at the acquisition date. The Corporation issued 0.7 Replacement Options for each outstanding TXI stock option, and the Replacement Option prices reflected the exchange ratio. The Replacement Options will expire on the original contractual dates when the TXI stock options were initially issued. Consistent with the terms of the Corporation's other outstanding stock options, Replacement Options expire 90 days after employment is terminated.

Prior to 2009, each nonemployee Board of Director member received 3,000 non-qualified stock options annually. These options have an exercise price equal to the market value at the date of grant, vested immediately and expire ten years from the grant date.

The following table includes summary information for stock options as of December 31, 2014:

	Number of Options	Weighted-Average Exercise Price	Weighted-Average Remaining Contractual Life (years)
Outstanding at January 1, 2014	882,416	\$ 102.74	
Granted	55,981	\$ 121.00	
Granted - Replacement Options	821,282	\$ 56.66	
Exercised	(697,154)	\$ 59.98	
Terminated	(8,090)	\$ 45.12	
Outstanding at December 31, 2014	1,054,435	\$ 96.53	3.5
Exercisable at December 31, 2014	906,719	\$ 95.67	2.8

The weighted-average grant-date exercise price of options granted during 2014, 2013 and 2012 was \$121.00, \$108.24 and \$69.12, respectively. The aggregate intrinsic values of options exercised during the years ended December 31, 2014, 2013 and 2012 were \$9,709,000, \$7,142,000 and \$7,176,000, respectively, and were based on the closing prices of the Corporation's common stock on the dates of exercise. The aggregate intrinsic values for options outstanding and exercisable at December 31, 2014 were \$23,806,000 and \$21,954,000, respectively, and were based on the closing price of the Corporation's common stock at December 31, 2014, which was \$110.32.

Additionally, an incentive stock plan has been adopted under the Plans whereby certain participants may elect to use up to 50% of their annual incentive compensation to acquire units representing shares of the Corporation's common stock at a 20% discount to the market value on the date of the incentive compensation award. Certain executive officers are required to participate in the incentive stock plan at certain minimum levels. Participants earn the right to receive 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, with the exception of dividend equivalents that are paid on the units during the vesting period.

The Corporation grants restricted stock awards under the Plans to a group of executive officers, key personnel and non-employee Board of Directors. The vesting of certain restricted stock awards is based on specific performance criteria over a specified period of time. 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 Board of Directors vest immediately.

The following table summarizes information for incentive compensation awards and restricted stock awards as of December 31, 2014:

	Incentive Compensation		Restricted Stock	
	Number of Awards	Weighted-Average Grant-Date Fair Value	Number of Awards	Weighted-Average Grant-Date Fair Value
January 1, 2014	25,131	\$ 88.51	197,049	\$ 87.91
Awarded	13,964	\$ 109.17	168,509	\$ 126.88
Distributed	(11,293)	\$ 81.91	(28,624)	\$ 95.79
Forfeited	(194)	\$ 95.73	(1,316)	\$ 97.37
December 31, 2014	27,608	\$ 101.61	335,618	\$ 106.77

The weighted-average grant-date fair value of incentive compensation awards granted during 2014, 2013 and 2012 was \$109.17, \$99.23 and \$81.41, respectively. The weighted-average grant-date fair value of restricted stock awards granted during 2014, 2013 and 2012 was \$126.88, \$108.24 and \$69.12, respectively.

The aggregate intrinsic values for incentive compensation awards and restricted stock awards at December 31, 2014 were \$801,000 and \$37,025,000, respectively, and were based on the closing price of the Corporation's common stock at December 31, 2014, which was \$110.32. The aggregate intrinsic values of incentive compensation awards distributed during the years ended December 31, 2014, 2013 and 2012 were \$584,000, \$466,000 and \$375,000, respectively. The aggregate intrinsic values of restricted stock awards distributed during the years ended December 31, 2014, 2013 and 2012 were \$3,555,000, \$9,413,000 and \$8,695,000, respectively. The aggregate intrinsic values for distributed awards were based on the closing prices of the Corporation's common stock on the dates of distribution.

At December 31, 2014, there are approximately 2,152,000 awards available for grant under the Plans.

In 1996, the Corporation adopted the Shareholder Value Achievement Plan to award shares of the Corporation's common stock to key senior employees based on certain common stock performance criteria over a long-term period. Under the terms of this plan, 250,000 shares of common stock were reserved for issuance. Through December 31, 2014, 42,025 shares have been issued under this plan. No awards have been granted under this plan after 2000.

The Corporation adopted and the shareholders approved the Common Stock Purchase Plan for Directors in 1996, which provides nonemployee Board of Directors the election to receive all or a portion of their total fees in the form of the Corporation's common stock. Under the terms of this plan, 300,000 shares of common stock were reserved for issuance. In 2014, members of the Board of Directors were required to defer at least 20% of their retainer in the form of the Corporation's common stock at a 20% discount to market value. Nonemployee Board of Directors elected to defer portions of their fees representing 3,804, 6,583 and 9,502 shares of the Corporation's common stock under this plan during 2014, 2013 and 2012, respectively.

The following table summarizes stock-based compensation expense for the years ended December 31, 2014, 2013 and 2012, unrecognized compensation cost for nonvested awards at December 31, 2014 and the weighted-average period over which unrecognized compensation cost is expected to be recognized:

(add 000, except year data)	Stock Options	Restricted Stock	Incentive Compensation	Directors' Awards	Total
Stock-based compensation expense recognized for years ended December 31:					
2014	\$ 2,020	\$ 6,189	\$ 257	\$ 527	\$ 8,993
2013	\$ 1,734	\$ 4,377	\$ 229	\$ 668	\$ 7,008
2012	\$ 1,835	\$ 4,980	\$ 237	\$ 729	\$ 7,781
Unrecognized compensation cost at December 31, 2014:					
	\$ 2,241	\$ 20,096	\$ 241	\$ -	\$ 22,578
Weighted-average period over which unrecognized compensation cost will be recognized:					
	2.0 years	3.6 years	1.6 years	-	

For the years ended December 31, 2014, 2013 and 2012, the Corporation recognized a tax benefit related to stock-based compensation expense of \$3,542,000, \$2,772,000 and \$3,077,000, respectively.

The following presents expected stock-based compensation expense in future periods for outstanding awards as of December 31, 2014:

(add 000)	
2015	\$ 8,407
2016	6,182
2017	3,482
2018	2,743
2019	1,764
Total	\$ 22,578

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

Note L: Leases

Total lease expense for operating leases was \$59,590,000, \$45,093,000 and \$44,177,000 for the years ended December 31, 2014, 2013 and 2012, respectively. The Corporation's operating leases generally contain renewal and/or purchase options with varying terms. The Corporation has royalty agreements that generally require royalty payments based on tons produced or total sales dollars and also contain minimum payments. Total royalties, principally for leased properties, were \$50,535,000, \$41,604,000 and \$43,445,000 for the years ended December 31, 2014, 2013 and 2012, respectively. The Corporation also has capital lease obligations for machinery and equipment.

Future minimum lease and royalty commitments for all non-cancelable agreements and capital lease obligations as of December 31, 2014 are as follows:

(add 000)	Capital Leases	Operating Leases and Royalty Commitments
2015	\$ 4,517	\$ 108,622
2016	4,382	75,717
2017	3,823	63,866
2018	2,928	31,029
2019	2,819	20,377
Thereafter	8,477	133,592
Total	26,946	\$ 433,203
Less: imputed interest	(5,085)	
Present value of minimum lease payments	21,861	
Less: current capital lease obligations	(3,407)	
Long-term capital lease obligations	\$18,454	

Of the total future minimum commitments, \$58,255,000 relates to the Corporation's contracts of affreightment.

Note M: Shareholders' Equity

The authorized capital structure of the Corporation includes 100,000,000 shares of common stock, with a par value of \$0.01 a share. At December 31, 2014, approximately 3,934,000 common shares were reserved for issuance under stock-based plans.

Pursuant to authority granted by its Board of Directors, the Corporation can repurchase common stock through open-market purchases. The Corporation did not repurchase any shares of common stock during 2014, 2013 or 2012. At December 31, 2014, 5,041,900 shares of common stock were remaining under the Corporation's repurchase authorization.

Subsequent to December 31, 2014, the Board of Directors authorized a share repurchase program of up to 20,000,000 shares of the Corporation's common stock. The authorization includes the shares that were authorized as of December 31, 2014.

In addition to common stock, the Corporation's capital structure includes 10,000,000 shares of preferred stock with a par value of \$0.01 a share. On October 21, 2006, the Board of Directors adopted a Rights Agreement (the "Rights Agreement") and reserved 200,000 shares of Junior Participating Class B Preferred Stock for issuance. In accordance with the Rights Agreement, the Corporation issued a dividend of one right for each share of the Corporation's common stock outstanding as of October 21, 2006, and one right continues to attach to each share of common stock issued thereafter. The rights will become exercisable if any person or group acquires beneficial ownership of 15 percent or more of the Corporation's common stock. Once exercisable and upon a person or group acquiring 15 percent or more of the Corporation's common stock, each right (other than rights owned by such person or group) entitles its holder to purchase, for an exercise price of \$315 per share, a number of shares of the Corporation's common stock (or in certain circumstances, cash, property or other securities of the Corporation) having a market value of twice the exercise price, and under certain conditions, common stock of an acquiring company having a market value of twice the exercise price. If any person or group acquires beneficial ownership of 15 percent or more of the Corporation's common stock, the Corporation may, at its option, exchange the outstanding

rights (other than rights owned by such acquiring person or group) for shares of the Corporation's common stock or Corporation equity securities deemed to have the same value as one share of common stock or a combination thereof, at an exchange ratio of one share of common stock per right. The rights are subject to adjustment if certain events occur, and they will initially expire on October 21, 2016, if not terminated sooner. The Corporation's Rights Agreement provides that the Corporation's Board of Directors may, at its option, redeem all of the outstanding rights at a redemption price of \$0.001 per right.

Note N: Commitments and Contingencies

Legal and Administrative Proceedings. The Corporation 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, it is remote that the ultimate outcome of any litigation and other proceedings, including those pertaining to environmental matters (see Note A), relating to the Corporation and its subsidiaries, will have a material adverse effect on the overall results of the Corporation's operations, its cash flows or its financial position.

Asset Retirement Obligations. The Corporation 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 2014, 2013 and 2012 were \$4,584,000, \$3,793,000 and \$3,743,000, respectively, and are included in other operating income and expenses, net, in the consolidated statements of earnings.

Projected estimated asset retirement obligations should include a market risk premium representing the amount an external party would charge for bearing the uncertainty of guaranteeing a fixed price today for performance in the future. However, due to the average remaining quarry life exceeding 60 years at normalized production rates, the nature of quarry reclamation work, and the long expected lives of the Cement and Magnesia Specialties plants, the Corporation believes that it is impractical for external parties to agree to a fixed price today. Therefore, a market risk premium has not been included in the estimated asset retirement obligations.

The following shows the changes in the asset retirement obligations:

years ended December 31 (add 000)	2014	2013
Balance at beginning of year	\$48,727	\$46,173
Accretion expense	2,818	2,777
Liabilities incurred and assumed in business combinations	20,984	2,240
Liabilities settled	(2,061)	–
Revisions in estimated cash flows	(46)	(2,463)
Balance at end of year	\$70,422	\$48,727

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

The United States Environmental Protection Agency ("EPA") includes the lime industry as a national enforcement priority under the federal Clean Air Act ("CAA"). As part of the industry-wide effort, the EPA issued Notices of Violation/Findings of Violation ("NOVs") to the Corporation in 2010 and 2011 regarding its compliance with the CAA New Source Review ("NSR") program at its Magnesia Specialties dolomitic lime manufacturing plant in Woodville, Ohio. The Corporation has been providing information to the EPA in response to these NOVs and has had several meetings with the EPA. The Corporation believes it is in substantial compliance with the NSR program. At this time, the Corporation cannot reasonably estimate what likely penalties or upgrades to equipment might ultimately be required. The Corporation believes that any costs related to any required upgrades to capital equipment will be spread over time and will not have a material adverse effect on the Corporation's results of

operations or its financial condition, but can give no assurance that the ultimate resolution of this matter will not have a material adverse effect on the financial condition or results of operations of the Magnesia Specialties segment.

Insurance Reserves. The Corporation has insurance coverage for workers' compensation, automobile liability, marine liability and general liability claims. The Corporation is also self-insured for health claims. At December 31, 2014 and 2013, reserves of \$42,522,000 and \$25,529,000, respectively, were recorded for all such insurance claims. The Corporation carries various risk deductible workers' compensation policies related to its workers' compensation liabilities. The Corporation records the workers' compensation reserves based on an actuarial-determined analysis. This analysis calculates development factors, which are applied to total reserves within the workers' compensation program. While the Corporation 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 workers' compensation costs.

Letters of Credit. In the normal course of business, the Corporation provides certain third parties with standby letter of credit agreements guaranteeing its payment for certain insurance claims, utilities and property improvements. At December 31, 2014, the Corporation was contingently liable for \$46,485,000 in letters of credit, of which \$2,507,000 were issued under the Corporation's Revolving Facility. Certain of these underlying obligations are accrued on the Corporation's consolidated balance sheet.

Surety Bonds. In the normal course of business, at December 31, 2014, the Corporation was contingently liable for \$305,237,000 in surety bonds required by certain states and municipalities and their related agencies. The bonds are principally for certain insurance claims, construction contracts, reclamation obligations and mining permits guaranteeing the Corporation's own performance. Certain of these underlying obligations, including those for asset retirement requirements and insurance claims, are accrued on the Corporation's consolidated balance sheet. Five of these bonds total \$87,283,000, or 29% of all outstanding surety bonds. The Corporation has indemnified the underwriting insurance company, Safeco Corporation, a subsidiary of Liberty Mutual Group, against any exposure under the surety bonds. In the Corporation's past experience, no material claims have been made against these financial instruments.

Borrowing Arrangements with Affiliate. The Corporation is a co-borrower with an unconsolidated affiliate for a \$25,000,000 revolving line of credit agreement with BB&T. The line of credit expires in December 2015. The affiliate has agreed to reimburse and indemnify the Corporation for any payments and expenses the Corporation may incur from this agreement. The Corporation holds a lien on the affiliate's membership interest in a joint venture as collateral for payment under the revolving line of credit.

In 2013, the Corporation loaned \$3,402,000 to this unconsolidated affiliate to repay in full the outstanding balance of the affiliate's loan with Bank of America, N.A. and entered into a loan agreement with the affiliate for monthly repayment of principal and interest of that loan amount through May 2016. The Corporation holds a lien on the affiliate's property as collateral for payment under the loan and security agreement. As of December 31, 2014, the amount due from the affiliate related to this loan was \$1,808,000.

In 2014, the Corporation loaned the unconsolidated affiliate a total of \$6,000,000 as an interest-only note due December 29, 2016.

Purchase Commitments. The Corporation had purchase commitments for property, plant and equipment of \$116,681,000 as of December 31, 2014. The Corporation also had other purchase obligations related to energy and service contracts of \$103,861,000 as of December 31, 2014. The Corporation's contractual purchase commitments as of December 31, 2014 are as follows:

(add 000)	
2015	\$ 171,367
2016	38,435
2017	4,302
2018	826
2019	826
Thereafter	4,821
Total	\$ 220,542

Capital expenditures in 2014, 2013 and 2012 that were purchase commitments as of the prior year end were \$34,135,000, \$15,839,000 and \$33,654,000, respectively.

Employees. Approximately 13% of the Corporation's employees are represented by a labor union. All such employees are hourly employees. The Corporation maintains collective bargaining agreements relating to the union employees within the Aggregates business and the Cement

and Magnesia Specialties segments. Of the Cement segment located in California and Texas, 100% of its hourly employees at the Oro Grande cement plant and Crestmore clinker grinding facility, both located in California, are represented by labor unions. The Oro Grande collective bargaining agreement expires June 2015, and management does not anticipate any difficulties renewing this labor contract. The Crestmore collective bargaining agreement expires in August 2016. Of the Magnesia Specialties segment, located in Manistee, Michigan and Woodville, Ohio, 100% of its hourly employees are represented by labor unions. The Manistee collective bargaining agreement expires in August 2015. Management does not anticipate any difficulties in renewing the Manistee labor contract. The Woodville collective bargaining agreement expires in May 2018.

Note O: Business Segments

The Aggregates business is comprised of divisions which represent operating segments. Disclosures for certain divisions are consolidated as reportable segments for financial reporting purposes as they meet the aggregation criteria. The Aggregates business contains three reportable segments: Mid-America Group, Southeast Group and West Group. The Cement and Magnesia Specialties businesses also represent individual reportable segments. The accounting policies used for segment reporting are the same as those described in Note A.

The Corporation's evaluation of performance and allocation of resources are based primarily on earnings from operations. Consolidated earnings from operations equal net sales less cost of sales, selling, general and administrative expenses, and business development costs; include other operating income and expenses; and exclude interest expense, other nonoperating income and expenses, net, and taxes on income. Corporate consolidated earnings from operations primarily include depreciation on capitalized interest, expenses for corporate administrative functions, acquisition-related expenses, net, unallocated corporate expenses and other nonrecurring and/or non-operational income and expenses excluded from the Corporation's evaluation of business segment performance and resource allocation. All debt and related interest expense is held at Corporate.

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

The following tables display selected financial data for the Corporation's reportable business segments.

Selected Financial Data by Business Segment

years ended December 31
(add 000)

Total revenues	2014	2013	2012
Mid-America Group	\$ 848,855	\$ 789,806	\$ 761,704
Southeast Group	274,352	245,340	243,442
West Group	1,356,283	875,588	806,043
Total Aggregates Business	2,479,490	1,910,734	1,811,189
Cement	221,759	—	—
Magnesia Specialties	256,702	244,817	220,712
Total	\$2,957,951	\$2,155,551	\$2,031,901

Net sales

Mid-America Group	\$ 770,568	\$ 720,007	\$ 695,819
Southeast Group	254,986	226,437	226,232
West Group	1,207,879	771,133	708,689
Total Aggregates Business	2,233,433	1,717,577	1,630,740
Cement	209,556	—	—
Magnesia Specialties	236,106	225,641	202,217
Total	\$2,679,095	\$1,943,218	\$1,832,957

Gross profit (loss)

Mid-America Group	\$ 216,883	\$ 192,747	\$ 185,191
Southeast Group	10,653	(3,515)	(6,051)
West Group	155,678	92,513	76,212
Total Aggregates Business	383,214	281,745	255,352
Cement	52,469	—	—
Magnesia Specialties	84,594	83,703	77,223
Corporate	2,083	(1,491)	(5,441)
Total	\$ 522,360	\$ 363,957	\$ 327,134

Selling, general and administrative expenses

Mid-America Group	\$ 52,217	\$ 53,683	\$ 56,092
Southeast Group	17,788	18,081	18,250
West Group	50,147	42,929	42,082
Total Aggregates Business	120,152	114,693	116,424
Cement	12,741	—	—
Magnesia Specialties	9,776	10,165	9,295
Corporate	26,576	25,233	12,679
Total	\$ 169,245	\$ 150,091	\$ 138,398

Earnings (Loss) from operations

Mid-America Group	\$ 172,208	\$ 144,269	\$ 133,387
Southeast Group	(5,293)	(19,849)	(25,495)
West Group	153,182	53,150	36,858
Total Aggregates Business	320,097	177,570	144,750
Cement	40,751	—	—
Magnesia Specialties	74,805	73,506	68,542
Corporate	(120,780)	(33,088)	(57,122)
Total	\$ 314,873	\$ 217,988	\$ 156,170

years ended December 31
(add 000)

Assets employed	2014	2013	2012
Mid-America Group	\$1,290,833	\$1,242,394	\$1,137,480
Southeast Group	604,044	611,906	608,360
West Group	1,844,028	1,030,599	1,047,286
Total Aggregates Business	3,738,905	2,884,899	2,793,126
Cement	3,052,171	—	—
Magnesia Specialties	150,359	154,024	157,673
Corporate	522,957	220,903	210,127
Total	\$7,464,392	\$3,259,826	\$3,160,926

Depreciation, depletion and amortization

Mid-America Group	\$ 63,294	\$ 66,381	\$ 69,915
Southeast Group	31,955	32,556	35,026
West Group	74,283	56,004	56,526
Total Aggregates Business	169,532	154,941	161,467
Cement	30,620	—	—
Magnesia Specialties	10,394	10,564	7,838
Corporate	12,200	8,256	7,906
Total	\$ 222,746	\$ 173,761	\$ 177,211

Total property additions

Mid-America Group	\$ 76,753	\$ 82,667	\$ 57,125
Southeast Group	23,326	72,907	22,594
West Group	753,342	53,530	29,234
Total Aggregates Business	853,421	209,104	108,953
Cement	975,063	—	—
Magnesia Specialties	2,588	4,700	38,873
Corporate	15,349	6,477	3,887
Total	\$1,846,421	\$ 220,281	\$ 151,713

Property additions through acquisitions

Mid-America Group	\$ —	\$ 244	\$ —
Southeast Group	—	54,463	—
West Group	632,560	—	690
Total Aggregates Business	632,560	54,707	690
Cement	970,300	—	—
Magnesia Specialties	—	—	—
Corporate	—	—	—
Total	\$1,602,860	\$ 54,707	\$ 690

All of the property additions through acquisitions in 2014 relate to TXI.

The Corporation acquired machinery and equipment of \$7,788,000 and \$10,341,000 in 2014 and 2013, respectively, through capital leases. The Corporation also acquired \$3,591,000 of land via noncash transactions and asset exchanges in 2014.

The Aggregates business includes the aggregates product line and aggregates-related downstream operations, which include the asphalt, ready mixed concrete and road paving product lines. All aggregates-related downstream operations reside in the West Group. Total revenues, net sales and gross profit by product line for the Aggregates business, which are reconciled to consolidated amounts, are as follows:

years ended December 31 (add 000)	2014	2013	2012
Total revenues			
Aggregates	\$ 1,805,824	\$ 1,527,986	\$ 1,470,954
Asphalt	85,822	78,863	93,288
Ready Mixed Concrete	431,229	146,085	110,562
Road Paving	156,615	157,800	136,385
Total Aggregates Business	2,479,490	1,910,734	1,811,189
Cement	221,759	-	-
Magnesia Specialties	256,702	244,817	220,712
Total	\$ 2,957,951	\$ 2,155,551	\$ 2,031,901

Net sales	2014	2013	2012
Aggregates	\$ 1,570,022	\$ 1,347,486	\$ 1,303,975
Asphalt	76,278	66,216	79,816
Ready Mixed Concrete	430,519	146,079	110,554
Road Paving	156,614	157,796	136,395
Total Aggregates Business	2,233,433	1,717,577	1,630,740
Cement	209,556	-	-
Magnesia Specialties	236,106	225,641	202,217
Total	\$ 2,679,095	\$ 1,943,218	\$ 1,832,957

Gross profit (loss)	2014	2013	2012
Aggregates	\$ 324,093	\$ 259,054	\$ 240,614
Asphalt	13,552	12,928	12,099
Ready Mixed Concrete	39,129	8,337	59
Road Paving	6,440	1,426	2,580
Total Aggregates Business	383,214	281,745	255,352
Cement	52,469	-	-
Magnesia Specialties	84,594	83,703	77,223
Corporate	2,083	(1,491)	(5,441)
Total	\$ 522,360	\$ 363,957	\$ 327,134

Domestic and foreign total revenues are as follows:

years ended December 31 (add 000)	2014	2013	2012
Domestic	\$ 2,912,115	\$ 2,113,068	\$ 1,987,228
Foreign	45,836	42,483	44,673
Total	\$ 2,957,951	\$ 2,155,551	\$ 2,031,901

Note P: Supplemental Cash Flow Information

The components of the change in other assets and liabilities, net, are as follows:

years ended December 31 (add 000)	2014	2013	2012
Other current and noncurrent assets	\$ 8,066	\$ 1,186	\$ (2,354)
Accrued salaries, benefits and payroll taxes	10,136	(4,276)	7
Accrued insurance and other taxes	(17,641)	421	2,274
Accrued income taxes	27,680	3,889	(13,343)
Accrued pension, postretirement and postemployment benefits	1,150	(4,795)	(13,904)
Other current and noncurrent liabilities	(10,681)	7,373	3,836
Change in other assets and liabilities	\$ 18,710	\$ 3,798	\$ (23,484)

The change in accrued salaries, benefits and payroll taxes from 2013 to 2014 was attributable to an increase in the TXI-related severance accrual of \$11,444,000. The change in accrued insurance and other taxes from 2013 to 2014 was attributable to, among other changes, a decrease in accrued property taxes of \$6,833,000 (net of accrued property taxes acquired with TXI). The change in accrued income taxes was attributable to the Corporation's tax liability position of \$23,000,000 in 2014 versus the tax refund position of \$5,000,000 in 2013. The change in other current and noncurrent liabilities in 2014 was primarily attributable to the payment of \$22,714,000 for accrued interest on the notes assumed from TXI.

Noncash investing and financing activities are as follows:

years ended December 31 (add 000)	2014	2013	2012
Noncash investing and financing activities:			
Acquisition of assets through asset exchange	\$ 2,091	\$ -	\$ 690
Acquisition of assets through capital lease	\$ 7,788	\$ 10,341	\$ -
Seller financing of land purchase	\$ 1,500	\$ -	\$ -
Acquisition of TXI net assets through issuances of common stock and options (See Note C)	\$2,691,986	\$ -	\$ -

Note Q: Other Expenses

In 2012, the Corporation incurred business development costs of \$35,140,000, which decreased 2012 consolidated net earnings by \$21,242,000, or \$0.46 per diluted share.

In 2012, the Corporation incurred early retirement and severance expenses totaling \$3,885,000, or \$0.05 per diluted share. These nonrecurring charges are included in selling, general and administrative expenses in the consolidated statements of earnings.

INTRODUCTORY OVERVIEW

Martin Marietta Materials, Inc. (the "Corporation" or "Martin Marietta") is a leading supplier of aggregates products (crushed stone, sand and gravel) and heavy building materials (cement) for the construction industry, including infrastructure, nonresidential, residential, railroad ballast, agricultural and chemical grade stone used in environmental applications. The Corporation's annual consolidated net sales and operating earnings are predominately derived from its Aggregates business, which mines and processes granite, limestone, sand and gravel. The Aggregates business also includes other aggregates-related downstream business, including asphalt, ready mixed concrete and road paving construction services.

At December 31, 2014, the Aggregates business included the following reportable segments, operating locations, primary product lines, types of aggregates locations and transportation modes:

AGGREGATES BUSINESS

Reportable Segments	Mid-America Group	Southeast Group	West Group
Operating Locations	Indiana, Iowa, northern Kansas, Kentucky, Maryland, Minnesota, Missouri, eastern Nebraska, North Carolina, Ohio, South Carolina, Virginia, Washington and West Virginia	Alabama, Florida, Georgia, Mississippi, Tennessee, Nova Scotia and the Bahamas	Arkansas, Colorado, southern Kansas, Louisiana, western Nebraska, Nevada, Oklahoma, Texas, Utah and Wyoming
Primary Product Lines	Aggregates (crushed stone, sand and gravel)	Aggregates (crushed stone, sand and gravel)	Aggregates (crushed stone, sand and gravel), asphalt, ready mixed concrete and road paving
Primary Types of Aggregates Locations	Quarries and Distribution Facilities	Quarries and Distribution Facilities	Quarries and Distribution Facilities
Primary Modes of Transportation for Aggregates Product Line	Truck and Rail	Truck, Rail and Water	Truck and Rail

The Corporation acquired its Cement business in connection with its acquisition of Texas Industries, Inc. ("TXI") in July 2014. This business, which produces Portland and specialty cements, such as masonry and oil well cements, includes production facilities located in Midlothian, Texas, south of Dallas/Fort Worth; Hunter, Texas, south of San Antonio; and Oro Grande, near Los Angeles, California. Note B of the audited consolidated financial statements includes additional information about the acquisition. Similar to the Aggregates business, cement is used in infrastructure projects, nonresidential and residential construction, and railroad, agricultural, utility and environmental industries. The limestone reserves used as a raw material are a part of owned property adjacent to each of the plants. The Corporation also operates cement terminals, a packaging facility and cement grinding facility at the Crestmore plant near Riverside, California.

The Magnesia Specialties segment produces magnesia-based chemicals products used in industrial, agricultural and environmental applications and dolomitic lime used in the steel industry.

The Corporation's overall areas of focus include the following:

- Maximize long-term shareholder return by remaining disciplined in the pursuit of growth and earnings objectives;
- Conduct business in compliance with applicable laws, rules, regulations and the highest ethical standards;
- Protect the safety and well-being of all who come in contact with the Corporation's products and operations;
- Reflect all aspects of good corporate citizenship by being responsible neighbors and supporting local communities;
- Protecting the Earth's resources and reducing the operations' environmental impact.

Notable items regarding the Corporation's 2014 operating results, cash flows and operations include:

Operating Results:

- Adjusted earnings per diluted share of \$3.74, exclusive of acquisition-related expenses, net, related to TXI and the one-time increase in cost of sales for acquired inventory; reported earnings per diluted share of \$2.71
- Earnings before interest expense, income taxes, depreciation, depletion and amortization ("EBITDA") of \$537.0 million; adjusted EBITDA of \$590.8 million, which excludes the impact from nonrecurring transaction and integration expenses related to the TXI acquisition

- Return on shareholders' equity of 5.3% in 2014
- Aggregates product line volume growth of 13.7% and pricing increase of 4.5%
 - Heritage aggregates product line volume growth of 7.5% and pricing increase of 4.1%
- Record financial results by the Magnesia Specialties segment, which provided net sales of \$236.1 million and earnings from operations of \$74.8 million
- Effective management of controllable production costs, as evidenced by an 80-basis-point expansion of consolidated gross margin (excluding freight and delivery revenues)
- Selling, general and administrative expenses of 6.3% as a percentage of net sales, down 140 basis points

Cash Flows:

- Adjusted operating cash flow, which excludes the impact from nonrecurring transaction and integration expenses related to the TXI acquisition, of \$452.0 million; reported operating cash flow of \$381.7 million
- Adjusted cash earnings per share of \$7.92, up 19% as compared to 2013
- Issuance of \$400 million of 4.25% ten-year notes and \$300 million of three-year variable-rate notes to refinance TXI's debt
- Ratio of consolidated debt-to-consolidated EBITDA of 2.46 times for the trailing twelve months ended December 31, 2014, in compliance with the covenant maximum of 3.50 times
- Cash dividends of \$91.3 million, representing \$1.60 per common share
- Capital expenditures of \$232.2 million focused on preserving capital while maintaining safe, environmentally-sound operations, along with a continuing investment in land with long-term mineral reserves to serve high-growth markets

Operations:

- Solid foundation exemplifying disciplined management demonstrated in the seamless acquisition and the continuing integration of TXI
- Continued focus on safety substantiated by an improved total injury incidence rate, a measurement of employee safety performance
- Continued to support the communities where the Corporation operates

The Corporation's continued disciplined business approach and commitment to fundamentals and strategic vision, coupled with tactical execution, will enable management to prudently manage the business through the recovery stage of the construction cycle. Risks that are typical for the aggregates industry and the Corporation specifically become more pronounced during periods of economic uncertainty.

The Corporation continues to view its strategic objectives through the lens of building on the foundation of a world-class aggregates-led business. In the view of management, attractive aggregates markets exhibit population growth or population density, a driver of construction materials consumption or large-scale infrastructure networks; business and employment diversity, a driver of greater economic stability; and superior state financial position, a driver of public infrastructure growth. In light of these objectives, management intends to emphasize, among other things, the following strategic, financial and operational initiatives in 2015:

Strategic:

- Pursuing aggregates-led expansion through acquisitions that complement existing operations (i.e., bolt-on acquisitions) and acquisitions that provide leadership entry into a new market (i.e., platform acquisitions)
- Leveraging competitive advantage from the Corporation's long-haul distribution network
- Optimizing the Corporation's current asset base to continue to enhance shareholder value

Financial:

- Maintaining the Corporation's strong financial position while advancing strategic objectives
- Increasing the incremental gross margin of the aggregates product line toward management's targeted goal of an average of 60% over the course of a 40 million ton recovery in the business cycle, including recovery in the southeastern U.S. markets
- Maximizing return on invested capital consistent with the successful long-term operation of the Corporation's business
- Returning cash to shareholders through sustainable dividends and share repurchases

Operational:

- Continuing to focus on sustainability practices, including improved safety performance
- Maintaining a focus on functional excellence leading to cost containment and operational efficiencies, particularly in the ongoing efforts of the TXI integration
 - Expected annual synergies of \$100 million by 2016
 - Utilize more than \$500 million of existing net operating loss carryforwards from TXI through 2016
 - Realize incremental value from possible divestiture of identified non-operating real estate assets
- Investing in value-added growth initiatives and successfully integrating them with the Corporation's heritage operations
- Using best practices and information technology to drive improved cost performance
- Effectively serving high-growth markets
- Continuing the industry differentiating performance and operating results of the Magnesia Specialties segment

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

Acquisition of TXI

On July 1, 2014, the Corporation completed the acquisition of TXI by issuing 0.7 shares of the Corporation's common stock in exchange for each outstanding share of TXI common stock. In total, the Corporation issued 20.3 million shares of common stock. Inclusive of the effect of TXI's outstanding stock-based compensation awards at the date of the acquisition, the total purchase consideration was \$2.757 billion.

TXI was the largest supplier of construction aggregates, ready mixed concrete, concrete products and cement in Texas and a major cement producer in California. The combination expands the Corporation's geographic footprint and positions the Corporation to benefit from the strength of the combined aggregates platform.

In addition to the Cement business, in the TXI acquisition the Corporation acquired nine quarries and six aggregates distribution terminals located in Texas, Louisiana and Oklahoma. The Corporation also acquired approximately 120 ready mixed concrete plants, situated primarily in three areas in Texas (the Dallas/Fort Worth/Denton area of north Texas; the Austin area

of central Texas; and from Beaumont to Texarkana in east Texas), in north and central Louisiana, and in southwestern Arkansas. The acquired aggregates and ready mixed concrete operations are reported in the Corporation's West Group.

As part of an agreement with the U.S. Department of Justice's review of the transaction, the Corporation divested its North Troy Quarry in Oklahoma and two related rail distribution yards, one in Dallas and a second in Frisco, Texas.

Aggregates Industry Economic Considerations

The construction aggregates industry is a mature, cyclical business dependent on activity within the construction marketplace. In 2014, the Corporation's heritage aggregates shipments improved 7.5% compared with 2013 levels. The Corporation's annual aggregates shipments have ranged from 122 million tons to 147 million tons over the past four years, indicative of a certain degree of volume stability, albeit at historically low levels, in a cyclical trough environment. Prior to 2010, the economic recession resulted in unprecedented reductions in aggregates shipments, as evidenced by United States aggregates consumption declining by almost 40% from peak volumes in 2006.

The principal end-use markets of the aggregates industry are public infrastructure (i.e., highways; streets; roads; bridges; schools and prisons); nonresidential construction (i.e., manufacturing and distribution facilities; industrial complexes; office buildings; large retailers and wholesalers; and malls); and residential construction (i.e., subdivision development; and single- and multi-family housing). Aggregates products are also used in the railroad, agricultural, utility and environmental industries. Ballast is an aggregates product used to line 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. High-calcium limestone 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. Limestone can also be used to absorb moisture, particularly around building foundations. Stone is used as a stabilizing material to control erosion caused by water runoff or at ocean beaches, inlets, rivers and streams.

As discussed further under the section *Aggregates and Cement Industries and Corporation Trends* on pages 60 through 62, end-use markets respond to changing economic conditions in different ways. Public infrastructure construction has historically been more stable than nonresidential and residential construction due to typically stable and predictable funding from federal, state and local governments, with approximately half from the federal government and half from state and local governments. In recent history, however, the construction aggregates industry has experienced unprecedented uncertainty as it relates to both the timing and amount of future long-term federal infrastructure funding. The *Moving Ahead for Progress in the 21st Century Act*, or MAP-21, is a federal surface transportation bill providing annual funding of approximately \$40 billion. MAP-21 expired by its terms on September 30, 2014. However, as Congress continues to deliberate a successor bill, the provisions of MAP-21 have been extended through May 31, 2015. Additionally, Congress authorized a \$10.8 billion General Fund transfer to the Highway Trust Fund to maintain its solvency. These measures have not completely alleviated the reluctance by some states and municipalities to commit to large-scale, multi-year infrastructure projects supported by federal aid. However, during the period of uncertainty in the level of federal funding, some states have shown a commitment to securing alternative funding sources. For example, voters in Texas passed Proposition 1 in the November 2014 elections, which authorizes annual disbursements from the state's oil and gas production tax collections to the State Highway Fund. Supported by state-spending programs, heritage aggregates volumes to the infrastructure market increased 6% compared with 2013. Overall, the infrastructure market accounted for 44% of the Corporation's 2014 aggregates product line shipments. The continued impact of the *Transportation Infrastructure Finance and Innovation Act* ("TIFIA") component of MAP-21, which has the ability to leverage up to \$50 billion in financing for transportation projects of either national or regional significance, along with actions of the Corporation's key states to utilize various funding alternatives to support important infrastructure jobs, should provide an impetus for increased infrastructure spending in 2015 and beyond.

MARKETS
AGGREGATES PRODUCT LINE
 (Estimated percentage of shipments)

	2010	2011	2012	2013	2014	5-Year Average
Infrastructure	49%	48%	47%	48%	44%	47%
Nonresidential	27%	27%	29%	29%	32%	29%
Residential	10%	11%	12%	12%	14%	12%
ChemRock/Rail	14%	14%	12%	11%	10%	12%

Source: Corporation data

Nonresidential and residential construction levels are interest rate-sensitive and typically move in direct correlation with economic cycles. In 2014, construction growth was driven by private-sector activity. The Corporation's aggregates volumes to the nonresidential construction market, which accounted for 32% of the Corporation's 2014 aggregates shipments, increased 9% in 2014. The Dodge Momentum Index, a 12-month leading indicator of construction spending for nonresidential building compiled by McGraw Hill Construction, reached 128.7 in December 2014, an increase of 4% compared with the prior month and an increase of 9% compared with the prior year.

Growth was notable in energy-related shipments, which benefitted from shale energy projects, principally in South Texas, as well as energy-related industrial activity. Additionally, aggregates shipments to the commercial component of the nonresidential market, namely office and retail, increased in certain of the Corporation's geographic markets in Colorado, Georgia, North Carolina and Texas. The recent strengthening of the residential market precipitated increased nonresidential construction activities to serve growing populations. Recently, the rate of growth in residential construction has slowed, but the nonresidential construction market continues to gain momentum. This evolution is in line with expectations, as the commercial component of nonresidential construction generally follows the residential construction market with a 12-to-18-month lag. With the recent decline in global oil prices, there is uncertainty of the impact this decline will have on the currently strong Texas economy.

The residential construction market accounted for 14% of the Corporation's 2014 aggregates shipments, in line with the historical average, and aggregates volumes to this market increased 12% over 2013. While housing strength varies considerably in different areas of the United States, several of the Corporation's key geographic markets, including Florida, Georgia, North Carolina and Texas, are experiencing significant residential growth. As reported by the United States Census Bureau, the total value of private residential construction put in place increased 5% in 2014. Housing starts, a key indicator for residential construction activity, continue to show year-over-year improvement, although starts remain below the 50-year historical annual average of 1.5 million units. For 2014, annual housing starts were up 3% to an estimated 1,004,000, as reported by the United States Census Bureau, and the rate of housing starts continues to exceed completions. This trend is expected to continue in 2015.

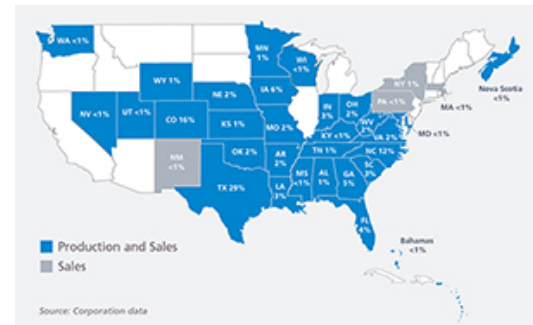
Shipments of chemical rock (comprised primarily of high-calcium carbonate material used for agricultural lime and flue gas desulfurization) and ballast products (collectively, referred to as "ChemRock/Rail") accounted for 10% of the Corporation's aggregates shipments and increased 4% in 2014 reflecting growth non-construction, specifically landscaping and backfill.

Shipments of aggregates-related downstream products typically follow construction aggregates trends.

In 2014, the Corporation shipped 146.0 million tons of aggregates to customers in 32 states, Canada, the Bahamas and the Caribbean Islands from approximately 270 aggregates quarries and distribution yards. The Corporation also shipped 3.3 million tons of asphalt and 4.8 million cubic yards of ready mixed concrete from 134 plants in Arkansas, Colorado, Louisiana, Texas and Wyoming. While the Aggregates business

covers a wide geographic area, financial results depend on the strength of the applicable local economies because of the high cost of transportation relative to the price of the product. The Aggregates business' top five sales-generating states – Texas, Colorado, North Carolina, Iowa and Georgia – accounted for 68% of its 2014 net sales by state of destination, while the top ten sales-generating states accounted for 83% of its 2014 net sales. Management closely monitors economic conditions and public infrastructure spending in the market areas in the states where the Corporation's operations are located. Further, supply and demand conditions in these states affect their respective profitability.

**2014 NET SALES BY STATE OF DESTINATION
AGGREGATES BUSINESS**



Aggregates Industry Considerations

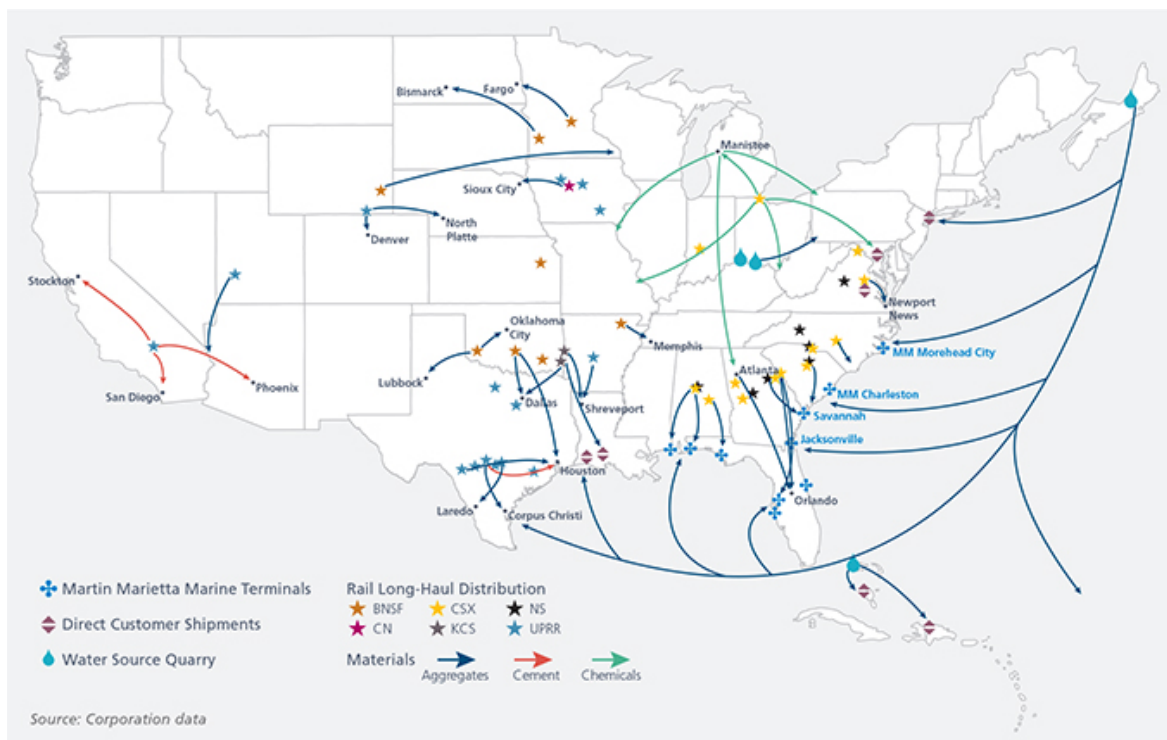
Since the construction aggregates business is conducted outdoors, erratic weather patterns, seasonal changes, precipitation and other weather-related conditions, such as snowstorms, droughts, flooding or hurricanes, can significantly affect production schedules, shipments and profitability of the aggregates industry. Generally, the financial results for the first and fourth quarters are significantly lower than the financial results of the other quarters due to winter weather.

While natural aggregate sources typically occur in relatively homogeneous deposits in certain areas of the United States, a significant challenge facing aggregate producers is locating suitable deposits that can be economically mined at locations that qualify for regulatory permits and are in close proximity to growing markets (or in close proximity to long-haul transportation corridors that economically serve growing markets). This objective becomes more challenging as residential expansion and other real estate development encroach on attractive quarrying locations, often triggering enhanced regulatory constraints or otherwise making these locations impractical for mining. The Corporation's management continues to meet this challenge through strategic planning to identify site locations in advance of economic expansion; land acquisition around existing quarry sites to increase mineral reserve capacity and lengthen quarry life or add a site buffer; underground mine development; and enhancing its competitive advantage with its long-haul distribution network. The Corporation's long-haul network

moves aggregate materials from domestic and offshore sources, via rail and water, to markets that generally exhibit above-average growth characteristics driven by long-term population growth and density but lack a long-term indigenous supply of coarse aggregates. The movement of aggregate materials through long-haul networks introduces risks to operating results as discussed more fully under the sections *Analysis of Aggregates Business Gross Margin* and *Transportation Exposure* on pages 59 and 60 and pages 71 through 73, respectively.

During the late 1990's and through the early 2000's, the aggregate industry experienced significant consolidation, and the Corporation actively participated in that industry consolidation. During this period, large (often public) companies acquired small-to-medium-sized businesses, primarily private companies. Thereafter, this consolidation trend slowed as the number of suitable small-to-mid-sized acquisition targets in high-growth markets declined. In the mid 2000's, at the apex of the

LONG HAUL DISTRIBUTION NETWORK



most recent construction cycle, large public companies acquired other large public companies and paid peak multiples of peak EBITDA, often stretching their financial capacity beyond investment-grade limits. The Corporation was not an active acquirer during this period, as management deemed the values of potential acquisitions to be significantly below the sellers' expectations. During the recent protracted recession in the construction industry, the Corporation has been successful in executing against its strategic vision, completing several acquisitions, including TXI, as well as asset swaps and divestitures from companies rationalizing non-core assets and repairing financially-constrained balance sheets. As the economy recovers, management anticipates the number of acquisition opportunities should increase as sellers view options for monetizing improving earnings. The Corporation pursues acquisitions that fit its strategic objectives as discussed more fully under the section *Aggregates and Cement Industries and Corporation Trends* on pages 60 through 62.

Aggregates Business Financial Considerations

The production of construction-related aggregates requires a significant capital investment resulting in high fixed and semi-fixed costs, as discussed more fully under the section *Cost Structure* on pages 69 through 71. Further, operating results and financial performance are sensitive to shipment volumes and changes in selling prices.

Average selling price for the heritage aggregates product line increased 4.1% in 2014. As expected, this overall pricing increase was not uniform throughout the Corporation. Pricing growth was led by the Corporation's Southeast Group, which reported an aggregates product line price increase of 6.4%, reflecting price increases implemented over the past year.

The production of construction-related aggregates also requires the use of various forms of energy, notably, diesel fuel. Therefore, fluctuations in diesel fuel pricing can significantly affect the Corporation's operating results. The Corporation's average price per gallon of diesel fuel in 2014 was 8% lower compared with 2013. However, per gallon diesel prices declined rapidly during December 2014, ending the year at a per gallon price that was 26% below the 2014 average. The Corporation does not hedge

its diesel fuel price risk, but instead focuses on volume-related price reductions, fuel efficiency, consumption and the natural hedge typically created by the ability to increase aggregates prices.

Aggregates-related downstream operations, which represented 30% of the Aggregates business' 2014 total net sales, have inherently lower gross margins (excluding freight and delivery revenues) than the aggregates product line. Market dynamics for these operations include a highly competitive environment and lower barriers to entry. Liquid asphalt and cement are key raw materials in the production of hot mix asphalt and ready mixed concrete, respectively. Therefore, fluctuations in prices for these raw materials directly affect the Corporation's operating results. Prices for liquid asphalt in 2014 were slightly higher than 2013 prices. Liquid asphalt prices may not always follow other energy products (eg. oil or diesel fuel) because of complexities in the refining process which converts a barrel of oil into other fuels and petrochemical products.

Management evaluates financial performance in a variety of ways. In particular, gross margin (excluding freight and delivery revenues) is a significant measure of financial performance reviewed by management on a site-by-site basis. Management also reviews incremental gross margin, changes in average selling prices, costs per ton shipped, tons produced per worked man hour and return on invested capital, along with other key financial, nonfinancial and employee safety data. Changes in average selling prices demonstrate economic and competitive conditions, while incremental gross margin and changes in costs per ton shipped and tons produced per worked man hour are indicative of operating leverage and efficiency and economic conditions.

Cement Industry Considerations

Cement is the basic binding agent for concrete, a primary construction material. The principal raw material used in the production of cement is calcium carbonate in the form of limestone. The Corporation acquired more than 800 million tons of limestone reserves adjacent to its three cement production plants.

Similar to the Aggregates business, cement is used in infrastructure projects, nonresidential and residential construction, and railroad, aggregates, utility and environmental industries. Consequently, the cement industry is cyclical and dependent on the strength of the construction sector.

Energy, including electricity and fossil fuels, accounts for approximately one-third of the cement production cost profile. Therefore, profitability of the Cement business is affected by changes in energy prices and the availability of the supply of these products. The Corporation currently has a fixed-price supply contract for coal but also consumes natural gas, alternative fuel and petroleum coke. Further, profitability of the cement business is also subject to kiln maintenance. This process typically requires the plant to be shut down for a period of time as repairs are made. In 2014, the Cement business incurred shutdown costs of \$13.3 million during the second half of the year.

The Texas plants are operating between 75 and 85 percent utilization and the California plant is operating in the low 70s percent utilization, reflective of a slower recovery in the southern California construction economy. The Portland Cement Association ("PCA") anticipates California markets should reach a demand/supply equilibrium during 2016. The Cement business' leadership, in collaboration with the aggregates and ready mixed concrete teams, have developed strategic plans regarding interplant efficiencies, as well as tactical plans addressing plant utilization and efficiency, providing incremental supply for a sold-out Texas cement market and a road map for significantly improved profitability for 2015 and beyond. Due to the 24/7/365 nature of cement operations, significant gains in plant utilization and efficiency are typically achieved only during plant shutdowns. Further, on October 1, 2014, the Corporation announced a 10 dollar per ton price increase for both the Texas and California markets. In 2014, the Corporation shipped 2.8 million tons of cement; 2.3 million tons to customers in 13 states and 0.5 million tons for internal use. The PCA forecasts high-single digit growth in the cement market in 2015.

Magnesia Specialties Considerations

The Corporation, through its Magnesia Specialties segment, also produces and sells dolomitic lime and magnesia-based chemicals. In 2014, this segment achieved record net sales,

gross profit and earnings from operations. For the year, net sales increased 4.6%, reflecting growth in the chemicals product line. The dolomitic lime business, which represented 33% of Magnesia Specialties' 2014 net sales, is dependent on the steel industry and operating results are affected by cyclical changes in that industry. The dolomitic lime business runs most profitably at 70% or greater steel utilization; domestic capacity utilization averaged 77% in 2014. The chemical products business focuses on higher-margin specialty chemicals that can be produced at volumes that support efficient operations.

A significant portion of costs related to the production of dolomitic lime and magnesia chemical products is of a fixed or semi-fixed nature. The production of dolomitic lime and certain magnesia chemical products also requires the use of natural gas, coal and petroleum coke. Therefore, fluctuations in their pricing directly affect operating results. The Corporation has entered into fixed-price supply contracts for natural gas, coal and petroleum coke to help mitigate this risk. During 2014, the Corporation's average cost per MCF (thousand cubic feet) for natural gas increased 24% from 2013.

Cash Flow Considerations

The Corporation's cash flows are generated primarily from operations. Operating cash flows generally fund working capital needs, capital expenditures, dividends, share repurchases and smaller acquisitions. The Corporation has a \$600 million credit agreement (the "Credit Agreement") with a syndicate of banks. The Credit Agreement provides a \$350 million five-year senior unsecured revolving facility (the "Revolving Facility") and a \$250 million senior unsecured term loan (the "Term Loan Facility"). As amended in July 2014, the Corporation also has a \$250 million trade receivable securitization facility (the "Trade Receivable Facility").

During 2014, the Corporation made net repayments of long-term debt of \$188.5 million. The Corporation assumed \$650 million of publicly traded 9.25% notes in connection with the TXI acquisition. These notes were refinanced by paying a make-whole premium and issuing a combination of new fixed- and variable-rate debt in the aggregate principal amount of \$700 million. Additionally, during 2014, the Corporation invested \$232.2 million in capital expenditures, paid \$91.3 million in dividends and made contributions of \$25.7 million to its pension plans.

Cash and cash equivalents on hand, \$108.7 million at December 31, 2014, along with the Corporation's projected internal cash flows and its available financing resources, including access to debt and equity markets, as needed, is expected to continue to be sufficient to provide the capital resources necessary to support anticipated operating needs, cover debt service requirements, satisfy non-cancelable agreements, meet capital expenditures and discretionary investment needs, fund certain acquisition opportunities that may arise and allow for payment of dividends for the foreseeable future. At December 31, 2014, the Corporation had unused borrowing capacity of \$347.5 million under its Revolving Facility and \$250.0 million under its Trade Receivable Facility, subject to complying with its leverage covenant.

The Corporation's ability to borrow funds or issue securities is dependent upon, among other things, prevailing economic, financial and market conditions. As of December 31, 2014, the Corporation had principal indebtedness of \$1.585 billion and future minimum lease and mineral and other royalty commitments for all non-cancelable agreements of \$410.7 million. The Corporation's ability to generate sufficient cash flow depends on future performance, which will be subject to general economic conditions, industry cycles and financial, business and other factors affecting its consolidated operations, many of which are beyond the Corporation's control. If the Corporation is unable to generate sufficient cash flow from operations in the future to satisfy its financial obligations, it may be required, among other things, to seek additional financing in the debt or equity markets; to refinance or restructure all or a portion of its indebtedness; to further reduce or delay planned capital or operating expenditures; and/or to suspend or reduce the amount of the cash dividend to shareholders.

An increase in leverage could lead to deterioration in the Corporation's credit ratings. A reduction in its credit ratings, regardless of the cause, could limit the Corporation's ability to obtain additional financing and/or increase its cost of obtaining financing.

FINANCIAL OVERVIEW

Highlights of 2014 Financial Performance (all comparisons are versus 2013)

- **Adjusted earnings per diluted share of \$3.74**

Reported earnings per diluted share	\$ 2.71
Add back:	
Acquisition-related expenses, net	0.91
One-time increase in cost of sales for acquired inventory	<u>0.12</u>
Adjusted earnings per diluted share	<u>\$ 3.74</u>
- **Consolidated EBITDA of \$537.0 million; adjusted EBITDA of \$590.8 million**
- **Consolidated net sales of \$2.68 billion compared with \$1.94 billion, an increase of 38%**
 - \$2.17 billion of net sales from heritage operations
- **Aggregates product line volume increase of 13.7%; aggregates product line pricing increase of 4.5%**
 - Heritage aggregates product line volume increase of 7.5%; heritage aggregates product line pricing increase of 4.1%
- **Magnesia Specialties net sales of \$236.1 million and earnings from operations of \$74.8 million, both annual records**
- **Acquired operations contribute \$511.6 million of net sales and \$78.9 million of adjusted gross profit**
- **Heritage consolidated gross margin (excluding freight and delivery revenues) of 21.0%, up 230 basis points**
- **Selling, general and administrative expenses ("SG&A Expenses") as a percentage of net sales declined 140 basis points**
- **Adjusted consolidated earnings from operations of \$368.7 million compared with \$218.0 million, a 70% increase:**

Reported earnings from operations	\$314.9
Add back:	
TXI acquisition-related expenses, net	42.7
One-time increase in cost of sales for acquired inventory	<u>11.1</u>
Adjusted earnings from operations	<u>\$368.7</u>

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

years ended December 31 (add 000, except for % of net sales)	2014	% of Net Sales	2013	% of Net Sales	2012	% of Net Sales
Net sales	\$2,679,095	100.0%	\$ 1,943,218	100.0%	\$ 1,832,957	100.0%
Freight and delivery revenues	278,856		212,333		198,944	
Total revenues	2,957,951		2,155,551		2,031,901	
Cost of sales	2,156,735	80.5	1,579,261	81.3	1,505,823	82.2
Freight and delivery costs	278,856		212,333		198,944	
Total cost of revenues	2,435,591		1,791,594		1,704,767	
Gross profit	522,360	19.5	363,957	18.7	327,134	17.8
Selling, general and administrative expenses	169,245	6.3	150,091	7.7	138,398	7.6
Acquisition related expenses, net	42,891	1.6	671	—	35,140	1.9
Other operating income, net	(4,649)	(0.2)	(4,793)	(0.2)	(2,574)	(0.1)
Earnings from operations	314,873	11.8	217,988	11.2	156,170	8.5
Interest expense	66,057	2.5	53,467	2.8	53,339	2.9
Other nonoperating (income) and expenses, net	(362)	—	295	—	(1,299)	(0.1)
Earnings from continuing operations before taxes on income	249,178	9.3	164,226	8.5	104,130	5.7
Taxes on income	94,847	3.5	44,045	2.3	17,431	1.0
Earnings from continuing operations	154,331	5.8	120,181	6.2	86,699	4.7
Loss on discontinued operations, net of taxes	(37)	—	(749)	—	(1,172)	—
Consolidated net earnings	154,294	5.8	119,432	6.1	85,527	4.7
Less: Net (loss) earnings attributable to noncontrolling interests	(1,307)	—	(1,905)	(0.1)	1,053	0.1
Net Earnings Attributable to Martin Marietta	\$ 155,601	5.8%	\$ 121,337	6.2%	\$ 84,474	4.6%

Results of Operations

The discussion and analysis that follow reflect management's assessment of the financial condition and results of operations of the Corporation and should be read in conjunction with the audited consolidated financial statements on pages 11 through 42. As discussed in more detail herein, the Corporation'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. Accordingly, the financial results for a particular year, or year-to-year comparisons of reported results, may not be indicative of future operating results. The Corporation's Aggregates business generated 83% of consolidated net sales and the majority of consolidated operating earnings during 2014. Furthermore, management presents certain key performance indicators for the Aggregates business. The following comparative

analysis and discussion should be read within these contexts. Further, sensitivity analysis and certain other data are provided to enhance the reader's understanding of Management's Discussion and Analysis of Financial Condition and Results of Operations and are not intended to be indicative of management's judgment of materiality.

The comparative analysis in this Management's Discussion and Analysis of Financial Condition and Results of Operations is based on net sales and cost of sales. However, gross margin as a percentage of net sales and operating margin as a percentage of net sales represent non-GAAP measures. The Corporation presents these ratios based on net sales, as it is consistent with the basis by which management reviews the Corporation's operating results. Further, management believes it is consistent with the basis by which investors analyze the Corporation's operating results given that freight and delivery

revenues and costs represent pass-throughs and have no profit mark-up. Gross margin and operating margin calculated as percentages of total revenues represent the most directly comparable financial measures calculated in accordance with generally accepted accounting principles ("GAAP").

EBITDA is a widely accepted financial indicator of a company's ability to service and/or incur indebtedness. EBITDA and adjusted EBITDA are not defined by GAAP and, as such, should not be construed as alternatives to net earnings or operating cash flow.

Adjusted gross profit from acquired operations, adjusted consolidated earnings from operations, adjusted net earnings and adjusted earnings per diluted share ("Adjusted EPS") for the year ended December 31, 2014, are non-GAAP measures which exclude the impact of TXI acquisition-related expenses, net, and the impact of the write-up of acquired inventory to fair value. Adjusted operating cash flow and related per diluted share amounts are also non-GAAP measures that exclude the cash impact of acquisition-related expenses, net. The Corporation presents these measures to allow investors to analyze and forecast the Corporation's operating results and cash flows given that these costs are nonrecurring.

The following tables present (i) the calculations of gross margin and operating margin for the years ended December 31 in accordance with GAAP and reconciliations of the ratios as percentages of total revenues to percentages of net sales; (ii) a reconciliation of net earnings attributable to Martin Marietta to consolidated EBITDA and adjusted consolidated EBITDA for the year ended December 31, 2014; and (iii) the reconciliations of adjusted gross profit from acquired operations, adjusted consolidated earnings from operations, adjusted net earnings, adjusted EPS and adjusted operating cash flow for the year ended December 31, 2014 to the nearest measures in accordance with GAAP:

Gross Margin in Accordance with GAAP

years ended December 31 (add 000, except margin %)	2014	2013	2012
Gross profit	\$ 522,360	\$ 363,957	\$ 327,134
Total revenues	\$ 2,957,951	\$ 2,155,551	\$ 2,031,901
Gross margin	17.7%	16.9%	16.1%

Gross Margin (Excluding Freight and Delivery Revenues)

years ended December 31 (add 000, except margin %)	2014	2013	2012
Gross profit	\$ 522,360	\$ 363,957	\$ 327,134
Total revenues	\$ 2,957,951	\$ 2,155,551	\$ 2,031,901
Less: Freight and delivery revenues	(278,856)	(212,333)	(198,944)
Net sales	\$ 2,679,095	\$ 1,943,218	\$ 1,832,957
Gross margin (excluding freight and delivery revenues)	19.5%	18.7%	17.8%

Operating Margin in Accordance with GAAP

years ended December 31 (add 000, except margin %)	2014	2013	2012
Earnings from operations	\$ 314,873	\$ 217,988	\$ 156,170
Total revenues	\$ 2,957,951	\$ 2,155,551	\$ 2,031,901
Operating margin	10.6%	10.1%	7.7%

Operating Margin (Excluding Freight and Delivery Revenues)

years ended December 31 (add 000, except margin %)	2014	2013	2012
Earnings from operations	\$ 314,873	\$ 217,988	\$ 156,170
Total revenues	\$ 2,957,951	\$ 2,155,551	\$ 2,031,901
Less: Freight and delivery revenues	(278,856)	(212,333)	(198,944)
Net sales	\$ 2,679,095	\$ 1,943,218	\$ 1,832,957
Operating margin (excluding freight and delivery revenues)	11.8%	11.2%	8.5%

Consolidated EBITDA and Adjusted Consolidated EBITDA

year ended December 31 (add 000)	2014
Net earnings attributable to Martin Marietta	\$ 155,601
Add back:	
Interest expense	66,067
Income tax expense for controlling interests	94,729
Depreciation, depletion and amortization expense	220,553
Consolidated EBITDA	\$ 536,950
Add back:	
TXI acquisition-related expenses, net	42,689
Impact of selling acquired inventory due to markup to fair value	11,124
Adjusted consolidated EBITDA	\$ 590,763

Adjusted Gross Profit from Acquired Operations

year ended December 31 (add 000)	2014
Gross profit from acquired operations in accordance with generally accepted accounting principles	\$ 67,734
Add back: Impact of selling acquired inventory due to markup to fair value	11,124
Adjusted gross profit from acquired operations	\$ 78,858

Adjusted Earnings from Operations

year ended December 31 (add 000)	2014
Earnings from operations in accordance with generally accepted accounting principles	\$ 314,873
Add back:	
TXI acquisition-related expenses, net	42,689
Impact of selling acquired inventory due to markup to fair value	11,124
Adjusted earnings from operations	\$ 368,686

Adjusted Net Earnings

year ended December 31 (add 000)	2014
Net earnings in accordance with generally accepted accounting principles	\$ 155,601
Add back:	
TXI acquisition-related expenses, net	42,689
Impact of selling acquired inventory due to markup to fair value	11,124
Income tax expenses on acquisition-related expenses, net, and inventory markup	4,977
Adjusted net earnings	\$ 214,391

Adjusted Earnings Per Diluted Share

year ended December 31	2014
Earnings per diluted share in accordance with generally accepted accounting principles	\$ 2.71
Add back:	
Per diluted share impact of TXI acquisition-related expenses, net	0.91
Per diluted share impact of selling acquired inventory due to markup to fair value	0.12
Adjusted earnings per diluted share	\$ 3.74

Adjusted Operating Cash Flow

year ended December 31 (add 000, except per share data)	2014
Operating cash flow in accordance with generally accepted accounting principles	\$ 381,658
Add back:	
Cash impact of TXI acquisition-related expenses	70,352
Adjusted operating cash flow	\$ 452,010
Weighted-average diluted common shares outstanding	57,088
Adjusted operating cash flow per weighted-average diluted common share outstanding	\$ 7.92

Net Sales

 Net sales¹ by reportable segment are as follows:

years ended December 31 (add 000)	2014	2013	2012
Heritage:			
Mid-America Group	\$ 770,568	\$ 720,007	\$ 695,819
Southeast Group	254,986	226,437	226,232
West Group	905,856	771,133	708,689
Total Heritage Aggregates Business	1,931,410	1,717,577	1,630,740
Magnesia Specialties	236,106	225,641	202,217
Total Heritage Consolidated	2,167,516	1,943,218	1,832,957
Acquisitions:			
Aggregates Business			
- West Group	302,023	-	-
Cement	209,556	-	-
Total Acquisitions	511,579	-	-
Total	\$2,679,095	\$1,943,218	\$1,832,957

¹ Reflect the elimination of intersegment sales.

Net sales by product line for the Aggregates business are as follows:

years ended December 31 (add 000)	2014	2013	2012
Heritage:			
Aggregates	\$1,502,476	\$1,347,486	\$1,303,975
Asphalt	76,278	66,216	79,816
Ready Mixed Concrete	196,042	146,079	110,554
Road Paving	156,614	157,796	136,395
Total Heritage Aggregates Business	1,931,410	1,717,577	1,630,740
Acquisitions:			
Aggregates	67,546	-	-
Ready Mixed Concrete	234,477	-	-
Total Acquisitions	302,023	-	-
Total Aggregates Business¹	\$2,233,433	\$1,717,577	\$1,630,740

¹ Net sales reflect the elimination of inter-product line sales.

Aggregates Product Line. Heritage aggregates operations exclude acquisitions that were not included in prior-year operations for a full year. The TXI operations, which the Corporation acquired in July 2014, are reported in acquisitions.

Heritage and total aggregates product line average selling price increases are as follows:

years ended December 31	2014	2013	2012
Mid-America Group	3.8%	3.0%	1.3%
Southeast Group	6.4%	1.4%	3.9%
West Group	5.1%	4.0%	1.5%
Heritage Aggregates Operations	4.1%	3.0%	0.5%
Aggregates Product Line	4.5%	3.0%	0.8%

The following presents the average selling price per ton for the heritage aggregates product line and the acquired TXI operations:

Aggregates Product Line Average Selling Price

	2014	2013	2012
Heritage	\$ 11.07	\$ 10.63	\$ 10.33
Acquisitions	\$ 11.96	\$ —	\$ —

In 2014, the average selling price increase was in line with the average for the ten- and twenty-year periods ended December 31, 2014 of 4.9% and 3.8%, respectively. The average selling price for the acquired aggregates product line reflects a higher mix of products shipped via rail distribution yards, coupled with sand and gravel shipments which are higher priced products. This product mix is substantially different from the heritage aggregates product line mix. Direct comparisons between heritage and acquisitions average selling price can be misleading. Pricing for the aggregates product line in 2013 reflected price increases, partially offset with the impact of product mix. Aggregates pricing in 2012, in part, reflects the impact of increased demand, partially offset by product mix in the West Group. For 2012, the average selling price increase for the Southeast Group was higher than the other reportable segments primarily due to product mix, which reflected a higher percentage of higher-priced products being sold. Product mix, principally energy-sector shipments, negatively affected West Group pricing in 2012.

The following presents heritage and total aggregates product line shipments for each reportable segment of the Aggregates business:

years ended December 31

Tons (add 000)	2014	2013	2012
Heritage Aggregates Product Line:			
Mid-America Group	64,959	62,982	62,770
Southeast Group	18,289	17,250	17,549
West Group	54,873	48,201	48,012
Heritage Aggregates Operations	138,121	128,433	128,331
Acquisitions	7,929	—	—
Aggregates Product Line	146,050	128,433	128,331

Aggregates product line includes shipments sold externally to customers and tons used in other product lines as follows:

years ended December 31

Tons (add 000)	2014	2013	2012
Heritage Aggregates Product Line:			
Tons to external customers	132,523	123,792	123,873
Internal tons used in other product lines	5,598	4,641	4,458
Total heritage aggregates tons	138,121	128,433	128,331
Acquisitions:			
Tons to external customers	5,699	—	—
Internal tons used in other product lines	2,230	—	—
Total acquisition aggregates tons	7,929	—	—

Heritage aggregates product line shipments in 2014 increased 7.5% compared with 2013. Private construction led the growth with the residential market increasing 12.4% and the nonresidential market increasing 8.6%. Shipments to the infrastructure market in 2014 increased 6.2%, with notable growth in Texas and Colorado. Volumes in 2013 were flat compared with 2012 and reflect notable volume growth in the Corporation's nonresidential and residential end-use markets, offset by weak infrastructure demand. Aggregates product line shipments in 2012 increased 2.6% compared with 2011 due to increased energy-sector and residential construction shipments, coupled with shipments contributed by the Corporation's Colorado operations, which were acquired in December 2011.

Heritage and total aggregates product line volume variance by reportable segment is as follows:

years ended December 31

	2014	2013	2012
Mid-America Group	3.1%	0.3%	1.8%
Southeast Group	6.0%	(1.7%)	(3.4%)
West Group	13.8%	0.5%	23.0%
Heritage Aggregates Operations	7.5%	0.1%	8.0%
Total Aggregates Product Line	13.7%	0.1%	2.6%

Aggregates product line shipments in 2014 increased in each group as most of the nation is recovering from the Great Recession. The West Group experienced the highest rate of growth, as recovery in the western United States is outpacing the eastern part of the country. Additionally, shipments in the West Group reflect the strength of the state Department of Transportation budgets in Texas and Colorado.

The Southeast Group has begun to recover from historically low shipment levels. Growth in 2014 was most significant in the nonresidential market and coincides with employment gains in Florida and Georgia.

In 2012, the West Group benefited from a significant increase in shipments to the energy-sector from shale field activity, primarily in the Eagle Ford Shale field in south Texas, improved residential construction activity in Texas and volume contribution from the Colorado operations.

Aggregates-Related Downstream Operations. The Corporation's aggregates-related downstream operations include asphalt, ready mixed concrete and road paving businesses in Arkansas, Colorado, Louisiana, Texas and Wyoming.

Average selling prices by product line for the Corporation's aggregates-related downstream operations are as follows:

years ended December 31	2014	2013	2012
Heritage:			
Asphalt tons	\$41.26	\$42.09	\$41.57
Ready Mixed Concrete - cubic yards	\$93.27	\$83.73	\$77.24
Acquisition:			
Ready Mixed Concrete - cubic yards	\$84.53	-	-

Unit shipments by product line for the Corporation's aggregates-related downstream operations are as follows:

years ended December 31	2014	2013	2012
Tons (add 000)			
Asphalt Product Line:			
Tons to external customers	1,508	1,361	1,662
Internal tons used in road paving business	1,807	1,728	1,598
Total asphalt tons	3,315	3,089	3,260
Heritage Ready Mixed Concrete			
- cubic yards	2,033	1,742	1,481
Acquisition Ready Mixed Concrete			
- cubic yards	2,746	-	-

Cement. The Cement segment was acquired on July 1, 2014. Net sales for the second half of 2014 were \$209.6 million and reflect the Corporation's leading position in the Texas market.

Magnesia Specialties. Magnesia Specialties' 2014 net sales grew 4.6%, attributable to an increase in the chemicals product line. Net sales in 2013 of \$225.6 million, reflecting the Woodville, Ohio, kiln capacity expansion in the dolomitic lime business, marketing initiatives in the chemicals business and solid pricing gains in key product lines, increased 11.6% over 2012 sales.

Freight and Delivery Revenues and Costs

Freight and delivery revenues and costs represent pass-through transportation costs incurred when the Corporation arranges for a third-party carrier to deliver aggregates products to customers (see section *Transportation Exposure* on pages 71 through 73). These third-party freight costs are then billed to the customer.

Cost of Sales

Cost of sales increased 36.6%, on an absolute dollar basis, in 2014 compared with 2013 primarily due to increased shipments in the heritage aggregates business and the acquisition of TXI. Notably, the 2014 increase in heritage aggregates product line cost per ton shipped was 1.0% over 2013, reflecting increased leverage and effective cost management. In 2013, cost of sales increased 4.9% compared with 2012 due to inflation, production costs for quarries acquired in July 2013 and certain unplanned equipment repairs.

Gross Profit

Improved aggregates product line volume and pricing, strong performance by the Magnesia Specialties business and the contribution from acquired businesses led to consolidated gross profit of \$522.4 million, an improvement of \$158.4 million, or 43.5%, in 2014. During 2013, consolidated gross profit increased \$36.8 million, or 11.3%, in 2013.

The following presents a reconciliation of the Corporation's consolidated gross profit:

years ended December 31 (add 000)	2014	2013
Consolidated Gross Profit, prior year	\$363,957	\$327,134
Heritage Aggregates Product Line:		
Pricing strength	60,855	42,426
Volume strength	102,871	1,085
Increase in production costs	(70,092)	(23,582)
Increase in internal freight costs	(24,849)	(1,846)
(Increase) Decrease in other costs	(6,860)	357
Increase in Heritage Aggregates Product Line		
Gross Profit	61,925	18,440
Heritage aggregates-related downstream business	22,912	7,953
Acquired Aggregates business operations	16,632	–
Cement	52,469	–
Magnesia Specialties	891	6,480
Corporate	3,574	3,950
Increase in Consolidated Gross Profit	158,403	36,823
Consolidated Gross Profit, current year	\$522,360	\$363,957

Production costs for the heritage aggregates product line in 2014 reflect the increase in production in response to higher demand. Costs in 2013 include incremental costs for the quarries acquired in Georgia in July 2013, higher repair costs, increased workers compensation costs, nonrecurring costs related to the September 2013 flooding in Denver, Colorado, as well as increased production volume.

Internal freight costs represent freight expenses to transport materials from a producing quarry to a distribution yard. The increase in these costs in 2014 reflect an increase in shipments being transported via rail.

Gross profit (loss) by business is as follows:

years ended December 31 (add 000)	2014	2013	2012
Heritage:			
Aggregates	\$320,979	\$259,054	\$240,614
Asphalt	13,552	12,928	12,099
Ready Mixed Concrete	25,611	8,337	59
Road Paving	6,440	1,426	2,580
Total Heritage Aggregates Business	366,582	281,745	255,352
Magnesia Specialties	84,594	83,703	77,223
Corporate	3,449	(1,491)	(5,441)
Total Heritage Consolidated	454,625	363,957	327,134
Acquisitions:			
Aggregates	3,114	–	–
Ready Mixed Concrete	13,518	–	–
Cement	52,469	–	–
Corporate	(1,366)	–	–
Total Acquisitions	67,735	–	–
Total	\$522,360	\$363,957	\$327,134

Corporate gross profit includes depreciation on capitalized interest and unallocated operational expenses excluded from the Corporation's evaluation of business segment performance. For 2014, the amount includes the settlement of a sales tax audit. Consolidated gross margin (excluding freight and delivery revenues) for 2014 expanded 60 basis points compared with 2013. Consolidated gross margin (excluding freight and delivery revenues) for 2013 increased 90 basis points over 2012 (see sections *Analysis of Aggregates Business Gross Margin* on pages 59 and 60 and *Transportation Exposure* on pages 71 and 73).

Gross profit (loss) by reportable segment for the Aggregates business is as follows:

years ended December 31 (add 000)	2014	2013	2012
Heritage Aggregates Business:			
Mid-America Group	\$216,883	\$192,747	\$185,191
Southeast Group	10,653	(3,515)	(6,051)
West Group	139,046	92,513	76,212
Total Heritage Aggregates Business	366,582	281,745	255,352
Acquisitions:			
West Group	16,632	–	–
Total Aggregates Business ¹	\$383,214	\$281,745	\$255,352

¹ Gross profit reflects the elimination of intersegment profit.

Gross margin (excluding freight and delivery revenues) by reportable segment is as follows:

years ended December 31	2014	2013	2012
Heritage:			
Mid-America Group	28.1%	26.8%	26.6%
Southeast Group	4.2%	(1.6%)	(2.7%)
West Group	15.3%	12.0%	10.9%
Total Heritage Aggregates Business	19.0%	16.4%	15.7%
Magnesia Specialties	35.8%	37.1%	38.2%
Total Consolidated Heritage	21.0%	18.7%	17.8%
Acquisitions:			
West Group	5.5%	–	–
Cement	25.0%	–	–
Total Acquisitions	13.2%	–	–
Consolidated	19.5%	18.7%	17.8%

Gross margin (excluding freight and delivery revenues) improvement for the heritage aggregates business reflects volume and pricing increases in the aggregates and ready mixed concrete product lines and the increased leverage provided by higher shipment levels.

Magnesia Specialties business' 2014 gross margin (excluding freight and delivery revenues) reflects higher natural gas costs. During 2013, Magnesia Specialties incurred higher coal and natural gas costs compared with 2012 and lost higher-margin sales from a customer that filed for bankruptcy.

The gross margin (excluding freight and delivery revenues) for the acquired operations were negatively affected by the one-time \$12.1 million write up of inventory to fair value at the TXI acquisition date. Management expects improvements in gross margin as these operations are further integrated into the heritage business.

Selling, General and Administrative Expenses

SG&A expenses for 2014 were 6.3% of net sales, an improvement of 140 basis points. The decrease reflects lower pension expense and the rate of growth in net sales outpacing the increase in SG&A expenses. For 2013 SG&A expenses were 7.7% of net sales, an increase of 10 basis points compared with 2012. On an absolute basis, SG&A increased \$11.7 million, as expected, due to incremental costs for the Corporation's information systems upgrade that was successfully completed in October 2013, as well as other costs related to productivity improvement initiatives.

Acquisition-Related Expenses, Net

In 2014, the Corporation incurred business development and acquisition integration costs and a nonrecurring gain on a divestiture as required by the Department of Justice as a result of the TXI acquisition (collectively "acquisition-related expenses, net") of \$42.7 million. The Corporation's business development expenses were \$35.1 million in 2012, primarily related to a proposed merger that was not consummated.

Other Operating Income, Net

Among other items, other operating income and expenses, net, include gains and losses on the sale of assets; gains and losses related to certain customer accounts receivable; rental, royalty and services income; accretion expense, depreciation expense, and gains and losses related to asset retirement obligations; and research and development costs. Consolidated other operating income, net, was \$4.6 million in 2014, \$4.8 million in 2013 and \$2.6 million in 2012. Operating income, net, in 2013 included higher bad debt recoveries and higher gains on the sales of assets, both compared with 2012.

Earnings from Operations

Solid pricing and volume growth for both the aggregates and ready mixed concrete product lines, coupled with record operating performance by the Magnesia Specialties business and the contribution from the acquired TXI operations led to a \$96.9 million improvement in 2014 consolidated earnings from operations compared with 2013. Excluding TXI acquisition-related expenses, net, and the one-time write up of acquired inventory, consolidated earnings from operations for 2014 were \$369.7 million, an increase of \$151.7 million. Consolidated earnings from operations increased \$61.8 million in 2013 compared with 2012, which represented a 270-basis-point increase in consolidated operating margin (excluding freight and delivery revenues).

Interest Expense

Interest expense of \$66.1 million in 2014, increased \$12.6 million over 2013. The increase reflects the issuance of \$700 million of notes in July to refinance and lower the interest expense of notes assumed with the TXI acquisition. Interest expense was flat in 2013 compared to 2012.

Other Nonoperating Income and Expenses, Net

Other nonoperating income and expenses, net, are comprised generally of interest income, foreign currency transaction gains and losses and net equity earnings from nonconsolidated investments. Consolidated other nonoperating income and expenses, net, was income of \$0.4 million in 2014, an expense of \$0.3 million in 2013 and income of \$1.3 million in 2012.

Taxes on Income

Variances in the estimated effective income tax rates, when compared with the federal corporate tax rate of 35%, are due primarily to the statutory depletion deduction for mineral reserves, the effect of state income taxes, the domestic production deduction, the tax effect of nondeductibility of goodwill related to divestitures of businesses and the impact of foreign losses for which no tax 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 sales 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 on continuing operations. However, the impact of the depletion deduction on the estimated effective tax rate is inversely affected by increases or decreases in pretax earnings.

The estimated effective income tax rates for discontinued operations reflect the tax effects of individual operations' transactions and are not indicative of the Corporation's overall effective income tax rate.

The Corporation's estimated effective income tax rates are as follows:

<i>years ended December 31</i>	2014	2013	2012
Continuing operations	38.1%	26.8%	16.7%
Overall	38.1%	26.8%	16.3%

For 2014, the effective income tax rate for full-year 2014 was 38%, which is higher than the Corporation's historical rate. The estimated effective income tax rate, excluding the TXI transaction effects, would have been 30%. The rate increase reflects the tax impact of the TXI transaction, including the limited deductibility of certain acquisition-related expenses and the non-deductibility of goodwill written off as part of the required divestiture. These factors were partially offset by the income tax benefits resulting from the exercise of converted stock awards issued to former TXI personnel.

In August 2013, the Corporation filed the required amended returns and paid the taxes due to settle the Advance Pricing Agreements ("APA") it has with Canada that increased the sales price charged for intercompany shipments from Canada to the United States during the years 2005 through 2011. The Corporation also filed amended returns in the United States for the years 2005 through 2011 to request the compensating refunds allowed pursuant to the corresponding APA with the United States. The effects of the APA increased the consolidated overall estimated effective income tax rate by 90 basis points for the year ended December 31, 2013.

Discontinued Operations

Operations that are disposed of or permanently shut down represent discontinued operations. The results of all divested operations through the dates of disposal and any gains or losses on disposals are included in discontinued operations

in the consolidated statements of earnings. The results of operations for divestitures do not include corporate overhead allocated during the periods the Corporation owned these operations. All discontinued operations relate to the Aggregates business. Effective January 1, 2014, the Corporation early adopted the Financial Accounting Standard Board's (the "FASB") final guidance on reporting discontinued operations. The guidance is to be applied prospectively and redefines discontinued operations to be either 1) a component of an entity or group of components that has been disposed of or is classified as held for sale that represents a strategic shift that has or will have a major effect on an entity's operations and financial results or 2) a business that, upon acquisition, meets the criteria to be classified as held for sale. The adoption of the accounting standard did not have any effect on the Corporation's financial position or results of operations.

Net Earnings Attributable to Martin Marietta and Earnings Per Diluted Share

Net earnings attributable to Martin Marietta were \$155.6 million, or \$2.71 per diluted share. Excluding the impact of acquisition-related expenses, net, and the one-time increase in cost of sales for acquired inventory, adjusted earnings per diluted share were \$3.74, an increase of 43% over 2013. Net earnings attributable to Martin Marietta in 2013 were \$121.3 million, or \$2.61 per diluted share, an increase of 44% over 2012. In 2012, net earnings attributable to Martin Marietta were \$84.5 million, or \$1.83 per diluted share, inclusive of business development costs of \$0.46 per diluted share.

Analysis of Aggregates Business Gross Margin

Heritage aggregates business 2014 gross margin (excluding freight and delivery revenues) reflects

- a 260-basis-point expansion from 2013,
- a 450-basis-point increase from aggregates-related downstream operations, and
- a 210-basis-point negative impact from internal freight

Gross margin (excluding freight and delivery revenues) for the Aggregates business for the years ended December 31 was as follows:

2014	19.0%
2013	16.4%
2012	15.7%

The Aggregates business' operating leverage for the aggregates product line is substantial given its significant amount of fixed costs. The lean cost structure, coupled with continued aggregates volume recovery, particularly in the eastern United States, and pricing increases, provides a significant opportunity to increase margins for the aggregates product line in the future. Management estimates that, subject to certain factors, including volume growth across the entire enterprise particularly in the southeastern United States, the aggregates product line can earn \$0.60 of additional gross profit with each incremental \$1 of sales over an estimated additional 40 million tons of shipments.

Aggregates-related downstream operations, which are included in the West Group, accounted for 22% of the Aggregates business' net sales in 2014. Market dynamics for these operations are highly competitive. In cyclical trough periods, average selling prices for these product lines generally decline. Furthermore, aggregates-related downstream operations consume significant amounts of high-cost raw materials, namely, liquid asphalt and cement, for the production of hot mix asphalt and ready mixed concrete, respectively. Gross margins (excluding freight and delivery revenues) for the Aggregates business' asphalt and ready mixed concrete product lines typically range from 10% to 12% as compared with the aggregates product line gross margin (excluding freight and delivery revenues), which generally ranges from 25% to 30%. The road paving product line typically yields gross margins (excluding freight and delivery revenues) ranging from 5% to 7%. Heritage aggregates-related downstream operations gross margin (excluding freight and delivery revenues) increased 450 basis points in 2014, reflecting increased ready mixed concrete volumes and pricing as well as higher asphalt shipments.

The long-haul distribution network, which includes water and rail distribution yards, continues to be a key component of the Corporation's strategic growth plan. Most of this activity is located in areas of the Southeast and West Groups that generally lack a long-term indigenous supply of coarse aggregates but exhibit above-average growth characteristics driven by long-term population trends, including growth and density. Transportation freight costs from the production site to the distribution yards are included in the delivered price of aggregates products and reflected in the pricing structure at

the distribution yards. Sales from rail and water distribution yards generally yield lower gross margins (excluding freight and delivery revenues) as compared with sales directly from quarry operations. Nonetheless, management expects that the distribution network currently in place will provide the Corporation solid growth opportunities, and gross margin (excluding freight and delivery revenues) should continue to improve, subject to the economic environment and other of the Corporation's risk factors (see *Aggregates Industry and Corporation Risks* on pages 62 through 78). In 2014, 21.7 million tons of aggregates were sold from distribution yards. Results from these distribution operations reduced the Aggregates business' gross margin (excluding freight and delivery revenues) by 210 basis points. In 2013 and 2012, the impact of internal freight on the Aggregates business' gross margin (excluding freight and delivery revenues) was comparable.

The Aggregates business' gross margin (excluding freight and delivery revenues) will continue to be adversely affected by lower gross margins for aggregates-related downstream operations and the long-haul distribution network.

BUSINESS ENVIRONMENT

The sections on *Business Environment* on pages 60 through 80, and the disclosures therein, provide a synopsis of the business environment trends and risks facing the Corporation. However, no single trend or risk stands alone. The relationship between trends and risks is dynamic, and the economic climate can exacerbate this relationship. This discussion should be read in this context.

Aggregates and Cement Industries and Corporation Trends

- According to the U.S. Geological Survey, for the third quarter 2014, estimated construction aggregates and estimated cement consumptions, each increased 9% compared with 2013
- Spending statistics, from 2013 to 2014, according to U.S. Census Bureau:
 - Total value of construction put in place increased 5.6%
 - Public-works construction spending increased 1.8%
 - Private nonresidential construction market spending increased 10.5%
 - Private residential construction market spending increased 4.2%

The Corporation's principal business, the Aggregates business, as well as the Cement business, serve customers in construction aggregates-related markets. These businesses are strongly affected by activity within the construction marketplace, which is cyclical in nature. Consequently, the Corporation's profitability is sensitive to national, regional and local economic conditions and especially to cyclical swings in construction spending. The cyclical swings in construction spending are in turn affected by fluctuations in interest rates, access to capital markets, levels of public-sector infrastructure funding, and demographic, geographic and population dynamics. Per the U.S. Census Bureau, total construction spending increased 5.6%.

The Aggregates and Cement businesses sell products principally to contractors in connection with highway and other public infrastructure projects as well as nonresidential and residential development. 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 as governmental appropriations and expenditures are typically less interest rate-sensitive than private-sector spending. Obligation of federal funds is a leading indicator of highway construction activity in the United States. Before a state or local department of transportation can bid on an eligible construction project, it enters into an agreement with the Federal Highway Administration to obligate the federal government to pay its share of the project cost. Federal obligations are subject to annual funding appropriations by Congress. Despite the uncertainty in long-term funding levels, the total value of United States overall public-works spending increased slightly in 2014, which demonstrates the commitment of states to address the underlying demand for infrastructure investment. However, infrastructure investment varies by market and was strongest in the western United States in 2014. Of the Corporation's total aggregates shipments in 2014, 44% were to the public sector. Management believes public-works projects have historically accounted for approximately 50% of the total annual aggregates and cement consumption in the United States. These businesses benefit from public-works construction projects. Accordingly, management believes

exposure to fluctuations in nonresidential and residential, or private-sector, construction spending is lessened by the business' mix of public sector-related shipments.

Spending for the private nonresidential construction market significantly increased in 2014 compared with 2013, according to the U.S. Census Bureau. The nonresidential construction market accounted for 32% of the Corporation's aggregates product line shipments in 2014. Historically, half of the Corporation's nonresidential construction shipments have been used for office and retail projects, while the remainder has been used for heavy industrial and capacity-related projects. Heavy industrial construction activity has been supported in recent years by expansion of the energy-sector, namely development of shale-based natural gas fields. Shipments to the energy-sector were approximately 7 million tons in 2014, an increase of 36%, and net sales were approximately \$62 million. The Corporation believes the backlog of committed projects, notably in south Texas, should offset any impact on energy-sector demand from low global oil prices.

The Corporation's exposure to residential construction is typically split evenly between aggregates used in the construction of subdivisions (including roads, sidewalks, and storm and sewage drainage) and aggregates used in new home construction. Therefore, the timing of new subdivision starts, as well as new home starts, equally affects residential volumes. Private residential construction market spending increased 4.9% in 2014 compared to 2013, according to the U.S. Census Bureau.

Gross margin on shipments transported by rail and water is lower as a result of the impact of internal freight. However, as demand increases in supply-constrained areas, additional pricing opportunities, along with improved distribution costs, may improve profitability and gross margin on transported material. Further, the long-haul transportation network can diversify market risk for locations that engage in long-haul transportation of their aggregates products. Many locations serve both a local market and transport products via rail and/or water 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.

**2002-2014 U.S. CONSTRUCTION SPENDING
PRIVATE RESIDENTIAL VS. NONRESIDENTIAL**



Pricing on construction projects is generally based on terms committing to the availability of specified products at a specified price during a specified period. While residential and nonresidential construction jobs usually are completed within a year, infrastructure contracts can require several years to complete. Therefore, changes in prices can have a lag time before taking effect while the Corporation sells aggregates products under existing price agreements. Pricing escalators included in multi-year infrastructure contracts 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. The Corporation also implements mid-year price increases where appropriate. These mid-year price increases are typically realized over eighteen months, such that 25% of the total increase is realized in the year of announcement with the balance realized in the subsequent year.

In 2014, the average selling price for the heritage aggregates product line increased 4.1%, in line with the Corporation's long-term annual average. Opportunities to increase pricing will occur on a market-by-market basis. Management believes pricing increases in 2015 should exceed the Corporation's 20-year annual average, 3.7%, and correlate,

after consideration of a 6-to-12-month lag factor, with changes in demand. Pricing is determined locally and is affected by supply and demand characteristics of the local market.

The Aggregates business is subject to potential losses on customer accounts receivable in response to economic cycles. While a recessionary construction economy increases those risks, both lien rights and payment bonds help mitigate the risk of uncollectible receivables; however, the Corporation can experience delayed payments from certain of its customers, negatively affecting operating cash flows. Historically, the Corporation's bad debt write offs have not been significant to its operating results. Further, management considers the allowance for doubtful accounts adequate as of December 31, 2014.

Management expects the overall long-term trend of consolidation of the aggregates industry to continue. The Corporation's Board of Directors and management continue to review and monitor strategic plans. These plans include assessing business combinations and arrangements with other companies engaged in similar or complementary businesses, increasing market share in the Corporation's strategic businesses and pursuing new opportunities that are related to markets that the Corporation views as attractive (see section *Internal Expansion and Integration of Acquisitions* on pages 73 and 74).

Aggregates Industry and Corporation Risks
General Economic Conditions

According to the Bureau of Economic Analysis, the estimated real gross domestic product ("GDP") for the third quarter, the latest available data, increased 5.0% at an annual rate after increasing 4.6% in the second quarter. Growth in the third quarter was primarily attributable to an increase in consumer and federal government spending and nonresidential fixed

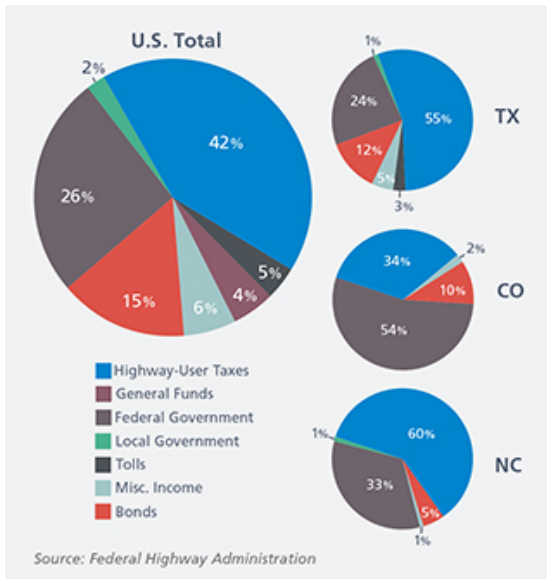
investment. The moderate increase validates that the overall United States' economy is sustaining its mild recovery pace. Employment growth in the United States, a stimulus for construction activity, is at its highest rate since 2006 while overall unemployment has declined from 6.7% in December 2013 to 5.6% in December 2014. According to the Bureau of Labor Statistics, the construction industry added approximately 295,000 jobs during 2014. Although the trends are positive, the rebound from the Great Recession in the construction industry is lagging expectations. However, declining energy prices may be the catalyst to stimulate additional spending.

revenues, averaging 42% in fiscal year 2011, the latest available statistic. The use of general funds as a percentage of each state's highway revenues varies, with a national average of 4% in fiscal year 2011, the latest available statistic. Therefore, state budget spending cuts typically only affect a small percentage of a state's highway spending.

In the recent extended period of uncertain long-term federal funding, states have taken on a larger role in funding sustained infrastructure investment. Management anticipates further growth in state-level funding initiatives, such as bond issues, toll roads and special-purpose taxes, as states address infrastructure needs. According to American Road Transportation Builders Association's ("ARTBA") 2014 *Ballot Initiative Report*, public support for state and local transportation ballot investment initiatives remains strong. In the November 2014 elections, voters approved 66% of transportation initiatives. The total value of these approved measures was nearly \$15 billion for transportation projects. ARTBA reported that 63% of county and local initiatives presented to increase gasoline or general sales tax for transportation were approved, 93% of local bonds for transportation investments were approved and 66% of the measures to increase property taxes for transportation investment were approved.

The impact of any economic improvement will vary by local market. Profitability of the Aggregates business by state is not proportional to net sales by state because certain of the Corporation's intrastate markets are more profitable than others. Further, while the Corporation's aggregates operations cover a wide geographic area, financial results depend on the strength of local economies, which may differ from the economic conditions of the state or region. This is particularly relevant given the high cost of transportation as it relates to the price of the product. The impact of local economic conditions is felt less by large fixed plant operations that serve multiple end-use markets through the Corporation's long-haul distribution network.

**FISCAL 2011 STATE SPENDING
SOURCES OF INFRASTRUCTURE REVENUES**



Public-sector construction projects are funded through a combination of federal, state and local sources (see section *Federal and State Highway Transportation Funding* on pages 66 through 68). The level of state public-works spending is varied across the nation and dependent upon individual state economies. In addition to federal appropriations, each state funds its infrastructure spending from specifically allocated amounts collected from various user taxes, typically gasoline taxes and vehicle fees. Based on national averages, user taxes represent the largest component of highway

As of December 2013 and 2014, as reported by Moody's *Economy.com Inc.* ("Moody's"), all state economies were recovering or expanding.

STATE ECONOMIES – DECEMBER 2013 AND 2014



The Aggregates business' top five sales-generating states, namely Texas, Colorado, North Carolina, Iowa and Georgia, together accounted for 68% of its 2014 net sales by state of destination. The top ten sales-generating states, which also include Florida, South Carolina, Indiana, Louisiana and Nebraska, together accounted for 83% of the Aggregates business' 2014 net sales by state of destination.

The Corporation's platform position in Texas was further enhanced with the TXI acquisition. Texas leads the nation in job growth and the state's economy continues to outpace the national economy. In November 2011, Texas surpassed pre-recession peak employment and by November 2014 had added an additional 1.1 million jobs. For comparative purposes, the U.S. as a whole added 1.7 million jobs over the same period. Texas is one of the Corporation's strongest aggregates markets driven by a healthy state Department of Transportation program, growing residential and nonresidential activity and solid energy-sector activity. Funding for Texas highway construction comes from dedicated sources as opposed to the use of general funds. The Corporation will benefit in 2015 and beyond from the \$12.8 billion of projects awarded in 2013 and 2014. Further, Texas has been proactive in applying for TIFIA funding and, in 2014, received approval for the Grand Parkway project in Houston. Additionally, voters recently passed Proposition 1, a constitutional

amendment authorizing annual disbursements from the state's existing oil and gas production tax collections to the State Highway Fund, including an additional \$1.7 billion in 2015. In total, Texas combined highway funding is projected to be \$9.6 billion. The residential construction market is growing and total housing permits data, a major leading indicator for construction material demand, increased approximately 10% compared with 2013. Permit applications for multifamily housing grew by 2% and single family permits increased by 10%. Though the rate of residential growth slowed in 2014, this sector is very healthy with historically high valuations and low inventories of available homes for sale, providing a strong foundation for further residential development. The commercial component of the nonresidential market continues to benefit from low office and industrial vacancy rates and the backlog of energy-sector projects. Although energy prices have recently declined, management believes growth in the Texas economy is sustainable, supported by a favorable business climate, diversity of economic drivers, state construction activity and recent commitments to major, multiyear projects. Economic centers, including Dallas/Fort Worth, Houston, San Antonio and Austin, are expected to continue to experience sustained job growth.

According to Wells Fargo Securities, Colorado has been one of the fastest growing states in the nation for at least the past two years, and its economy continues to outpace the national average. Although employment growth decreased in the second half of 2014, the unemployment rate in Colorado, which is 4.0%, is below the national average of 5.6%. The continued growth of new businesses and job creation is expected in 2015. Colorado continues to benefit from both the heavy industrial and commercial components of the nonresidential construction market. Denver remains a strong commercial real estate target with its low vacancy rates and increasing office rents.

Construction for Colorado State University's new \$236 million football stadium is expected to be completed in 2017. The state of Colorado also has a strong Department of Transportation program. The *Responsible Acceleration of Maintenance and Partnerships*, or RAMP, program provides an additional \$300 million per year of spending over a five-year period that began in fiscal year 2014, allows long-term financing of multi-year projects versus pay-as-you-go funding. Half of the RAMP funds will be used to leverage local dollars and public-private dollars to fund additional transportation projects. The balance of RAMP will fund significant projects currently underway. Further, the historic 500-year flooding in September 2013 will continue to result in a significant reconstruction effort, where projects are estimated to continue into 2016. According to Department of Transportation officials, an estimated 200 miles of state highways and 50 bridges are in need of rebuilding and repairing as a result of the flood. The residential end-use market is growing and, based on increased housing permits, the trend is expected to continue in 2015.

Throughout 2014, North Carolina's economy continued to build momentum. Several businesses, including Sealed Air Corporation, Alevo Group and MetLife, have chosen to invest in the state, and employment growth ranks in the top five nationally. Notably, labor-market growth has been strong in industries that play a key role in economic growth: finance, construction, high-tech and professional services. Business relocation, coupled with organic growth, contributed to nonresidential construction starts increasing 4% over 2013. ARTBA reported highway contracts awarded to North Carolina was \$1.3 billion as of December 2014, an increase of 10% over the prior year. In December 2014, the Governor and state Transportation Secretary proposed a strategic transportation plan that includes \$15 billion of investment over 10 years. In November 2014, voters in Wilmington approved a \$44 million transportation bond. In January 2015, North Carolina Department of Transportation awarded a \$142 million contract to begin construction of a highway connector project in the Raleigh area. The residential construction market continues to recover, with notable growth in Charlotte. Historically, the Corporation's North Carolina operations have been above average in rate of pricing growth and profitability due to its quarry locations in growing market areas and their related transportation advantage.

Iowa has been one of the Corporation's most consistently stable markets over the past five years. Iowa's expanding economy, which is highly dependent on agriculture and related manufacturing industries, show signs of steady expansion. The state's seasonally-adjusted unemployment rate of 4.3% remains one of the lowest in the country. State highways maintained by the Iowa Department of Transportation are financed with federal funds and dedicated highway-user tax revenues; no state general fund revenue is used. Although a recent proposed gas tax increase was not passed, it will likely be re-proposed in 2015. \$2.6 billion is forecast to be available for highway right of way and construction under the Iowa Transportation Commission's FY 2014-2018 Iowa Transportation Improvement Program. In addition, \$1.1 billion is targeted through fiscal year 2018 for modernizing and maintaining Iowa's existing highway system. The noncommercial market continues to see strong capital investment throughout the state. Ag Processing Inc., Iowa's largest soybean processor, has proposed an \$89 million expansion project. Boehringer Ingelheim Vetmedica has plans to expand and modernize its operations at Fort Dodge as well as construct a new \$95 million Veterinary Research Center. Iowa ranks third in the nation for both the number of utility-scale wind turbines and total wind energy installations. MidAmerican Energy Company, Iowa's largest

ESTIMATED POPULATION		
Top 10 Revenue-Generating States of Aggregates Business	Percent Change in Population 2010 to 2014	Population Rank July 1, 2014
Texas	7.2%	2
Colorado	6.5%	22
North Carolina	4.3%	9
Iowa	2.0%	30
Georgia	4.2%	8
Florida	5.8%	3
South Carolina	4.5%	24
Indiana	1.7%	16
Louisiana	2.6%	25
Nebraska	3.0%	37

Source: U.S. Census Bureau, Population Estimates Division

energy company, has completed half of its \$1.9 billion Wind VIII project, which is expected to be completed by the end of 2015. Iowa is the largest corn and pork-producing state in the nation. The Corporation's agricultural lime volumes are dependent on, among other things, weather, demand for agricultural commodities, including corn and soybeans, commodity prices, farm and land values as well as funding from the *Agricultural Act of 2014*, the five-year domestic farm bill signed into law on February 7, 2014.

Georgia's economy was more severely affected by the Great Recession compared with the nation as a whole. However, recovery is underway and the state ranks in the top five in the nation in job growth. Georgia's strategic infrastructure plan includes highway and transit spending of \$8.62 billion for fiscal years 2015-2018, with \$2.07 billion estimated for 2015. State highway funding sources include motor fuel taxes, special fuel taxes, state bonds and state gas taxes. To supplement highway funding, three regions in the state approved a transportation special purpose local option sales tax. This one-cent sales tax is expected to raise \$1.88 billion over 10 years, with the funds earmarked for transportation improvements that either complement an existing project or jump-start a new phase of a transportation plan to enhance mobility. Port activity continues to remain strong - the Port of Brunswick is the second-busiest port for auto imports in the United States and the Port of Savannah boasts the largest single container terminal in North America. In fact, the Georgia Ports Authority reported combined record movement of 2.79 million tons of freight in October 2014 for the terminals in Brunswick and Savannah. The increase in imports supports the Savannah Harbor Expansion Project, which will be completed in 2016 and deepen the Savannah Harbor by five feet to accommodate the expected increase in the number of super-sized container vessels coming through the Panama Canal after the completion of its expansion in 2015. According to the Georgia Department of Economic Development, during fiscal year 2014, 374 companies either expanded or relocated in Georgia, generating a total of 28,000 jobs and an investment of more than \$5 billion. Further, Mercedes-Benz USA announced that they will invest \$74 million to relocate their headquarters from New Jersey to Atlanta, creating at least 800 jobs. Kubota Manufacturing of America, a leading manufacturer of small tractors, RTVs and lawn mowers, will invest approximately \$100 million in its headquarters in Gainesville, Georgia, creating an additional

650 jobs. Keurig announced plans to open a \$337 million manufacturing facility in Douglas County, which will create 550 new jobs. As of December 31, 2014, Georgia's private residential starts increased 8% over prior year, outpacing the national increase of 3.0%. Nonresidential starts increased 1% over the prior year.

Federal and State Highway Transportation Funding

- *Federal highway bill funding provisions of MAP-21 extended through May 31, 2015*
- *Incremental funding dollars supported by TIFIA range from \$30 billion to \$50 billion over the next few years*
- *Need for transportation improvements currently outpaces funding by almost 200%*

The federal highway bill provides annual funding for public-sector highway construction projects. Following a series of nine short-term continuing resolutions, on July 6, 2012, the President signed into law MAP-21, which provided annual funding for highway expenditures of approximately \$40 billion and expired on its own terms on September 30, 2014. However, as Congress continues to deliberate a successor bill, the provisions of MAP-21 have been extended through May 31, 2015.

MAP-21 also significantly expands TIFIA funding. TIFIA, a U.S. Department of Transportation alternative funding mechanism, provides three types of federal credit assistance for nationally or regionally significant surface transportation projects. TIFIA is designed to fill market gaps and leverage substantial private co-investment by providing projects with supplemental or subordinate debt which is not subject to national debt ceiling challenges or sequestration. Since its inception in 1998, TIFIA has provided credit assistance to 27 projects representing approximately \$36 billion in infrastructure investment. Under MAP-21, TIFIA funding increased from \$122 million per year to \$750 million for fiscal year 2013 and \$1.0 billion in fiscal year 2014. TIFIA does not require the 20% matching funds from state departments of transportation found under MAP-21. Consequently, states can advance construction projects immediately with potentially zero outlay of current department of transportation budget dollars. TIFIA requires projects to have a revenue source to pay back the credit assistance within a 30-40 year period. Moreover, TIFIA funds may represent up to 49% of total eligible project costs for a TIFIA secured loan and 33% for a TIFIA stand by line of credit.

Therefore, the TIFIA program has the ability to significantly leverage construction dollars. Each dollar of federal funds can provide up to \$10 in TIFIA credit assistance, leveraging an estimated \$30 billion to \$50 billion in new transportation infrastructure investment after consideration of the increased proportion of TIFIA dollars to total project costs and private investment. Private investment in transportation projects funded through the TIFIA program is particularly attractive, in part due to the subordination of public investment to private. Management believes TIFIA could provide a substantial boost for state department of transportation construction programs well above what is currently budgeted. As of September 2014, the fiscal period ending, the U.S. Department of Transportation had TIFIA letters of interest and applications outstanding for \$9.9 billion worth of projects, including \$3.2 billion in Texas. Of the \$21.2 billion of TIFIA assistance granted, \$4.3 billion have been for projects in Texas.

The federal highway bill provides 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 financed 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. MAP-21 extended federal motor fuel taxes through September 30, 2016 and truck excise taxes through September 30, 2017. Of the currently imposed federal gas tax of \$0.18 per gallon, which has been static since 1993, \$0.15 of the tax collected is allocated to the Highway Account of the Highway Trust Fund.

The Highway Trust Fund has experienced shortfalls since 2008 as improved automobile fuel efficiency and, prior to the latter part of 2014, the historical rise in gas prices have both resulted in fewer miles driven, coupled with the increase in infrastructure needs. These shortfalls have created a significant decline in federal highway funding levels. In response, Congress enacted laws to transfer money from the Treasury's General Fund to the Highway Trust Fund to ensure it retains a positive balance. From 2008 through 2011, Congress transferred a total of \$34.5 billion from the General Fund to the Highway Trust Fund. Furthermore, MAP-21 authorized the transfer of \$2.4 billion from the Leaking Underground Storage Tank Trust Fund to the

Highway Account upon enactment. MAP-21 also authorized \$6.2 billion to the Highway Account in November 2012; \$10.4 billion to the Highway Account in October 2013; and \$2.2 billion to the Mass Transit Account in October 2013. In July 2014, Congress authorized \$10.8 billion to be transferred to the Highway Trust Fund to maintain its solvency. All of these authorized transfers came from the General Fund, which is subject to sequestration. According to the Congressional Budget Office, current revenues of approximately \$34 billion are falling short of the current annual expenditure level of \$41 billion. While a \$0.01 increase in the gasoline tax per gallon would generate an additional \$1.3 billion of annual revenues for the Highway Trust Fund, it is highly uncertain as to whether Congress will authorize any change in the gasoline tax.

Transportation investments generally boost the national economy by enhancing mobility and access and by creating jobs, which is a priority of many of the government's economic plans. According to the Federal Highway Administration, every \$1 billion in federal highway investment creates approximately 28,000 jobs. The number of jobs created is dependent on the nature and aggregates intensity of the projects. Approximately half of the Aggregates business' net sales to the infrastructure market come from federal funding authorizations, including matching funds from the states. For each dollar spent on road, highway and bridge improvements, the Federal Highway Administration estimates an average benefit of \$5.20 is recognized in the form of reduced vehicle maintenance costs, reduced delays, reduced fuel consumption, improved safety, reduced road and bridge maintenance costs and reduced emissions as a result of improved traffic flow.

Federal highway laws require Congress to annually appropriate funding levels for highways and other programs. Once the annual appropriation is passed, federal funds are distributed to each state based on formulas (apportionments) or other procedures (allocations). Apportioned and allocated funds generally must be spent on specific programs as outlined in the federal legislation. Most federal funds are available for four years. Once the federal government approves a state project, funds are committed and considered spent regardless of when the cash is actually spent by the state and reimbursed by the federal government. According to the Federal Highway Administration, funds are generally spent by the state over a period of years, with 27% in the year of funding authorization, 41% in the succeeding year, 16% in the third year and the

remaining 16% is spent in the fourth year and beyond. The Department of Transportation Appropriations Act, 2015, provides an overall \$40.3 billion limitation on Federal-aid highway program obligations for fiscal 2015. However, the Highway and Transportation Funding Act of 2014 amended MAP-21 obligations' ceiling to \$26.8 billion for the period October 1, 2014 to May 31, 2015.

In order to receive federal funds for highways, states are required to match funds at a predetermined rate. Matching levels vary depending on the type of project. If a state is unable to match its allocated federal funds, funding is forfeited. Any forfeitures are reallocated to states providing the appropriate matching funds. While states rarely forfeit federal highway funds, the possibility of forfeiture increases when states struggle to balance budgets and face declining tax revenues.

Given that 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 spending will vary depending on whether the spending comes from dedicated revenue sources, such as highway user fees, or whether portions are funded with general funds. Further, while state highway construction programs are primarily financed from highway user fees, significant increases in federal infrastructure funding typically require state governments to increase highway user fees to match federal spending.

States continue to play an expanding role in infrastructure funding. Management believes that innovative financing at the state level, such as bond issuances, toll roads and tax initiatives, will grow at a faster rate than federal funding. State spending on infrastructure generally leads to increased growth opportunities for the Corporation. The degree to which the Corporation could be affected by a reduction or slowdown in infrastructure spending varies by state. The state economies of the Aggregates business' five largest revenue-generating states may disproportionately affect the Corporation's financial performance.

The need for surface transportation improvements significantly outpaces the amount of funding available. A significant number of roads, highways and bridges, built following the establishment of the Interstate Highway System in 1956, are now in need of significant repair or reconstruction.

According to The Road Information Program ("TRIP"), a national transportation research group, vehicle travel on United States highways increased 38% from 1990 to 2012, while new lane road mileage increased only 4 percent over the same period. From 1990-2009, the nation's population grew 26%. TRIP also reports that 14% of the nation's major roads are in poor condition and 25% of the nation's bridges are structurally deficient or functionally obsolete. Currently, the Federal Highway Administration estimates that \$170 billion is needed in annual capital investment through 2028 to significantly improve the current conditions and performance of the nation's highways. During fiscal 2011, the latest data available from the Office of Highway Policy Information, \$93.9 billion was spent for surface transportation projects by federal, state and local governments. According to a report issued by Duke University's Center on Globalization, Governance & Competitiveness, solid infrastructure funding results in efficiencies of domestic commerce and creates employment. The report indicated every dollar spent in transportation infrastructure returns \$3.54 in economic impact.

Other Public-Sector Construction Exposure

In addition to highways and bridges, transportation infrastructure includes aviation, mass transit, and ports and waterways. Public-sector construction related to transportation infrastructure can be aggregates intensive.

The *Federal Aviation Administration Modernization and Reform Act of 2012* ("FAA Act") is a four-year bill that provides federal funding for airport improvements throughout the United States at \$3.35 billion per year through September 2015. According to ARTBA, spending for airport runways and terminals was \$12.5 billion during 2014 and is forecast to increase to \$13.1 billion in 2015. Among other things, the Corporation is currently positioned to competitively bid on a \$92 million runway project at the Charlotte-Douglas International Airport in North Carolina.

Construction spending for mass transit projects, which include subways, light rail and railroads, was \$18.3 billion in 2014, according to ARTBA, and is expected to increase to \$20.9 billion in 2015. Railroad construction continues to benefit from economic growth and energy-sector shipments, which generate a need for additional maintenance and improvements. According

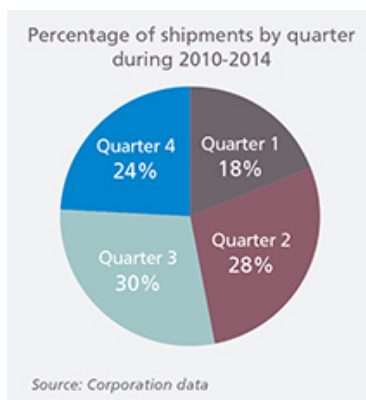
to ARTBA, subway and light rail work will grow 16.9% in 2015. Heavy rail investment, largely driven by Class I railroads, is forecast to increase 12.5% in 2015. Two of the Corporation's top fifteen customers in 2014 were Class I railroads.

Port and waterway construction experienced the strongest transportation modal growth in 2013 driven by the expansion of the Panama Canal and competition for the expected increase in traffic. According to ARTBA, port and waterway construction spending was \$2.7 billion in 2014 and is forecast to increase slightly to \$2.8 billion in 2015.

Geographic Exposure and Seasonality

Erratic weather patterns, seasonal changes and other weather-related conditions significantly affect the construction aggregates industry. Production and shipment levels for aggregates, asphalt, ready mixed concrete and road paving materials correlate with general construction activity, most of which occurs in the spring, summer and fall. Thus, production and shipment levels vary by quarter. Operations concentrated in the northern and midwestern United States generally experience more severe winter weather conditions than operations in the Southeast and Southwest.

**AVERAGE PERCENTAGE OF SHIPMENTS BY QUARTER
AGGREGATES PRODUCT LINE**



Excessive rainfall, and conversely excessive drought, can also jeopardize production, shipments and profitability in all markets served by the Corporation.

The Corporation'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.

Cost Structure

- Top 8 cost categories represent 95% of the Aggregates business' total production costs
- Top 4 cost categories for the Cement business represent 70% of total production costs
- Underabsorption of fixed costs due to operating below capacity
- Health and welfare costs increased 1% to 2% per year over past ten years compared with national average of 7% over same period; Corporation's costs expected to increase 7% to 9% in 2014
- Pension expense decreased from \$29.3 million in 2013 to \$17.9 million in 2014; pension costs expected to approximate \$34.0 million in 2015 (2014 and 2015 amounts exclude termination benefits related to the acquisition of TXI)

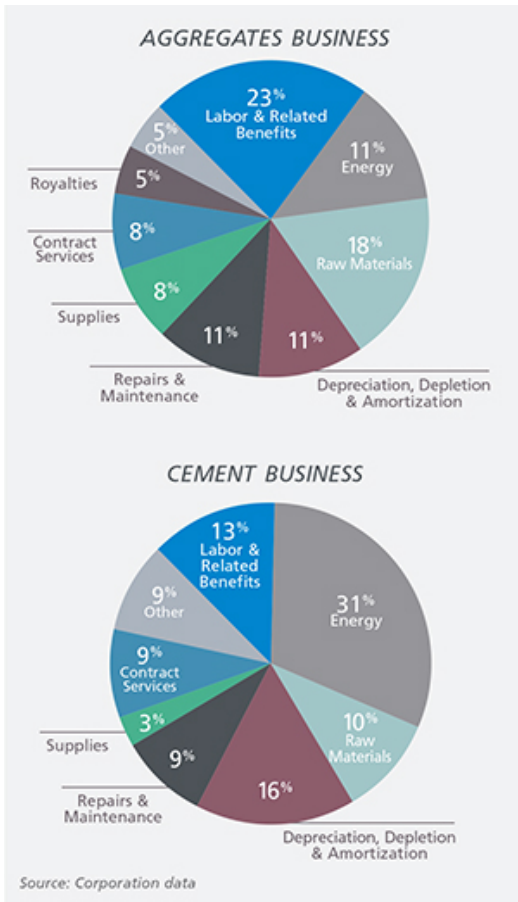
Total production costs for the Aggregates business are components of cost of sales incurred at the quarries, distribution yards, and asphalt and ready mixed concrete plants. These costs exclude resale materials, freight expenses to transport materials from a producing quarry to a distribution yard and production overhead.

Generally, the top eight categories of total production costs for the Aggregates business are (1) labor and related benefits; (2) energy; (3) raw materials; (4) depreciation, depletion and amortization; (5) repairs and maintenance; (6) supplies; (7) contract services and (8) royalties. In 2014, these categories represented 95% of the Aggregates business' total production costs.

Fixed costs are expenses that do not vary based on production or sales volume. Management estimates that, under normal operating capacity, 40% of the Aggregates business' cost of sales is fixed, another 30% is semi-fixed and 30% is variable in nature. However, in 2014, management estimates fixed costs were approximately near 60% of total production costs, higher than the historic average. For this reason, the Corporation's operating leverage can be substantial. Variable costs are expenses that fluctuate with the level of production volume. 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, diesel, supplies, repairs and freight costs also increase in connection with higher production volumes.

Generally, when the Corporation invests capital to replace facilities and equipment, increased capacity and productivity, along with reduced repair costs, can offset increased depreciation costs. However, when aggregates demand weakens, the increased productivity and related efficiencies may not be fully realized, resulting in underabsorption of fixed costs, including depreciation. Further, due to the current economic environment, the Aggregates business has operated at a level significantly below capacity, thereby, restricting the Corporation's ability to capitalize \$39.8 million and \$50.7 million of costs at December 31, 2014 and 2013, respectively, which could have been inventoried under normal operating conditions.

2014 TOTAL PRODUCTION COSTS BY CATEGORY



Diesel fuel, which averaged \$2.82 per gallon in 2014 and \$2.98 per gallon in 2013, represents the single largest component of energy costs for the Aggregates business. Changes in energy costs also affect the prices that the Corporation pays for supplies, including explosives, conveyor belting and tires. Further, the Corporation's contracts of affreightment for shipping aggregates on its rail and waterborne distribution network typically include provisions for escalations or reductions in the amounts paid by the Corporation if the price of fuel moves beyond a contractual range.

Similar to the Magnesia Specialties business, the Corporation's Cement business is a capital intensive operation with high fixed costs with plants that operate all day, every day, with the exception of plant shut downs. The cost categories in the Cement business are similar to the Aggregates business; however, the Cement business does not have royalties as a cost category. The top cost in cement manufacturing is energy, which represented 31% of total production costs in 2014. Depreciation and labor followed with 16% and 13% of total production costs, respectively.

The Corporation also consumes natural gas, coal and petroleum coke in the Magnesia Specialties manufacturing processes. During 2014, the Corporation's average cost per MCF (thousand cubic feet) for natural gas increased 24% from 2013. Furthermore, the Corporation increased its coal consumption by 50% in 2014 due to the Woodville, Ohio kiln capacity expansion. The Corporation has fixed price agreements for 50% of its 2014 coal needs.

The Corporation's aggregates-related downstream business requires the intersegment use of products as raw materials. Liquid asphalt and cement are key raw materials in the production of hot mix asphalt and ready mixed concrete, respectively. Fluctuations in prices for these raw materials directly affect the Corporation's operating results.

Wage inflation and increases in labor costs may be somewhat mitigated by enhanced productivity in an expanding economy. Further, workforce reductions resulting from plant automation and mobile fleet right-sizing have helped the Corporation control rising labor costs. During economic downturns, the Corporation reviews its operations and, where practical, temporarily idles certain quarries. The Corporation is able to serve these markets with other open quarries that are in close

proximity. Further, in certain markets, management can create production "super crews" that work 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 within that market. This has allowed the Corporation to reduce headcount in periods of lower demand, as the number of full-time employees has been reduced or eliminated at locations that are not operating at full capacity.

Rising health care costs have affected total labor costs in recent years and are expected to continue to increase. Over the past ten years, national health care costs have increased 7% on average. The Corporation has experienced health care cost increases averaging 1% to 2% per year over the same period, driven in large part by favorable claims experience and design changes made to its health care plans, such as employee surcharges. In 2014, the Corporation's health and welfare costs per employee increased 7%, driven primarily by claims experience and health care reform required by *The Patient Protection and Affordable Care Act*. For 2015, health and welfare costs are expected to increase 5% to 7%, consistent with general marketplace trends.

A lower discount rate is expected to increase the Corporation's pension expense from \$17.9 million in 2014 to \$34.0 million in 2015, excluding termination benefits related to the acquisition of TXI (see section *Critical Accounting Policies and Estimates – Pension Expense – Selection of Assumptions* on pages 84 and 85).

The impact of current inflation on the Corporation's businesses has been less significant due to moderate inflation rates. Historically, the Corporation has achieved real pricing growth in periods of inflation based on its ability to increase its selling prices in a normal economic environment.

Consolidated SG&A expenses increased \$19.2 million in 2014 compared with 2013. The increase reflects additional costs incurred due to the TXI acquisition, which totaled \$27.4 million. As a percentage of net sales, SG&A expenses declined 140 basis points to 6.5%.

CONSOLIDATED HEADCOUNT
AVERAGE NUMBER OF EMPLOYEES

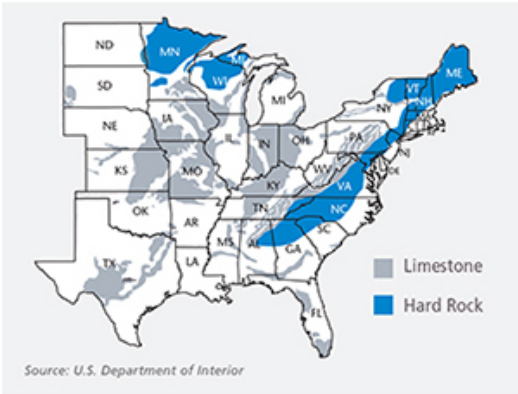


Shortfalls in federal, state and local revenues may result in increases in income taxes and other taxes. Federal and state governments may also increase tax rates or eliminate deductions in response to the federal deficit. The Corporation derives a significant tax benefit from the federal depletion deduction (see section *Critical Accounting Policies and Estimates – Estimated Effective Income Tax Rate on pages 85 and 86*). Effective January 1, 2014, the State of North Carolina reduced its corporate tax rate from 6.9% to 6.0%.

Transportation Exposure

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

SOURCES OF AGGREGATES SUPPLY

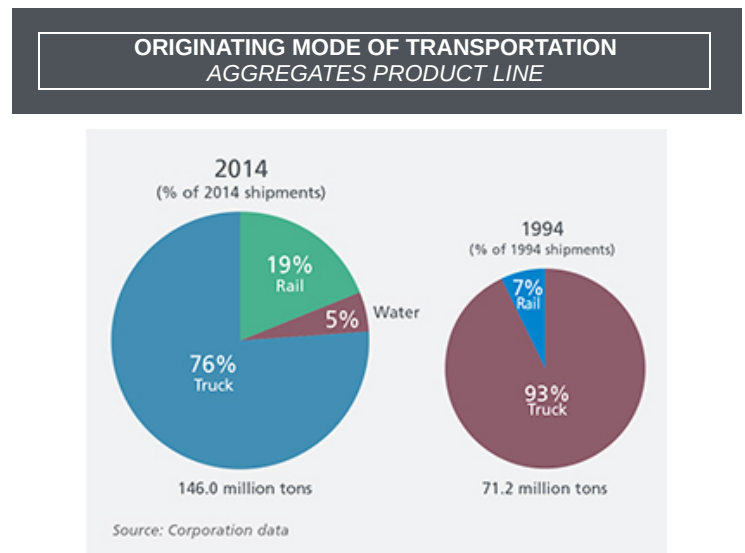


With population migration into the southeastern and southwestern United States, local crushed stone supplies must be supplemented, or in most cases wholly supplied, from inland and offshore quarries. Further, certain interior United States markets may experience limited resources of construction material resulting from increasingly restrictive zoning and permitting laws and regulations. The Corporation's strategic focus includes expanding inland and offshore capacity and acquiring distribution yards and port locations to offload transported material. Accordingly, aggregates shipments are moved by rail or water through the Corporation's long-haul distribution network. In 1994, the Corporation had seven distribution yards. At December 31, 2014, the Corporation had 70 distribution yards. The Corporation's rail network serves its Texas, Florida and Gulf Coast markets. The Corporation's Bahamas and Nova Scotia locations transport materials via oceangoing ships. The Corporation is currently focusing a portion of its capital spending program on key distribution yards in the southeastern United States.

As the Corporation moves aggregates by rail and water, internal freight costs reduce profit margins when compared with aggregates moved by truck. Freight costs for aggregates products often equal or exceed the selling price of the underlying aggregates products. The Corporation administers freight costs principally in three ways:

- Option 1:** The customer supplies transportation.
- Option 2:** The Corporation directly ships aggregates products from a production location to a customer by arranging for a third-party carrier to deliver aggregates and then charging the freight costs to the customer. These freight and delivery revenues and costs are separately presented in the consolidated statements of earnings. Such revenues and costs for the Aggregates business were \$245.6 million, \$192.8 million and \$180.5 million in 2014, 2013 and 2012, respectively.
- Option 3:** The Corporation transports aggregates, either by rail or water, from a production location to a distribution yard at which the selling price includes the associated internal freight cost. These freight costs are included in the Aggregates business' cost of sales and were \$185.2 million, \$136.8 million and \$134.6 million for 2014, 2013 and 2012, respectively. Transportation costs from the distribution yard to the customer are accounted for as described above in options 1 or 2, as applicable.

For analytical purposes, the Corporation eliminates the effect of freight on margins with the second option. When the third option is used, margins as a percentage of net sales are negatively affected because the customer does not typically pay the Corporation a profit associated with the transportation component of the selling price. For example, a customer in a local market picks up aggregates by truck at the quarry and pays \$10.00 per ton. Assuming a \$2.50 gross profit per ton, the Corporation would recognize a 25% gross margin. However, if a customer purchased a ton of aggregates transported to a distribution yard by the Corporation via rail or water, the selling price may be \$16.00 per ton, assuming a \$6.00 cost of freight. With the same \$2.50 gross profit per ton and no profit associated with the transportation component, the gross margin would be reduced to 15% as a result of the internal freight cost.



In 1994, 93% of the Corporation's aggregates shipments were moved by truck and the remainder by rail. In contrast, the originating mode of transportation for the Corporation's aggregates product line shipments in 2014 was 76% by truck, 19% by rail and 5% by water (see section *Analysis of Aggregates Business Gross Margin* on pages 59 and 60).

The Corporation's increased dependence on rail shipments has made it more vulnerable to railroad performance issues, including track congestion, crew and power availability, the effects of adverse weather conditions and the ability to

renegotiate favorable railroad shipping contracts. Further, in response to these issues, rail transportation providers have focused on increasing the number of cars per unit train under transportation contracts and are generally requiring customers, through the freight rate structure, to accommodate larger unit train movements. A unit train is a freight train moving large tonnages of a single bulk product between two points without intermediate yarding and switching. Rail availability is seasonal and can impact aggregates shipments depending on other competing movements.

Generally, the Corporation does not buy railcars or ships, but instead supports its long-haul distribution network with leases and contracts of affreightment. However, the limited availability of water and rail transportation providers, coupled with limited distribution sites, can adversely affect lease rates for such services.

TRANSPORTATION COST PER TON PER MILE
AGGREGATES PRODUCT LINE



The waterborne distribution network increases the Corporation's exposure to certain risks, including, among other items, meeting minimum tonnage requirements of shipping contracts, demurrage costs, fuel costs, ship availability and weather disruptions. The Corporation's waterborne transportation is predominately via oceangoing vessels. The Corporation's average shipping distances from its Bahamas and Nova Scotia locations are 600 miles and 1,200 miles, respectively. Due to the majority of the shipments going to Florida, the weighted-average shipping distances are approximately 30 percent less than these averages. The Corporation 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. If the Corporation fails to ship the annual minimum tonnages under the agreement, it must still pay the shipping company the contractually-stated minimum amount for that year. The Corporation did not incur any such charges in 2014; however, a charge is possible in 2015 if shipment volumes do not meet the contractually-stated minimums. The Corporation's contracts of affreightment have varying expiration dates ranging from 2015 to 2017 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.

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

Internal Expansion and Integration of Acquisitions

The Corporation's capital expansion, acquisition and greensite programs are designed to take advantage of construction market growth through investment in both permanent and portable facilities at the Corporation's quarrying operations. However, during 2009 through 2013, the Corporation set a priority of preserving capital while maintaining safe, environmentally-sound operations. Capital investment in excess of depreciation expense in previous years allowed the Corporation to reduce capital spending during the trough period of the construction cycle without compromising the Corporation's commitment to safety, the environment, customer service and future growth. The Corporation has continued to opportunistically acquire land with long-term mineral reserves to expand its aggregates reserve base through the cyclical trough. As the Corporation returns to a

more normalized operating environment, management expects to focus its capital spending program on expanding key operations.

The Corporation's Medina Rock and Rail capital project, with a budgeted cost of nearly \$160 million, is the largest capital expansion project in its history. The project, located outside of San Antonio, consists of building a rail-connected limestone aggregates processing facility with the capability of producing in excess of 10 million tons per year. Land acquisition was completed over several years as part of ongoing capital expenditures and construction began in 2013. Through the end of 2014, the Corporation invested nearly \$79 million, including \$41 million 2014. The project is expected to be completed, on time and under budget, in 2015.

The Corporation also acquires contiguous property around existing quarry locations. This property can serve as buffer property or additional mineral reserve capacity, assuming the underlying geology supports economical aggregates mining. In either instance, the acquisition of additional property around an existing quarry allows the expansion of the quarry footprint and extension of quarry life. Some locations having limited reserves may be unable to expand.

A long-term capital focus for the Corporation, primarily in the midwestern United States due to the nature of its indigenous aggregates supply, is underground limestone aggregates mines, which provide a neighbor-friendly alternative to surface quarries. The Corporation operates 14 active underground mines, located primarily in the Mid-America Group, and is the largest operator of underground aggregates mines in the United States. Production costs are generally higher at underground mines than surface quarries since the depth of the aggregates deposits and the access to the reserves result in higher development, explosives and depreciation costs. However, these locations often possess transportation advantages that can lead to value-added, higher average selling prices than more distant surface quarries.

On average, the Corporation's aggregates reserves exceed 60 years based on normalized production levels and 100 years at current production rates.

The Corporation has a successful history of business combinations and integration of these businesses into its heritage operations. The Corporation acquired TXI July 1, 2014 and integrated the acquired aggregates operations into its disciplined cost structure during the last half of 2014. The integration of the ready mixed concrete and cement operations is expected to continue through June 2015.

Environmental Regulation and Litigation

The expansion and growth of the aggregates industry is subject to increasing challenges from environmental and political advocates hoping to control the pace and direction of future development. Certain environmental groups have published lists of targeted municipal areas, including areas within the Corporation's marketplace, for environmental and suburban growth control. The effect of these initiatives on the Corporation's growth is typically localized. Further challenges are expected as 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.

As is the case with other companies in the cement industry, the Corporation's cement operations produce varying quantities of cement kiln dust ("CKD"). This production by-product consists of fine-grained, solid, highly alkaline material removed from cement kiln exhaust gas by air pollution control devices. Because much of the CKD is actually unreacted raw materials, it is generally permissible to recycle the CKD back into the production process, and large amounts often are treated in such manner. CKD that is not returned to the production process is disposed in landfills. CKD is currently exempted from federal hazardous waste regulations under Subtitle C of the Resource Conservation and Recovery Act ("RCRA").

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 ("NAAQS"), 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 Corporation's markets, such as Houston/Brazoria/Galveston, Texas; Dallas/Fort Worth, Texas; Charlotte/Gastonia, North Carolina; Denver, Colorado; Boulder, Colorado; Fort Collins/Greeley/Loveland, Colorado; Council Bluffs, Iowa; Atlanta, Georgia; Macon, Georgia; Rock Hill, South Carolina; Indianapolis, Indiana; Muncie, Indiana; Crittenden County, Arkansas; and Riverside/San Bernardino Counties, California. Federal transportation funding has been directly tied to compliance with the Clean Air Act.

The EPA includes the lime industry as a national enforcement priority under the Clean Air Act. As part of the industry-wide effort, the EPA issued notices of violation/findings of violation ("NOVs") to the Corporation in 2010 and 2011 regarding its compliance with the Clean Air Act's New Source Review ("NSR") program at its Magnesia Specialties dolomitic lime manufacturing plant in Woodville, Ohio. The Corporation has been providing information to the EPA in response to these NOVs and has had several meetings with the EPA. The Corporation believes it is in substantial compliance with the NSR program. At this time, the Corporation cannot reasonably estimate what likely penalties or upgrades to equipment might ultimately be required. The Corporation believes that any costs related to any required upgrades to capital equipment will be spread over time and will not have a material adverse effect on the Corporation's results of operations or its financial condition, but can give no assurance that the ultimate resolution of this matter will not have a material adverse effect on the financial condition or results of operations of the Magnesia Specialties segment.

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

Environmental operating permits are, or may be, required for certain of the Corporation's operations; 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 purpose 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.

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 Corporation's Magnesia Specialties facilities in Woodville, Ohio and Manistee, Michigan emit certain of the GHG, including carbon dioxide, methane and nitrous oxide, and are filing annual reports in accordance with the GHG Rule. The Corporation's cement operations in California, Riverside Cement, is also filing annual reports of their GHG emissions. In addition, as it operates in California, Riverside Cement is subject to California's existing GHG emissions trading/credit program. The Corporation believes that Riverside Cement has purchased an adequate number of additional emission credits to remain under the regulated limits, and that program has not had a material adverse effect on the Corporation's financial condition or results of operations. Should Congress pass legislation on GHG, these operations will likely be subject to the new program. The Corporation believes that the EPA may impose additional regulatory restrictions on emissions of GHG. However, the Corporation also anticipates that any increased operating costs or taxes related to GHG emission limitations at its Woodville operation 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 Corporation cannot reasonably predict how much those increased costs may be.

The Corporation 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 or other proceedings, including those pertaining to environmental matters, relating to the Corporation and its subsidiaries, will have a material adverse effect on the overall results of the Corporation's operations, cash flows or financial position.

Cement Segment

The Corporation's Cement segment includes a leading position in the Texas cement markets (2 plants) and a state-of-the-art rail-located cement plant in southern California. These plants produce Portland and specialty cements with a combined annual capacity of 6.6 million tons, as well as a current permit that provides an 800,000-ton-expansion opportunity at the Midlothian plant, near Dallas/Ft. Worth. The Corporation acquired the Cement segment on July 1, 2014 and, for the second half of the year, the segment generated net sales of \$209.6 million and gross profit of \$52.5 million. Of 2.8 million tons shipped during 2014, 0.5 million tons were used in the Corporation's ready mixed concrete product line. The average selling price per ton of cement in the second half of 2014 was \$89.21. Effective October 1, 2014, the Corporation announced a price increase of \$10 per ton of cement in the Texas and California markets. This price increase is reflected in the fourth-quarter average selling price, which was 8.2% higher compared with the third quarter.

The Cement segment is benefitting from continued strength in the Texas markets, where current demand exceeds local supply, a trend that is expected to continue for the near future. The Texas plants are operating between 75% and 85% utilization and the California plant is operating in the low 70% utilization, reflective of a slower recovery in the southern California construction economy. The PCA anticipates the California markets reaching a demand/supply equilibrium during 2016.

The segment sold cement to customers in 13 states, with Texas accounting for 71% of net sales by state of destination. Primary modes of transportation of shipments are truck and rail, representing 89% and 11%, respectively, of total tons.

The cement plants are subject to periodic maintenance which requires shutting the plant down. Shutdown costs due to these outages may accumulate to significant costs. In the second half of 2014, the segment incurred \$13.3 million of expense for shutdowns. For 2015, plant shutdown costs are estimated to be \$5 million, \$12 million, \$3 million and \$11 million for the first, second, third and fourth quarters, respectively.

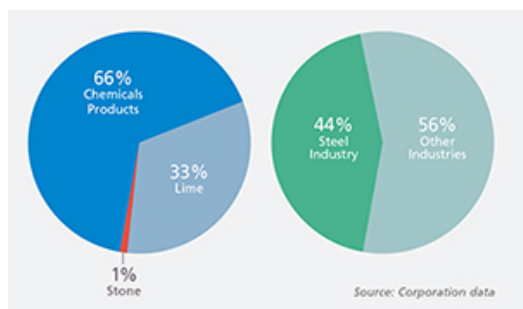
The Cement segment's hourly workforce at the Crestmore and Oro Grande operations in California belong to a labor union. The labor contract for the Oro Grande location expires in June 2015 and management does not expect significant difficulties in renewing the contract. The labor contract for Crestmore expires August 2016.

Magnesia Specialties Segment

Through its Magnesia Specialties segment, the Corporation manufactures and markets magnesia-based chemicals products for industrial, agricultural and environmental applications and dolomitic lime for use primarily in the steel industry. In 2014, 66% of Magnesia Specialties' net sales were attributable to chemicals products, 33% were attributable to lime and 1% was attributable to stone. Record net sales, gross profit and earnings from operations in 2014 reflected increased volumes and solid pricing gains in key product lines.

In 2014, 84% of the lime produced was sold to third-party customers, while the remaining 16% 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, 44% of Magnesia Specialties' 2014 net sales 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. These trends are guided by the rate of consumer consumption, the flow of offshore imports and other economic factors. The dolomitic lime business runs most profitably at 70% or greater steel utilization; domestic capacity

2014 NET SALES BY PRODUCT LINE AND INDUSTRY
MAGNESIA SPECIALTIES SEGMENT



utilization averaged 77% in 2014. According to Moody's, steel production in 2014 increased 13% over 2013 and the 2015 forecast is an increase of 2% over 2014. According to Platt, a division of McGraw Hill Financial, capacity utilization for 2014 was 77% and is expected to continue at this level or slightly improve in 2015.

Of Magnesia Specialties' 2014 total revenues, 11% came from foreign jurisdictions, including Canada, Mexico, Europe, South America and the Pacific Rim. As a result of foreign market sales, financial results could be affected by foreign currency exchange rates, increasing transportation costs or weak economic conditions in the foreign markets. To mitigate the short-term effect of currency exchange rates, the United States dollar is used as the functional currency in foreign transactions.

Given high fixed costs, low capacity utilization can negatively affect the segment's results of operations. Further, the production of certain magnesia chemical products and lime products requires natural gas, coal and petroleum coke to fuel kilns. Price fluctuations of these fuels affect the segment's profitability.

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 outlined in *Transportation Exposure* on pages 71 through 73.

All of Magnesia Specialties' hourly workforce belongs to a labor union. Union contracts cover hourly employees at the Manistee, Michigan magnesia-based chemicals plant and the Woodville, Ohio lime plant. The labor contract for the Manistee location expires in August 2015 and management does not expect significant difficulties in renewing the contract. The Woodville contract expires May 2018.

The Magnesia Specialties' operations are essentially running near capacity. Management expects future organic growth to result from increased pricing, rationalization of the current product portfolio and/or further cost reductions. In the current operating environment, any unplanned change in costs or customers introduces volatility to the earnings of the Magnesia Specialties segment.

Current Market Environment and Related Risks

Management has considered the current economic environment and its potential impact to the Corporation's business. With the extension of Map-21 and the temporary solvency of the Highway Trust Fund coupled with state initiatives to secure alternative funding sources, demand for aggregates products in the infrastructure construction market has shown improvement over prior year. However, securing a funding source and a new highway bill is necessary to restore confidence in the market. With all states in recovery or expansion, the decline in energy costs may be the catalyst in certain markets to boost construction. Conversely, markets heavily dependent on the energy sector may feel a slight depression with the decrease in oil production.

While a recessionary construction economy can increase collectability risks related to receivables, lien rights and payment bonds posted by some of the Corporation's customers help mitigate the risk of uncollectible accounts. The Corporation can experience a delay in payments from certain of its customers during the construction downturn, negatively affecting operating cash flows. Further, market performance and its impact on pension asset values may require increased cash contributions to the Corporation's plans in subsequent years. A lower discount rate is expected to increase the Corporation's pension expense in 2015.

There is a risk of long-lived asset impairment at temporarily-idled locations. The timing of increased demand will determine when these locations are reopened. During the time that locations are temporarily idled, the locations' plant and equipment continue to be depreciated. When appropriate, mobile equipment is transferred to and used at an open location. As the Corporation continues to have long-term access to the supply of aggregates reserves and useful lives of equipment are extended, these locations are not considered to be impaired while temporarily idled. When temporarily-idled locations are reopened, it is not uncommon for repair costs to temporarily increase.

Increases in the Corporation's estimated effective income tax rate may negatively affect the Corporation's results of operations. A number of factors could increase the estimated effective income tax rate, including government authorities increasing taxes to fund deficits; the jurisdictions in which earnings are taxed; the resolution of issues arising from tax

audits with various tax authorities; changes in the valuation of deferred tax balances; adjustments to estimated taxes based upon the filing of the consolidated federal and individual state income tax returns; changes in available tax credits; changes in stock-based compensation; other changes in tax laws; and the interpretation of tax laws and/ or administrative practices. The State of North Carolina reduced its corporate tax rate for years beginning January 1, 2014, which positively impacted the Corporation's effective income tax rate.

Internal Control and Accounting and Reporting Risk

Management concluded that the Corporation's internal control over financial reporting was effective as of December 31, 2014. Furthermore, the Corporation's independent registered public accounting firm issued an unqualified opinion on the effectiveness of the Corporation's internal controls as of December 31, 2014. A system of internal control over financial reporting is designed to provide reasonable assurance, in a cost-effective manner, on the reliability of a company's financial reporting and the process for preparing and fairly presenting financial statements in accordance with generally accepted accounting principles. Further, a system of internal control over financial reporting, by its nature, should be dynamic and responsive to the changing risks of the underlying business. Changes in the system of internal control over financial reporting could increase the risk of occurrence of a significant deficiency or material weakness. The *Sarbanes-Oxley Act of 2002*, and other related rules and regulations, have increased the scope, complexity and cost of corporate governance. As reports from the Public Company Accounting Oversight Board's ("PCAOB") inspections of public accounting firms continue to outline findings and recommendations, the Corporation's efforts and costs to respond may continue to increase. As permitted by the SEC, management's assessment of and conclusion on the effectiveness of internal controls over financial reporting did not include the internal control over certain assets and net sales of the acquired cement and ready mixed concrete operations, which are included in the 2014 consolidated financial statements and constituted 18% of consolidated total assets and 17% of consolidated net sales as of and for the year ended December 31, 2014.

Accounting rulemaking, which may come in the form of updates to the Accounting Standards Codification and speeches by various rule-making bodies, has become increasingly complex and generally requires significant estimates and assumptions in its interpretation and application. Further, accounting principles generally accepted in the United States continue to be reviewed, updated and subject to change by various rule-making bodies, including the Financial Accounting Standards Board (the "FASB") and SEC (section *Critical Accounting Policies and Estimates* on pages 80 through 88).

The FASB and the International Accounting Standards Board continue to work on several joint projects designed to improve both accounting standards under United States generally accepted accounting principles ("U.S. GAAP") and International Financial Reporting Standards ("IFRS"), and ultimately make these standards comparable. Through these projects, the boards intend to improve financial reporting information for investors while also aligning U.S. and international accounting standards. Proposed accounting changes are being issued one topic at a time and include revenue recognition and lease accounting. The Corporation has not evaluated the potential impact for all of the topics. The impact of these potential changes could be material to the Corporation's consolidated financial statements.

The SEC has yet to make a decision whether to incorporate IFRS into the United States financial reporting system. To date, the SEC has received strong support for retaining U.S. GAAP as the statutory basis for U.S. financial reporting and for a gradual transition incorporating international accounting standards into U.S. GAAP.

For additional discussion on risks, see the Risk Factors section in the Corporation's Annual Report on Form 10-K for the year ended December 31, 2014.

2015 Outlook

Management is encouraged by positive trends in its business and markets, most notably in the nonresidential construction market. Nonresidential construction is expected to increase in both the heavy industrial and commercial sectors. The Dodge Momentum Index is at its highest level since 2009 and signals continued growth. Energy-related economic activity, including follow-on public and private construction activities in the Corporation's primary markets, is anticipated to remain strong. Residential construction is expected to continue to grow, driven by historically low levels of construction activity over the previous several years, low mortgage rates, significant lot absorption, higher multi-family rental rates and rising housing prices. For the public sector, authorized highway funding from MAP-21 should remain stable compared with 2014. Additionally, state initiatives to finance infrastructure projects, including support from TIFIA, are expected to grow and continue to play an expanded role in public-sector activity.

Based on these trends and expectations, the Corporation's management anticipates the following for full-year 2015:

- Aggregates end-use markets compared to 2014 levels are as follows:
 - Infrastructure market to increase mid-single digits.
 - Nonresidential market to increase in the high-single digits.
 - Residential market to experience a double-digit increase.
 - ChemRock/Rail market to remain relatively flat.
- Aggregates product line shipments to increase by 10% to 12% compared with 2014 levels.
 - Heritage aggregates shipments to increase 4% to 7%.
 - Shipments from acquired TXI operations to more than double, reflecting a full year of ownership.
- Aggregates product line pricing to increase by 4% to 6% compared with 2014.
- Aggregates product line direct production cost per ton shipped to decline slightly.
- Aggregates-related downstream product lines to generate between \$875 million and \$925 million of net sales and \$65 million to \$70 million of gross profit.
- Net sales for the Cement segment to be between \$475 million and \$500 million, generating \$120 million to \$130 million of gross profit.

- Net sales for the Magnesia Specialties segment to be between \$240 million and \$250 million, generating \$85 million to \$90 million of gross profit.
- SG&A expenses as a percentage of net sales to be less than 6.0%, despite an \$18 million increase in heritage pension costs, primarily as a result of a lower discount rate.
- Interest expense to approximate \$75 million to \$80 million.
- Estimated effective income tax rate to approximate 32%, excluding discrete events.
- Consolidated EBITDA to range from \$825 million to \$875 million.
- Cash taxes paid to approximate \$52 million.
- Capital expenditures to approximate \$320 million, including \$35 million of synergy-related capital and \$80 million for the continued development of the new Medina limestone quarry outside of San Antonio. The Medina quarry is rail connected and will be able to ship aggregates products to South Texas, including Houston.

Risks To Outlook

The 2015 outlook includes management's assessment of the likelihood of certain risks and uncertainties that will affect performance. The most significant risks to the Corporation's performance will be Congress' actions and timing surrounding federal highway funding and uncertainty over the funding mechanism for the Highway Trust Fund. Further, a decline in consumer confidence may negatively impact investment in construction projects. While both MAP-21 and TIFIA credit assistance are excluded from the U.S. debt ceiling limit, this issue may have a significant impact on the economy and, consequently, construction activity. Other risks and uncertainties related to the Corporation's future performance include, but are not limited to: both price and volume, and a recurrence of widespread decline in aggregates volume negatively affecting aggregates price; the termination, capping and/or reduction of the federal and/or state gasoline tax(es) or other revenue related to infrastructure construction; a significant change in the funding patterns for traditional federal, state and/or local infrastructure projects; a reduction in defense spending, and the subsequent impact on construction activity on or near military bases; a decline in nonresidential construction; a decline in energy-related drilling activity resulting from a sustained period of low global oil prices or changes in oil production patterns in response to this decline and certain regulatory

or other economic factors; a slowdown in the residential construction recovery, or some combination thereof; a reduction in economic activity in the Corporation's Midwest states resulting from reduced funding levels provided by the Agricultural Act of 2014 and a reduction in capital investment by the railroads; an increase in the cost of compliance with governmental laws and regulations; unexpected equipment failures, unscheduled maintenance, industrial accident or other prolonged and/or significant disruption to the Corporation's cement production facilities; and the possibility that certain expected synergies and operating efficiencies in connection with the TXI acquisition are not realized within the expected time-frames or at all. 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 Magnesias Specialties business runs at near capacity; therefore any unplanned changes in costs or realignment of customers introduce volatility to the earnings of this segment.

The Corporation's principal business serves customers in aggregates-related 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, help to mitigate the risk of uncollectible receivables. The level of aggregates demand in the Corporation's end-use markets, production levels and the management of production costs will affect the operating leverage of the Aggregates business and, therefore, profitability. Production costs in the Aggregates business are also sensitive to energy and raw material prices, both directly and indirectly. Diesel fuel 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 Corporation's long-haul distribution network. The Cement business is also energy intensive and fluctuations in the price of coal affects costs. The Magnesias Specialties business is sensitive to changes in domestic steel capacity utilization and the absolute price and fluctuations in the cost of natural gas.

Transportation in the Corporation's long-haul network, particularly the supply of rail cars and locomotive power and condition of rail infrastructure to move trains, affects the Corporation's

ability to efficiently transport aggregate into certain markets, most notably Texas, Florida and the Gulf Coast. In addition, availability of rail cars and locomotives affects the Corporation's ability to move dolomitic lime, a key raw material for magnesias chemicals, to both the Corporation's plant in Manistee, Michigan, and customers. The availability of trucks, drivers and railcars to transport the Corporation's products, particularly in markets experiencing high growth and increased demand, is also a risk and pressures the associated costs.

All of the Corporation'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 to the outlook also include shipment declines as a result of economic events beyond the Corporation's control. In addition to the impact on nonresidential and residential construction, the Corporation is exposed to risk in its estimated outlook from credit markets and the availability of and interest cost related to its debt.

The Corporation's future performance is also exposed to risks from tax reform at the federal and state levels.

For a discussion of additional risks, see *Forward-Looking Statements – Safe Harbor Provisions* on pages 95 and 96.

OTHER FINANCIAL INFORMATION

Critical Accounting Policies and Estimates

The Corporation's audited consolidated financial statements include certain critical estimates regarding the effect of matters that are inherently uncertain. These estimates require management's subjective and complex judgments. Amounts reported in the Corporation's 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 Corporation's Audit Committee. Management's determination of the critical nature of accounting estimates and judgments may change from time to time depending on facts and circumstances that management cannot currently predict.

Business Combinations – Allocation of Purchase Price

The Corporation'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 Corporation's market share and/or are related to the Corporation's existing markets. When an acquisition is completed, the Corporation's consolidated statements of earnings include the operating results of the acquired business starting from the date of acquisition, which is the date that 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. Additionally, conversion of the seller's equity awards into equity awards of the Corporation can affect the purchase price. The Corporation 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 in 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. A 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 Corporation 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 are 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 that are not at 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 produced and sold as final products 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 on future expectations and assumptions determined by management, but is inherently uncertain. Key assumptions in estimating future cash flows include sales price, shipment volumes, production costs and 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 generating the projected cash flows.

The Corporation 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 has a significant impact on earnings. The selected lives are based on the periods that the assets provide value to the Corporation subsequent to the business combination.

The Corporation may adjust the amounts recognized for a business combination during a measurement period after the acquisition date. Any such adjustments are based on the Corporation 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. These adjustments are applied retroactively to the date of acquisition and reported retrospectively. Further, they could have a material impact on the Corporation's financial position and results of operations. The measurement period ends once the Corporation 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.

Impairment Review of Goodwill

Goodwill is required to be tested at least annually for impairment. The impairment evaluation of goodwill is a critical accounting estimate because goodwill represents 28% of the Corporation's total assets at December 31, 2014, the evaluation requires the selection of assumptions that are inherently volatile and an impairment charge could be material to the Corporation's financial condition and results of operations. The Corporation performs its impairment evaluation as of October 1, which represents the ongoing annual evaluation date.

The Corporation's reporting units, which represent the level at which goodwill is tested for impairment, are based on the geographic regions of the Aggregates business. As of October 1, 2014, the reporting units for the Aggregates business were as follows:

- *Mid-Atlantic Division*, which includes North Carolina, South Carolina, Maryland and Virginia;
- *Mideast Division*, which includes Indiana, Kentucky, Ohio and West Virginia;
- *Midwest Division*, which includes Iowa, northern Kansas, Minnesota, Missouri, eastern Nebraska and Washington;
- *Southeast Division*, which includes Alabama, Florida, Georgia, Mississippi, Tennessee and offshore operations in the Bahamas and Nova Scotia;

- *Rocky Mountain Division*, which includes Colorado, western Nebraska, Nevada, Utah and Wyoming; and
- *Southwest Division*, which includes Arkansas, southern Kansas, Louisiana, Oklahoma and Texas.

Additionally, the Cement business is a separate reporting unit. There is no goodwill related to the Magnesia Specialties segment.

Any impact on reporting units resulting from organizational changes made by management is reflected in the succeeding evaluation. Disclosures for certain of the aforementioned reporting units meet the aggregation criteria and are consolidated as reportable segments for financial reporting purposes.

Goodwill is allocated to each reporting unit based on the location of acquisitions and divestitures at the time of consummation. Goodwill is tested for impairment by comparing the reporting unit's fair value to its carrying value, which represents Step 1 of a two-step approach. 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 leads to a Step 2 evaluation to determine the goodwill write off. If a Step 1 failure occurs, the excess of the carrying value over the fair value does not equal the amount of the goodwill write off. Step 2 requires the calculation of the implied fair value of goodwill by allocating the fair value of the reporting unit to its tangible and intangible assets, other than goodwill, similar to the purchase price allocation performed for an acquisition of a business. The remaining unallocated fair value represents the implied fair value of the goodwill. If the implied fair value of goodwill exceeds its carrying amount, there is no impairment. If the carrying value of goodwill exceeds its implied fair value, an impairment charge is recorded for the difference. When performing Step 2 and allocating a reporting unit's fair value, assets having a higher fair value compared with book value increase any possible write off of impaired goodwill.

The Corporation has the option of performing a qualitative assessment before calculating the fair values of its reporting units in Step 1. As part of the qualitative assessment, the Corporation 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. Based on the qualitative assessment, the Corporation determines whether it is "more likely than not" (i.e., a likelihood of more than 50%) that the reporting unit's fair value is higher than its carrying amount. If the Corporation concludes that this is the case, the Corporation does not perform any further goodwill impairment testing for that reporting unit. Otherwise, it proceeds to Step 1 of its goodwill impairment analysis. This qualitative assessment is optional and the Corporation may bypass it for any reporting unit in any period and proceed directly with the quantitative calculation in Step 1. When the Corporation validates its conclusion by measuring fair value, it may resume performing a qualitative assessment for a reporting unit in any subsequent period.

For the 2014 annual impairment evaluation, the Corporation performed qualitative assessments of the Mid-Atlantic, Mideast, Midwest, Rocky Mountain, Southwest and Cement reporting units. Based on the totality of drivers of fair value and relevant facts and circumstances, the Corporation determined that it is more likely than not that the fair values of each of these reporting units exceed their respective carrying amounts. The Southwest reporting unit has \$825.5 million, or 40%, of the Corporation's total goodwill, and the Cement reporting unit has \$883.9 million, or 43%, of the Corporation's total goodwill, both as of December 31, 2014.

The Corporation performed a Step 1 analysis for its Southeast reporting unit. The fair value was calculated using a 15-year discounted cash flow model. Key assumptions included management's estimates of future profitability, capital requirements, discount rate of 12.0%, and terminal growth rate of 3.5%. The 2014 fair value of the Southeast reporting unit exceeded its carrying value by 36.2%, or \$178.4 million. For sensitivity purposes, a 100-basis-point increase in the discount rate would result in the Southeast reporting unit passing the Step 1 analysis. The Southeast reporting unit had \$50.3 million of goodwill at October 1, 2014.

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

the remaining life of underlying mineral reserves, estimated at over 60 years based on normalized production levels. Additional consideration was given to qualitative factors, including the Corporation's industry leadership position and the lack of obsolescence risks related to the Aggregates business.

Price, cost and volume changes, profitability, efficiency improvements, the discount rate and the terminal growth rate are significant assumptions in performing the impairment test. These assumptions are interdependent and have a significant impact on the results of the test.

Future profitability and capital requirements are, by their nature, estimates. The profitability estimates utilized in the evaluation were consistent with the five-year operating plan prepared by management and reviewed by the Board of Directors. The succeeding ten years of profitability were estimated using assumptions for price, cost and volume changes. Future price, cost and volume assumptions were based on current forecasts and market conditions. Capital requirements were estimated based on expected recapitalization needs of the reporting unit.

A discount rate is calculated for each reporting unit and represents its weighted average cost of capital. The calculation of the discount rate includes the following components, which are primarily based on published sources: equity risk premium, historical beta, risk-free interest rate, small-stock premium, company-specific premium, and borrowing rate. The terminal growth rate was based on the projected annual increase in Gross Domestic Product.

Management believes that all assumptions used were reasonable based on historical operating results and expected future trends. However, if future operating results are unfavorable as compared with forecasts, the results of future goodwill impairment evaluations could be negatively affected. Further, mineral reserves, which represent the underlying assets producing the reporting units' cash flows, are depleting assets by their nature. The reporting units' future cash flows will be updated as required based on expected future cash flow trends. The potential write off of goodwill from future evaluations represents a risk to the Corporation.

Pension Expense-Selection of Assumptions

The Corporation sponsors noncontributory defined benefit pension plans that cover substantially all employees and a Supplemental Excess Retirement Plan ("SERP") for certain retirees (see Note J to the audited consolidated financial statements on pages 31 through 35). Annual pension expense (inclusive of SERP expense) consists of several components:

- *Service Cost*, which represents the present value of benefits attributed to services rendered in the current year, measured by expected future salary levels.
- *Interest Cost*, which represents one year's additional interest on the outstanding liability that has been discounted to its present value.
- *Expected Return on Assets*, which represents the expected investment return on pension fund assets.
- *Amortization of Prior Service Cost and Actuarial Gains and Losses*, which represents components that are recognized over time rather than immediately. Prior service cost represents credit given to employees for years of service prior to plan inception. Actuarial gains and losses arise from changes in assumptions regarding future events or when actual returns on assets differ from expected returns. At December 31, 2014, unrecognized actuarial loss and unrecognized prior service cost were \$186.0 million and \$1.2 million, respectively. Pension accounting rules currently allow companies to amortize the portion of the unrecognized actuarial loss that represents more than 10 percent of the greater of the projected benefit obligation or pension plan assets, using the average remaining service life for the amortization period. Therefore, the \$186.0 million unrecognized actuarial loss consists of \$110.6 million that is currently subject to amortization in 2015 and \$75.4 million that is not subject to amortization in 2015. Assuming the December 31, 2014 projected benefit obligation and an average remaining service life of 10 years, \$12.4 million of amortization of the actuarial loss will be a component of 2015 annual pension expense.

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

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

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

Management's selection of the discount rate is based on an analysis that estimates the current rate of return for high-quality, fixed-income investments with maturities matching the payment of pension benefits that could be purchased to settle the obligations. The Corporation selected a hypothetical portfolio of Moody's Aa bonds with maturities that mirror the benefit obligations to determine the discount rate. At December 31, 2014, the Corporation selected a discount rate assumption of 4.25%, a 92-basis-point reduction from 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.

Management's selection of the rate of increase in future compensation levels is generally based on the Corporation's historical salary increases, including cost of living adjustments and merit and promotion increases, giving consideration to any known future trends. A higher rate of increase results in higher pension expense. The actual rate of increase in compensation levels in 2014 was lower than the assumed long-term rate of increase of 5.0%.

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. Given that these returns are long-term, there are generally not significant fluctuations in the expected rate of return from year to year. Based on the currently projected returns on these assets, the

Corporation selected an expected return on assets of 7.0%, consistent with the prior-year rate. The following table presents the expected return on pension assets as compared with the actual return on pension assets:

(add 000)	Expected Return on Pension Assets	Actual Return on Pension Assets
2014	\$32,661	\$26,186
2013	\$26,660	\$59,882
2012	\$23,899	\$37,308

The difference between expected return on pension assets and the actual return on pension assets is not immediately recognized in the consolidated statements of earnings. Rather, pension accounting rules require the difference to be included in actuarial gains and losses, which are amortized into annual pension expense as previously described.

The Corporation estimates the remaining lives of participants in the pension plans using a table issued by the Society of Actuaries. For 2014, the Corporation estimated the remaining lives of participants in the pension plans using the RP-2014 Mortality Table. The no-collar table was used for salaried participants and the blue-collar table, reflecting the experience of the Corporation's participants, was used for hourly participants.

Assumptions are selected on December 31 to calculate the succeeding year's expense. For the 2014 pension expense, assumptions selected at December 31, 2013 were as follows:

Discount rate	5.17%
Rate of increase in future compensation levels	5.00%
Expected long-term rate of return on assets	7.00%
Average remaining service period for participants	9.0 years
RP 2000 Mortality Table projected to 2020 with no phase-out of improvements	

Using these assumptions, 2014 pension expense, excluding the impact of the TXI acquisition, was \$13.9 million. Pension expense resulting from the TXI acquisition was \$17.6 million, which includes a one-time termination benefit of \$13.7 million. A change in the assumptions would have had the following impact on 2014 expense:

- A change of 25 basis points in the discount rate would have changed 2014 expense by approximately \$2.2 million.
- A change of 25 basis points in the expected long-term rate of return on assets would have changed the 2014 expense by approximately \$1.1 million.

For 2015 pension expense, assumptions selected at December 31, 2014 were as follows:

Discount rate	4.25%
Rate of increase in future compensation levels	4.50%
Expected long-term rate of return on assets	7.00%
Average remaining service period for participants	10 years
RP-2014 Mortality Table	

Using these assumptions, 2015 pension expense is expected to be approximately \$34.0 million, excluding termination benefits related to TXI, based on current demographics and structure of the plans. Changes in the underlying assumptions would have the following estimated impact on the 2015 expected expense:

- A change of 25 basis points in the discount rate would change the 2015 expected expense by approximately \$3.0 million.
- A change of 25 basis points in the expected long-term rate of return on assets would change the 2015 expected expense by approximately \$1.3 million.

The Corporation made pension plan contributions of \$25.7 million in 2014 and \$158.9 million for the five-year period ended December 31, 2014. Despite these contributions, the Corporation's pension plans are underfunded (projected benefit obligation exceeds the fair value of plan assets) by \$229.9 million at December 31, 2014. This reflects the assumed obligation of several underfunded plans from TXI. The Corporation's projected benefit obligation increased \$257.9 million from December 31, 2013 primarily due to the 92-basis-point decrease in the discount rate assumption and the acquisition of TXI. The Corporation expects to make pension plan and SERP contributions of \$33.5 million in 2015.

Estimated Effective Income Tax Rate

The Corporation 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 Corporation 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 any, is recognized when the change is effective.

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

Temporary differences reflect revenues or expenses that are recognized 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 Corporation's consolidated statements of earnings is not changed by temporary differences.

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

The Corporation has deferred tax assets, primarily for unvested stock-based compensation awards, employee pension and postretirement benefits, valuation reserves, inventories, net operating loss carryforwards and tax credit carryforwards. 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. Deferred tax assets are carried on stock options that had exercise prices in excess of the closing price of the Corporation's common stock at December 31, 2014. If these options expire without being exercised, the deferred tax assets are written off by reducing the pool of excess tax benefits to the extent available and expensing any excess. The deferred tax assets attributable to employee pension and postretirement benefits relate to deductions as plans are funded for income tax purposes as compared with deductions for financial reporting purposes that are based on accounting standards. The reversal of these differences depends on the timing of the Corporation's contributions to the related benefit plans as compared to the annual expense for financial reporting purposes. The deferred tax assets attributable to valuation reserves and inventories relate to the deduction of estimated cost reserves and various period expenses for financial reporting purposes that are deductible in a later period for income tax purposes. The reversal of these differences 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. At December 31, 2014, the Corporation had domestic net operating loss carryforwards of \$710.2 million, a significant portion of which were acquired in the TXI business combination, with varying expiration dates through 2034 and related deferred tax assets of \$171.8 million. The Corporation established a reserve of \$5.1 million for these deferred tax assets based on the uncertainty of generating future taxable income in the respective jurisdictions during the limited period that the net operating loss carryforwards can be utilized under state statutes. The Corporation utilized total net operating loss carryforwards of \$54 million and can utilize \$383 million in 2015, subject to generating sufficient taxable income. The remaining net operating loss carryforwards are expected to be utilized in 2016. Additionally, the Corporation had domestic tax credit carryforwards of \$3.7 million, for which a valuation allowance of \$1.0 million was recorded at December 31, 2014 and alternative minimum tax credit carryforwards of \$28.8 million. Cash taxes in 2015 are estimated to be \$52 million.

Property, Plant and Equipment

Net property, plant and equipment represent 46% of total assets at December 31, 2014. 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 Corporation has not recognized significant losses on the disposal or retirement of fixed assets.

The Corporation evaluates aggregates reserves, including aggregates reserves used in the cement manufacturing process, in several ways, depending on the geology at a particular location and whether the location is a potential new site (greensite), an acquisition or an existing operation. Greensites require 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 section *Environmental Regulation and Litigation* on pages 74 and 75). 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 Corporation's analysis based on these factors is satisfactory, the total aggregates reserves available are calculated and a determination is made whether to open the location. Reserve evaluation at existing locations is typically performed to evaluate purchasing adjoining properties, 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 Corporation'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. 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. This can have an adverse effect on the Corporation's ability to serve certain customers or on the Corporation's profitability. In addition, other issues can arise that limit the Corporation'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 6-inch corkscrew brings up material from below the ground which is then sampled. Deposits in these locations are typically limited in thickness, and 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 Corporation. Further, the anticipated heterogeneity of the deposit, based on U.S. geological maps, also dictates the number of holes used.

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

Proven Reserves – These reserves are designated using closely spaced drill data as described above and a determination by a professional geologist that the deposit is 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 as a result of 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 Corporation 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% 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 Corporation'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 Corporation's inactive and undeveloped sites, including some sites where permitting and zoning applications will not be filed until warranted by expected future growth. The Corporation has historically been successful in obtaining and maintaining appropriate zoning and permitting (see section *Environmental Regulation and Litigation* on pages 74 and 75).

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 Corporation 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. During 2014, depletion expense was \$11.0 million.

The Corporation 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. Quarry development costs are classified as land improvements.

New pits 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 pit 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 pits when the liability is incurred. Once a pit enters the production phase, all post-production stripping costs are expensed as incurred as periodic inventory production costs.

Inventory Standards

The Corporation values its finished goods inventories under the first-in, first-out methodology using standard costs. For quarries, standards are developed using production costs for a twelve-month period, in addition to complying with the principle of lower of cost or market, and adjusting, if necessary, for normal capacity levels and abnormal costs. In addition to production costs, standards for distribution yards include a freight component for the cost of transporting the inventory from a quarry to the distribution yard and materials handling costs. Pre-operating start-up costs are expensed as incurred and not capitalized as part of inventory costs. In periods in which production costs, in particular energy costs, and/or production volumes have changed significantly from the prior period, the revision of standards can have a significant impact on the Corporation's operating results (see section *Cost Structure* on pages 69 through 71).

Standard costs for the Aggregates business are updated on a quarterly basis to match finished goods inventory values with changes in production costs and production volumes.

Liquidity and Cash Flows

Operating Activities

The Corporation's primary source of liquidity during the past three years has been cash generated from its 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 \$381.7 million in 2014, \$309.0 million in 2013 and \$222.7 million in 2012. The increases in 2014 and 2013 were primarily attributable to higher earnings before depreciation, depletion and amortization expense. The 2014 increase was partially offset by \$70.4 million of payments for TXI acquisition-related expenses.

Depreciation, depletion and amortization were as follows:

years ended December 31 (add 000)	2014	2013	2012
Depreciation	\$200,242	\$162,638	\$166,912
Depletion	11,000	5,695	5,028
Amortization	11,504	5,428	5,271
Total	\$222,746	\$173,761	\$177,211

The increase in depreciation, depletion and amortization expense in 2014 is attributable to the TXI acquisition.

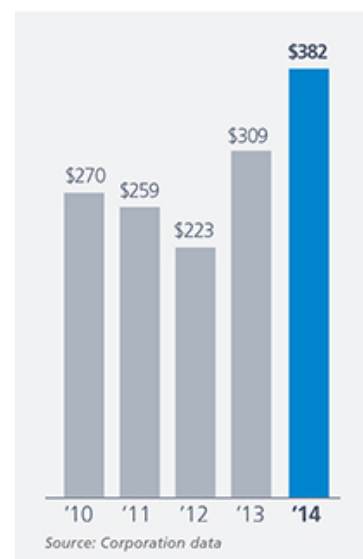
Investing Activities

Net cash used for investing activities was \$49.3 million in 2014, \$214.5 million in 2013 and \$143.2 million in 2012.

Capital spending by reportable segment, excluding acquisitions, was as follows:

years ended December 31 (add 000)	2014	2013	2012
Mid-America Group	\$ 75,253	\$ 81,232	\$ 57,125
Southeast Group	22,135	18,444	22,594
West Group	112,994	44,380	28,544
Total Aggregates Business	210,382	144,056	108,263
Cement	4,764	–	–
Magnesia Specialties	2,588	4,700	38,873
Corporate	14,449	6,477	3,887
Total	\$232,183	\$155,233	\$151,023

OPERATING CASH FLOW (in millions)



Increased capital spending in 2014 for the West Group is attributable to \$28.8 million invested in the newly acquired TXI locations and \$41.0 million for the continued development of the new Medina limestone quarry outside of San Antonio.

The Corporation paid cash of \$0.2 million, \$64.5 million and \$0.2 million for acquisitions in 2014, 2013 and 2012, respectively.

Proceeds from divestitures and sales of assets include cash from the sales of surplus land and equipment and the divestitures of several Aggregates business' operations. These transactions provided pretax cash of \$122.0 million in 2014, \$8.6 million in 2013 and \$10.0 million in 2012. Proceeds in 2014 primarily relate to the required sale of an aggregates quarry in Oklahoma and two rail yards in Texas as a result of an agreement between the Corporation and the U.S. Department of Justice ("DOJ") as part of its review of the TXI business combination.

In 2013 and 2012, the Corporation loaned \$3.4 million and \$2.0 million, respectively, to an unconsolidated affiliate.

Financing Activities

The Corporation used \$266.1 million, \$77.4 million and \$80.1 million of cash for financing activities during 2014, 2013 and 2012, respectively.

Net repayments of long-term debt were \$188.5 million, \$16.7 million and \$12.7 million in 2014, 2013 and 2012, respectively. As discussed in Note G of the audited consolidated financial statements, the Corporation completed a private offering, subsequently exchanged for public notes in December 2014, of \$700 million of senior unsecured notes and amended its trade receivable securitization facility to increase available funding by \$100 million to maximum borrowings of \$250 million, subject to the level of trade receivables. Net proceeds from the offering, along with cash on hand and incremental drawings on the trade facility, were used to redeem

\$650 million of assumed 9.25% notes from TXI plus a make-whole premium and accrued unpaid interest. As of December 31, 2014, the Corporation repaid all outstanding borrowings under the trade facility using free cash flow.

In 2014, the Board of Directors approved total cash dividends on the Corporation's common stock of \$1.60 per share. Total cash dividends were \$91.3 million in 2014, \$74.2 million in 2013 and \$73.8 million in 2012.

Cash provided by issuances of common stock, which represents the exercises of stock options, was \$39.7 million, \$11.7 million and \$7.0 million in 2014, 2013 and 2012, respectively. The increase in 2014 is primarily due to the exercise of fully-vested replacement options granted to holders of outstanding TXI options at the acquisition date. Excess tax benefits from stock-based compensation transactions were \$2.5 million, \$2.4 million and \$0.8 million in 2014, 2013 and 2012, respectively.

During 2014, the Corporation acquired the remaining interest in two joint ventures in separate transactions for \$19.5 million.

Capital Structure and Resources

Long-term debt, including current maturities, increased from \$1.031 billion at the end of 2013 to \$1.585 billion at the end of 2014. The Corporation's debt was principally in the form of publicly-issued long-term notes and debentures and \$236.3 million of borrowings under variable-rate credit facilities at December 31, 2014.

In connection with the TXI acquisition, the Corporation refinanced debt assumed from TXI by issuing \$700 million of senior unsecured notes, which included \$300 million of three-year variable-rate senior notes and \$400 million of 4.25% ten-year senior notes.

Subsequent to the TXI acquisition, the Corporation, through a wholly-owned special purpose subsidiary, amended its trade receivable securitization facility (the "Trade Receivable Facility") to increase the borrowing capacity from \$150 million to \$250 million. The Corporation also extended the maturity of its Trade Receivable Facility to September 30, 2016. The Trade Receivable Facility is backed by eligible trade receivables, as defined, of \$313.4 million at December 31, 2014.

These receivables are originated by the Corporation and then sold to the wholly-owned special purpose subsidiary by the Corporation. The Corporation 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 Corporation's other debt agreements.

The Credit Agreement (which consists of a \$250 million Term Loan Facility and a \$350 million Revolving Facility) requires the Corporation's ratio of consolidated debt to consolidated EBITDA, as defined by the Credit Agreement, for the trailing twelve month period (the "Ratio") to not exceed 3.50x as of the end of any fiscal quarter, provided that the Corporation may exclude from the Ratio debt incurred in connection with certain acquisitions for a period of 180 days so long as the Corporation, as a consequence of such specified acquisition, does not have its ratings on long-term unsecured debt fall below BBB by Standard & Poor's or Baa2 by Moody's and the Ratio calculated without such exclusion does not exceed 3.75x. Effective June 23, 2014, the Corporation amended the Credit Agreement to ensure the impact of the business combination with TXI does not impair liquidity available under the Term Loan Facility and the Revolving Facility. The amendment adjusts consolidated EBITDA to add back fees, costs or expenses relating to the TXI business combination incurred on or prior to the closing of the combination not to exceed \$95,000,000; any integration or similar costs or expenses related to the TXI business combination incurred in any period prior to the second anniversary of the closing of the TXI business combination not to exceed \$70,000,000; and any make-whole fees incurred in connection with the redemption of TXI's 9.25% senior notes. Additionally, under the Credit Agreement, if there are no amounts outstanding under the Revolving Facility, consolidated debt, including debt for which the Corporation is a co-borrower, will be reduced for purposes of the covenant calculation by the Corporation's unrestricted cash and cash equivalents in excess of \$50 million, such reduction not to exceed \$200 million.

At December 31, 2014, the Corporation's ratio of consolidated debt to consolidated EBITDA, as defined, for the trailing twelve month EBITDA was 2.46 times and was calculated as follows (dollars in thousands):

	Twelve-Month Period January 1, 2014 to December 31, 2014
Net earnings from continuing operations attributable to Martin Marietta	\$ 155,638
Add back:	
Interest expense	66,057
Income tax expense	94,769
Depreciation, depletion and amortization expense	220,014
Stock-based compensation expense	8,993
Business development expenses related to the business combination with TXI	42,689
Deduct:	
Interest income	(492)
TXI EBITDA, pre-acquisition (January 1, 2014 - June 30, 2014)	43,571
Consolidated EBITDA, as defined	<u>\$ 631,239</u>
Consolidated net debt, as defined and including debt for which the Corporation is a co-borrower, at December 31, 2014	<u>\$ 1,550,642</u>
Consolidated debt-to-consolidated EBITDA, as defined, at December 31, 2014 for trailing twelve-month EBITDA	<u>2.46x</u>

Total equity increased from \$1.575 billion at December 31, 2013 to \$4.353 billion at December 31, 2014, primarily due to the issuance of 20.3 million shares of common stock to acquire TXI. At December 31, 2014, the Corporation had an accumulated other comprehensive loss of \$106.2 million, resulting from unrecognized actuarial losses and prior service costs related to pension and postretirement benefits, foreign currency translation gains and the unamortized loss on terminated forward starting interest rate swap agreements.

The Corporation may repurchase shares of its common stock through open-market purchases pursuant to authority granted by its Board of Directors or through private transactions at such prices and upon such terms as the Chief Executive Officer deems appropriate. During 2014, the Corporation did not repurchase any shares of common stock. At December 31, 2014, 5.0 million shares of common stock were remaining under the Corporation's repurchase authorization. Subsequent to year end 2014, the Board of Directors granted authority for the Corporation to repurchase an additional 15.0 million shares of common stock for

a total repurchase authorization of 20.0 million shares. The Corporation expects to allocate capital for share repurchases based on available excess free cash flow, defined as operating cash flow less capital expenditures and dividends, subject to leverage constraints of 2.0 to 2.5 times debt-to-EBITDA and consideration of other capital needs. Based on current projections for 2015, and subject to the potential risks outlined in *Risks to Outlook* on pages 79 and 80, the Corporation expects to allocate up to \$300 million to share repurchases in 2015. Cash flow provided from TXI-related non-strategic or non-operating asset sales will also likely be deployed towards share repurchases.

Future repurchases are expected to be carried out through a variety of methods, which may include open market purchases, privately negotiated transactions, block trades, accelerated share purchase transactions, or any combination of such methods. The Corporation expects to complete the repurchase program over the next three years, though the actual timing of completion will be based on an ongoing assessment of the capital needs of the business, the market price of its common stock and general market conditions. Share repurchases will be executed based on then-current business and market factors so the actual return of capital in any single quarter may vary. The repurchase program may be modified, suspended or discontinued by the Board of Directors at any time without prior notice. At December 31, 2014, the Corporation had \$108.7 million in cash and short-term investments that are considered cash equivalents. The Corporation manages its cash and cash equivalents to ensure that short-term operating cash needs are met and that excess funds are managed efficiently. The Corporation subsidizes shortages in operating cash through short-term borrowing facilities. The Corporation utilizes excess cash to either pay-down short-term borrowings or invest in money market funds, money market demand deposit accounts or Eurodollar time deposit accounts. Money market demand deposits and Eurodollar time deposit accounts are exposed to bank solvency risk. Money market demand deposit accounts are FDIC insured up to \$250,000. The Corporation's investments in bank funds generally exceed the \$250,000 FDIC insurance limit. The Corporation's cash management policy prohibits cash and cash equivalents over \$100 million to be maintained at any one bank.

Cash on hand, along with the Corporation'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 Credit Agreement are unsecured and may be used for general corporate purposes. The Corporation's ability to borrow or issue securities is dependent upon, among other things, prevailing economic, financial and market conditions (see section *Current Market Environment and Related Risks* on pages 77 and 78). At December 31, 2014, the Corporation had \$347.5 million of unused borrowing capacity under its Revolving Facility and \$250.0 million of available borrowings under its Trade Receivable Facility. The Revolving Facility expires on November 29, 2018 and the Trade Receivable Facility matures on September 30, 2016.

The Corporation may be required to obtain financing in order to fund certain strategic acquisitions, if any such opportunities arise, 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. Furthermore, the Corporation is exposed to credit markets through the interest cost related to its variable-rate debt, which includes \$300 million of Notes due 2017 and borrowings under its Revolving Facility, Term Loan Facility and Trade Receivable Facility. The Corporation is currently rated by three credit rating agencies; two of those agencies' credit ratings are investment-grade level and the third agency's credit rating is one level below investment-grade.

Contractual and Off Balance Sheet Obligations

Postretirement medical benefits will be paid from the Corporation's assets. The obligation, if any, for retiree medical payments is subject to the terms of the plan. At December 31, 2014, the Corporation's recorded benefit obligation related to these benefits totaled \$25.1 million.

The Corporation has other retirement benefits related to pension plans. At December 31, 2014, the qualified pension plans were underfunded by \$140.4 million. Inclusive of required amounts, the Corporation estimates that it will make contributions of \$26.8 million to qualified pension plans in 2015. Any contributions beyond 2015 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 normal service cost annually. At December 31, 2014, the Corporation had a total obligation of \$89.5 million related to unfunded nonqualified pension plans.

At December 31, 2014, the Corporation had \$21.1 million of reserves for uncertain tax positions. Such accruals may become payable if the tax positions are not sustained upon examination by a taxing authority.

In connection with normal, ongoing operations, the Corporation enters into market-rate leases for property, plant and equipment and royalty commitments principally associated with leased land. Additionally, the Corporation enters into equipment rentals to meet shorter-term, nonrecurring and intermittent needs. At December 31, 2014, the Corporation had \$21.9 million in capital lease obligations. Amounts due for operating leases and royalty agreements are expensed in the period incurred. Management anticipates that, in the ordinary course of business, the Corporation will enter into additional royalty agreements for land and mineral reserves during 2015.

The Corporation has purchase commitments for property, plant and equipment of \$116.7 million as of December 31, 2014. The Corporation also has other purchase obligations related to energy and service contracts which totaled \$103.9 million as of December 31, 2014.

The Corporation's contractual commitments as of December 31, 2014 are as follows:

(add 000)	Total	< 1 Year	1 to 3 Years	3 to 5 Years	> 5 Years
ON BALANCE SHEET:					
Long-term debt	\$1,585,395	\$ 14,336	\$ 336,413	\$ 486,438	\$ 748,208
Postretirement benefits	25,086	2,740	4,821	4,449	13,076
Qualified pension plan contributions ¹	26,793	26,793	–	–	–
Unfunded pension plan contributions	89,457	6,707	11,420	11,420	59,910
Uncertain tax positions	21,107	10,547	10,560	–	–
Capital leases	21,860	3,407	6,513	4,621	7,319
Other commitments	691	64	128	128	371
OFF BALANCE SHEET:					
Interest on noncallable publicly-traded long-term debt	483,292	42,925	85,850	52,850	301,667
Operating leases ²	346,868	96,549	120,445	36,486	93,388
Royalty agreements ²	86,335	12,073	19,139	14,920	40,203
Purchase commitments - capital	116,681	116,636	45	–	–
Other commitments - energy and services	103,861	54,731	42,657	1,652	4,821
Total	\$2,907,426	\$387,508	\$ 637,991	\$ 612,964	\$1,268,963

¹ Qualified pension plan contributions beyond 2015 are not determinable at this time

² Represents future minimum payments

Notes A, G, I, J, L and N to the audited consolidated financial statements on pages 16 through 21; 25 through 27; 28 through 31; 31 through 35; 37 and 38 and 38 through 40, respectively, contain additional information regarding these commitments and should be read in conjunction with the above table.

Contingent Liabilities and Commitments

The Corporation has a \$5 million short-term line of credit. No amounts were outstanding under this line of credit at December 31, 2014.

The Corporation has entered into standby letter of credit agreements relating to certain insurance claims, utilities and property improvements. At December 31, 2014, the Corporation had contingent liabilities guaranteeing its own performance under these outstanding letters of credit of \$46.5 million, of which \$2.5 million were issued under the Corporation's Revolving Facility. Certain of these underlying obligations are accrued on the Corporation's balance sheet. In the normal course of business at December 31, 2014, the Corporation was contingently liable for \$305.2 million in surety bonds underwritten by Safeco Corporation, a subsidiary of Liberty Mutual Group, which guarantee its own performance and are required by certain states and municipalities and their related agencies. Certain of the bonds guaranteeing performance of obligations, including those for asset retirement requirements and insurance claims, are accrued on the Corporation's balance sheet. The bonds are principally for certain insurance claims, construction contracts, reclamation obligations and mining permits. Five of these bonds total \$87.3 million, or 29% of all outstanding surety bonds. The Corporation has indemnified the underwriting insurance companies against any exposure under the surety bonds. In the Corporation's past experience, no material claims have been made against these financial instruments.

The Corporation is a co-borrower with an unconsolidated affiliate for a \$25.0 million revolving line of credit agreement with Branch Banking & Trust. The line of credit expires in December 2015. The affiliate has agreed to reimburse and indemnify the Corporation for any payments and expenses the Corporation may incur from this agreement. The Corporation holds a lien on the affiliate's membership interest in a joint venture as collateral for payment under the revolving line of credit.

Quantitative and Qualitative Disclosures about Market Risk

As discussed earlier, the Corporation's operations are highly dependent upon the interest rate-sensitive construction and steelmaking industries. Consequently, these marketplaces could experience lower levels of economic activity in an environment of rising interest rates or escalating costs (see section *Business Environment* on pages 60 through 80).

Management has considered the current economic environment and its potential impact to the Corporation's business. Demand for aggregates and cement products, particularly in the infrastructure construction market, has already been negatively affected by federal and state budget and deficit issues and the uncertainty over future highway funding levels.

beyond the expiration of the extended provisions of MAP-21 through May 31, 2015. Further, delays or cancellations to capital projects in the nonresidential and residential construction markets could occur if companies and consumers are unable to obtain financing for construction projects or if consumer confidence continues to be eroded by economic uncertainty.

Demand in the residential construction market is affected by interest rates. The Federal Reserve kept the federal funds rate near zero percent during the twelve months ended December 31, 2014, unchanged since 2008. The residential construction market accounted for 14% of the Corporation's aggregates product line shipments in 2014.

Aside from these inherent risks from within its operations, the Corporation's earnings are also affected by changes in short-term interest rates. However, rising interest rates are not necessarily predictive of weaker operating results. In fact, since 2007, the Corporation's profitability increased when interest rates rose, based on the last twelve months quarterly historical net income regression versus a 10-year U.S. government bond. In essence, the Corporation's underlying business generally serves as a natural hedge to rising interest rates.

Variable-Rate Borrowing Facilities

At December 31, 2014, the Corporation had a \$600 million Credit Agreement, comprised of a \$350 million Revolving Facility and \$250 million Term Loan Facility, and a \$250 million Trade Receivable Facility. The Corporation also has \$300 million variable-rate senior notes. Borrowings under these facilities bear interest at a variable interest rate. A hypothetical 100-basis-point increase in interest rates on borrowings of \$536.5 million, which was the collective outstanding balance at December 31, 2014, would increase interest expense by \$5.4 million on an annual basis.

Pension Expense

The Corporation's results of operations are affected by its pension expense. Assumptions that affect pension expense include the discount rate and, for the defined benefit pension plans only, the expected long-term rate of return on assets.

Therefore, the Corporation has interest rate risk associated with these factors. The impact of hypothetical changes in these assumptions on the Corporation's annual pension expense is discussed in the section *Critical Accounting Policies and Estimates – Pension Expense – Selection of Assumptions* on pages 84 and 85.

Energy Costs

Energy costs, including diesel fuel, natural gas, coal and liquid asphalt, represent significant production costs of the Corporation. The Corporation does not hedge its diesel fuel price risk. The Magnesia Specialties business has fixed price agreements covering half of its 2015 coal requirements and the cement business has fixed pricing agreements on 100% of its 2015 coal requirements. A hypothetical 10% change in the Corporation's energy prices in 2015 as compared with 2014, assuming constant volumes, would change 2015 energy expense by \$27.9 million. However, the impact would be partially offset by the change in the amount capitalized into inventory standards.

Commodity Risk

Cement is a commodity and competition is based principally on price, which is highly sensitive to changes in supply and demand. Prices are often subject to material changes in response to relatively minor fluctuations in supply and demand, general economic conditions and other market conditions beyond the Corporation's control. Increases in the production capacity of industry participants or increases in cement imports tend to create an oversupply of such products leading to an imbalance between supply and demand, which can have a negative impact on product prices. There can be no assurance that prices for products sold will not decline in the future or that such declines will not have a material adverse effect on the Corporation's business, financial condition and results of operations. Based on annualizing net sales of the Cement business for the second half of 2014, the period the Corporation owned the cement operations, a hypothetical 10% change in sales price would impact net sales by \$41.9 million.

Forward-Looking Statements – Safe Harbor Provisions

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

Investors are cautioned that all statements in this Annual Report that relate to the future involve risks and uncertainties, and are based on assumptions that the Corporation believes in good faith are reasonable but which may be materially different from actual results. Forward-looking statements give the investor the Corporation's expectations or forecasts of future events. These statements can be identified by the fact that they do not relate only to historical or current facts. They may use words such as "anticipate," "expect," "should be," "believe," "will," and other words of similar meaning in connection with future events or future operating or financial performance. Any or all of the Corporation's forward-looking statements here and in other publications may turn out to be wrong.

Factors that the Corporation currently believes could cause actual results to differ materially from the forward-looking statements in this Annual Report include, but are not limited to, Congress' actions and timing surrounding federal highway funding and uncertainty over the funding mechanism for the Highway Trust Fund; the performance of the United States economy and the resolution and impact of the debt ceiling and sequestration issues; widespread decline in aggregates pricing; the history of both cement and ready mixed concrete, to be subject to significant changes in supply, demand and price; the termination, capping and/or reduction of the federal and/or state gasoline tax(es) or other revenue related to infrastructure construction; the level and timing of federal and state transportation funding, most particularly in Texas, North Carolina, Iowa, Colorado and Georgia; 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 Corporation 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; a slowdown in energy-related drilling activity, particularly in Texas; a slowdown in residential construction recovery; a reduction in construction activity and related shipments due to a decline in funding under the domestic farm bill; unfavorable weather conditions, particularly Atlantic Ocean 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 Corporation; the volatility of fuel costs, particularly diesel fuel, and the impact on the cost of other consumables, namely steel, explosives, tires and conveyor belts, and with respect to the Magnesia Specialties and Cement businesses, natural gas; continued increases in the cost of other repair and supply parts; unexpected equipment failures, unscheduled maintenance, industrial accident or other prolonged and/or

significant disruption to cement production facilities; increasing governmental regulation, including environmental laws; transportation availability, notably the availability of railcars and locomotive power to move trains to supply the Corporation's Texas, Florida and Gulf Coast markets; increased transportation costs, including increases from higher passed-through energy and other costs to comply with tightening regulations as well as higher volumes of rail and water shipments; availability of trucks and licensed drivers for transport of the Corporation's materials, particularly in areas with significant energy-related activity, such as Texas and Colorado; availability and cost of construction equipment in the United States; weakening in the steel industry markets served by the Corporation's dolomitic lime products; proper functioning of information technology and automated operating systems to manage or support operations; inflation and its effect on both production and interest costs; ability to successfully integrate acquisitions quickly and in a cost-effective manner and achieve anticipated profitability to maintain compliance with the Corporation's leverage ratio debt covenant; changes in tax laws, the interpretation of such laws and/or administrative practices that would increase the Corporation's tax rate; violation of the Corporation's debt covenant if price and/or volumes return to previous levels of instability; downward pressure on the Corporation's common stock price and its impact on goodwill impairment evaluations; reduction of the Corporation's credit rating to non-investment grade resulting from strategic acquisitions; and other risk factors listed from time to time found in the Corporation's filings with the SEC. Other factors besides those listed here may also adversely affect the Corporation, and may be material to the Corporation. The Corporation assumes no obligation to update any such forward-looking statements.

For a discussion identifying some important factors that could cause actual results to vary materially from those anticipated in the forward-looking statements, see the Corporation's SEC filings including, but not limited to, the discussion of "Competition" in the Corporation's Annual Report on Form 10-K, "Management's Discussion and Analysis of Financial Condition and Results of Operations" on pages 43 through 96 of the 2014 Annual Report and "Note A: Accounting Policies" and "Note N: Commitments and Contingencies" of the "Notes to Financial Statements" on pages 16 through 21 and 38 and 40, respectively, of the audited consolidated financial statements included in the 2014 Annual Report.

QUARTERLY PERFORMANCE

(unaudited)
(add 000, except per share and stock prices)

Quarter	Total Revenues ¹		Net Sales ¹		Gross Profit ¹		Consolidated Net (Loss) Earnings		Net (Loss) Earnings Attributable to Martin Marietta	
	2014	2013	2014	2013	2014 ₃	2013	2014 _{3,4}	2013	2014 _{3,4}	2013
First	\$ 428,630	\$ 383,908	\$ 379,678	\$ 344,058	\$ 25,835	\$ 12,821	\$ (23,153)	\$ (29,329)	\$ (21,618)	\$ (27,839)
Second	669,225	561,327	601,937	507,333	135,602	106,997	59,624	41,567	59,521	41,308
Third	1,003,723	665,320	917,942	600,457	195,593	143,108	53,834	72,038	53,743	71,836
Fourth	856,373	544,996	779,538	491,370	165,330	101,031	63,989	35,156	63,955	36,032
Totals	\$2,957,951	\$2,155,551	\$2,679,095	\$1,943,218	\$522,360	\$363,957	\$154,294	\$119,432	\$155,601	\$121,337

Per Common Share

Quarter	Basic (Loss) Earnings ²		Diluted (Loss) Earnings ²		Dividends Paid		Stock Prices			
	2014 _{3,4}	2013	2014 _{3,4}	2013	2014	2013	High	Low	High	Low
First	\$ (0.47)	\$ (0.61)	\$ (0.47)	\$ (0.61)	\$ 0.40	\$ 0.40	\$ 128.95	\$ 98.63	\$ 106.57	\$ 93.99
Second	1.28	0.89	1.27	0.89	0.40	0.40	\$ 136.36	\$ 115.49	\$ 113.65	\$ 93.03
Third	0.80	1.55	0.79	1.54	0.40	0.40	\$ 134.64	\$ 123.64	\$ 106.98	\$ 94.25
Fourth	0.95	0.78	0.94	0.77	0.40	0.40	\$ 131.71	\$ 103.09	\$ 106.48	\$ 94.01
YTD	\$ 2.73	\$ 2.62	\$ 2.71	\$ 2.61	\$ 1.60	\$ 1.60				

¹ Amounts may not equal amounts previously reported in the Corporation's Forms 10-Q, as amounts have been recast to reflect discontinued operations.

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

³ Gross profit in the third quarter of 2014 was decreased by \$10.9 million for a nonrecurring increase in the cost of sales for acquired inventory. This adjustment reduced net earnings by \$6.9 million, or \$0.13 per diluted share.

⁴ Consolidated net earnings, net earnings attributable to Martin Marietta and basic and diluted earnings per common share were decreased by the following acquisition related expenses, net, related to TXI: Q1 - \$5.7 million, or \$0.12 per basic and diluted share, Q2 - \$3.2 million, or \$0.07 per basic and diluted share, Q3 - \$37.6 million, or \$0.56 per basic and diluted share, Q4 - \$3.2 million, or \$0.05 per basic and diluted share.

At February 12, 2015, there were 1,016 shareholders of record.

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

(add 000, except per share)

Quarter	Total Revenues ¹		Net Sales ¹		Net (Loss) Earnings ¹		Loss per Diluted Share ^{1,2}	
	2014	2013	2014	2013	2014	2013	2014	2013
First	\$ 9	\$ 1,102	\$ 9	\$ 1,061	\$ (8)	\$ (234)	\$ 0.00	\$ 0.00
Second	37	1,385	37	1,385	(38)	75	0.00	0.00
Third	30	649	30	649	(47)	(293)	0.00	(0.01)
Fourth	87	16	87	16	56	(297)	0.00	(0.01)
Totals	\$ 163	\$ 3,152	\$ 163	\$ 3,111	\$ (37)	\$ (749)	\$ 0.00	\$ (0.02)

FIVE YEAR SELECTED FINANCIAL DATA

(add 000, except per share)

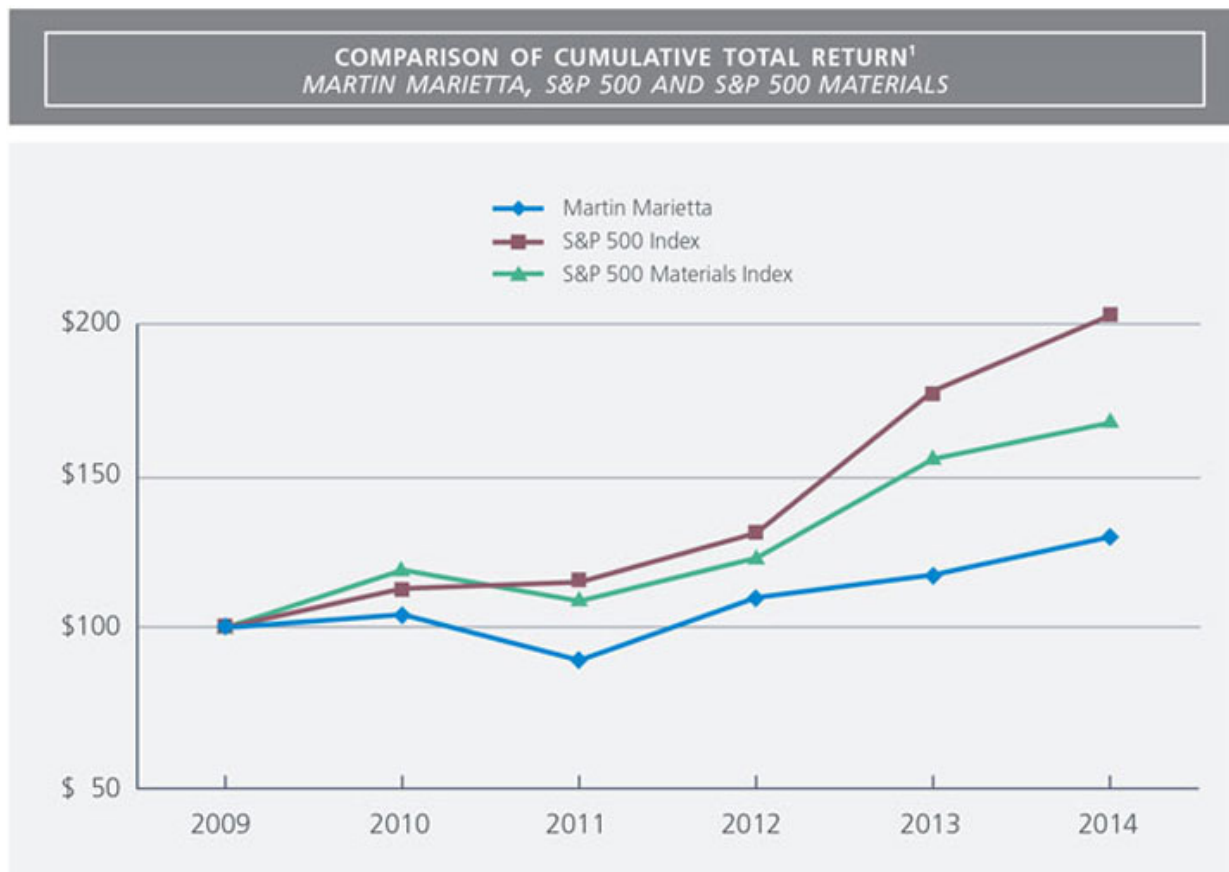
	2014 ¹	2013	2012	2011	2010
Consolidated Operating Results²					
Net sales	\$2,679,095	\$1,943,218	\$1,832,957	\$1,519,754	\$1,475,638
Freight and delivery revenues	278,856	212,333	198,944	193,862	177,168
Total revenues	2,957,951	2,155,551	2,031,901	1,713,616	1,652,806
Cost of sales	2,156,735	1,579,261	1,505,823	1,217,752	1,153,987
Freight and delivery costs	278,856	212,333	198,944	193,862	177,168
Total cost of revenues	2,435,591	1,791,594	1,704,767	1,411,614	1,331,155
Gross Profit	522,360	363,957	327,134	302,002	321,651
Selling, general and administrative expenses	169,245	150,091	138,398	124,138	130,422
Acquisition-related expenses, net	42,891	671	35,140	18,575	1,220
Other operating (income) and expenses, net	(4,649)	(4,793)	(2,574)	(1,720)	(8,298)
Earnings from Operations	314,873	217,988	156,170	161,009	198,307
Interest expense	66,057	53,467	53,339	58,586	68,440
Other nonoperating (income) and expenses, net	(362)	295	(1,299)	1,834	198
Earnings from continuing operations before taxes on income	249,178	164,226	104,130	100,589	129,669
Taxes on income	94,847	44,045	17,431	21,003	30,913
Earnings from Continuing Operations	154,331	120,181	86,699	79,586	98,756
Discontinued operations, net of taxes	(37)	(749)	(1,172)	3,987	(92)
Consolidated net earnings	154,294	119,432	85,527	83,573	98,664
Less: Net (loss) earnings attributable to noncontrolling interests	(1,307)	(1,905)	1,053	1,194	1,652
Net Earnings Attributable to Martin Marietta	\$ 155,601	\$ 121,337	\$ 84,474	\$ 82,379	\$ 97,012
Basic Earnings Attributable to Martin Marietta Per Common Share (see Note A):					
Earnings from continuing operations attributable to common shareholders ¹	\$ 2.73	\$ 2.64	\$ 1.86	\$ 1.70	\$ 2.11
Discontinued operations attributable to common shareholders ¹	-	(0.02)	(0.03)	0.09	-
Basic Earnings Per Common Share	\$ 2.73	\$ 2.62	\$ 1.83	\$ 1.79	\$ 2.11
Diluted Earnings Attributable to Martin Marietta Per Common Share (see Note A):					
Earnings from continuing operations attributable to common shareholders ¹	\$ 2.71	\$ 2.63	\$ 1.86	\$ 1.69	\$ 2.10
Discontinued operations attributable to common shareholders ¹	-	(0.02)	(0.03)	0.09	-
Diluted Earnings Per Common Share	\$ 2.71	\$ 2.61	\$ 1.83	\$ 1.78	\$ 2.10
Cash Dividends Per Common Share	\$ 1.60	\$ 1.60	\$ 1.60	\$ 1.60	\$ 1.60
Condensed Consolidated Balance Sheet Data					
Current deferred income tax benefits	\$ 244,638	\$ 74,821	\$ 77,716	\$ 80,674	\$ 83,380
Current assets – other	1,044,178	680,545	622,685	577,176	612,831
Property, plant and equipment, net	3,402,770	1,799,241	1,753,241	1,774,291	1,687,830
Goodwill	2,068,799	616,621	616,204	616,671	626,527
Other intangibles, net	595,205	48,591	50,433	54,133	17,548
Other noncurrent assets	108,802	40,007	40,647	44,877	46,627
Total Assets	\$7,464,392	\$3,259,826	\$3,160,926	\$3,147,822	\$3,074,743
Current liabilities – other	\$ 382,312	\$ 198,146	\$ 167,659	\$ 166,530	\$ 136,779
Current maturities of long-term debt and short-term facilities	14,336	12,403	5,676	7,182	248,714
Long-term debt	1,571,059	1,018,518	1,042,183	1,052,902	782,045
Pension, postretirement and postemployment benefits, noncurrent	249,333	78,489	183,122	158,101	127,671
Noncurrent deferred income taxes	734,583	279,999	225,592	222,064	228,698
Other noncurrent liabilities	160,021	97,352	86,395	92,179	82,577
Shareholders' equity	4,351,166	1,537,877	1,410,545	1,409,321	1,425,440
Noncontrolling interests	1,582	37,042	39,754	39,543	42,819
Total Liabilities and Equity	\$7,464,392	\$3,259,826	\$3,160,926	\$3,147,822	\$3,074,743

¹ Reflects the acquisition of Texas Industries, Inc., on July 1, 2014.

² Amounts may not equal amounts reported in the Corporation's prior years' Forms 10-K, as amounts have been recast to reflect discontinued operations.

COMMON STOCK PERFORMANCE GRAPH

The following graph compares the performance of the Corporation's common stock to that of the Standard and Poor's ("S&P") 500 Index and the S&P 500 Materials Index.



Cumulative Total Return¹
 (as of December 31)

	2009	2010	2011	2012	2013	2014
Martin Marietta	\$100.00	\$104.95	\$ 87.63	\$111.41	\$119.99	\$134.37
S&P 500 Index	\$100.00	\$114.82	\$117.22	\$135.83	\$179.36	\$203.60
S&P 500 Materials Index	\$100.00	\$121.81	\$110.07	\$126.37	\$158.27	\$169.15

¹ Assumes that the investment in the Corporation's common stock and each index was \$100, with quarterly reinvestment of dividends.

SUBSIDIARIES OF MARTIN MARIETTA MATERIALS, INC.

AS OF JANUARY 31, 2015

<u>Name of Subsidiary</u>	<u>Percent Owned</u>
Alamo Gulf Coast Railroad Company, a Texas corporation	99.5% ¹
Alamo North Texas Railroad Company, a Texas corporation	99.5% ²
American Aggregates Corporation, a North Carolina corporation	100%
American Materials Technologies, LLC, a Tennessee limited liability company	100% ³
American Stone Company, a North Carolina corporation	50% ⁴
Bahama Rock Limited, a Bahamas corporation	100%
Brookhollow of Alexandria, Inc., a Louisiana corporation	100% ⁵
Brookhollow Corporation, a Delaware corporation	100% ⁶
Brook Hollow Properties, Inc., a Texas corporation	100% ⁷
Brookhollow of Virginia, a Virginia corporation	100% ⁸
California Natural Aggregates, Inc., a California corporation	100% ⁹
Campbell's C-Ment Contracting, Inc., a Colorado corporation	100% ¹⁰
Creole Corporation, a Delaware corporation	100% ¹¹

- 1 Alamo Gulf Coast Railroad Company is owned by Martin Marietta Materials Southwest, Inc., (99.5%) and certain individuals (0.5%).
- 2 Alamo North Texas Railroad Company is owned by Martin Marietta Materials Southwest, Inc., (99.5%) and certain individuals (0.5%).
- 3 American Materials Technologies, LLC is a wholly owned subsidiary of Meridian Aggregates Company, a Limited Partnership.
- 4 Martin Marietta Materials, Inc., owns a 50% interest in American Stone Company.
- 5 Brookhollow of Alexandria, Inc., is a wholly owned subsidiary of Brookhollow Corporation.
- 6 Brookhollow Corporation is a wholly owned subsidiary of Texas Industries, Inc.
- 7 Brook Hollow Properties, Inc., is a wholly owned subsidiary of Brookhollow Corporation.
- 8 Brookhollow of Virginia is a wholly owned subsidiary of Brookhollow Corporation.
- 9 California Natural Aggregates, Inc., is a wholly owned subsidiary of Texas Industries, Inc.
- 10 Campbell's C-Ment Contracting, Inc., is a wholly-owned subsidiary of Suburban Acquisition Company.
- 11 Creole Corporation is a wholly owned subsidiary of Texas Industries, Inc.

FRI Ready Mix of Tennessee, LLC, a Florida limited liability company	100%	¹²
Granite Canyon Quarry, a Wyoming joint venture	100%	
Harding Street Corporation, a North Carolina corporation	100%	
HSMM LLC, a North Carolina limited liability company	100%	
Martin Marietta Composites, Inc., a Delaware corporation	100%	
Martin Marietta Funding LLC, a Delaware limited liability company	100%	
Martin Marietta Inc., a North Carolina corporation	100%	
Martin Marietta Kansas City, LLC, a Delaware limited liability company	100%	¹³
Martin Marietta Magnesia Specialties, LLC, a Delaware limited liability company	100%	
Martin Marietta Materials Canada Limited, a Nova Scotia, Canada corporation	100%	
Martin Marietta Materials of Missouri, Inc., a Delaware corporation	100%	
Martin Marietta Materials Real Estate Investments, Inc., a North Carolina corporation	100%	
Martin Marietta Materials Southwest, Inc., a Texas corporation	100%	
Material Producers, Inc., an Oklahoma corporation	100%	¹⁴
Meridian Aggregates Company, a Limited Partnership, a North Carolina limited partnership	100%	¹⁵
Meridian Aggregates Company Northwest, LLC, a North Carolina limited liability company	100%	¹⁶
Meridian Aggregates Company Southwest, LLC, a North Carolina limited liability company	100%	¹⁷

¹² FRI Ready Mix of Tennessee, LLC, is a wholly owned subsidiary of American Materials Technologies, LLC.

¹³ Martin Marietta Kansas City, LLC, is owned 95% by Martin Marietta Materials, Inc. and 5% by Martin Marietta Materials of Missouri, Inc.

¹⁴ Material Producers, Inc., is a wholly owned subsidiary of Martin Marietta Materials Southwest, Inc.

¹⁵ Meridian Aggregates Company, a Limited Partnership, is owned 98% by Meridian Aggregates Investments, LLC. The remaining 2% is owned by Martin Marietta Materials, Inc.

¹⁶ Martin Marietta Materials, Inc. is the sole member of Meridian Aggregates Company Northwest, LLC.

¹⁷ Martin Marietta Materials Southwest, Inc. is the sole member of Meridian Aggregates Company Southwest, LLC.

Meridian Aggregates Investments, LLC, a North Carolina limited liability company	100%	18
Meridian Granite Company, a North Carolina corporation	100%	19
Mid South-Weaver Joint Venture, a North Carolina joint venture	50%	20
Mid-State Construction & Materials, Inc., an Arkansas corporation	100%	
MTD Pipeline LLC, a Delaware limited liability company	50%	21
Partin Limestone Products, Inc., a California corporation	100%	22
Powderly Transportation, Inc., a North Carolina corporation	100%	23
R&S Sand & Gravel, LLC, a North Carolina limited liability company	100%	24
Riverside Cement Company, a California partnership	100%	25
Riverside Cement Holdings Company, a Delaware corporation	100%	26
Rocky Mountain Ready Mix Concrete, Inc., a Colorado corporation	100%	27
Southwestern Financial Corporation, a Texas Corporation	100%	28
Suburban Acquisition Company, a Colorado corporation	100%	29
Texas Industries Holdings, LLC, a Delaware limited liability company	100%	29
Texas Industries, Inc., a Delaware corporation	100%	
Texas Industries Trust, a Delaware trust	100%	30

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

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

20 Mid South-Weaver Joint Venture is owned 50% by Martin Marietta Materials, Inc.

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

22 Partin Limestone Products, Inc., is a wholly owned subsidiary of Riverside Cement Company.

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

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

25 Riverside Cement Company is owned 49% by TXI California, Inc. and 51% by TXI Riverside Inc.

26 Riverside Cement Holdings Company is a wholly owned subsidiary of Riverside Cement Company.

27 Rocky Mountain Ready Mix Concrete, Inc. is a wholly owned subsidiary of Campbell's C-Ment Contracting, Inc.

28 Southwestern Financial Corporation is a wholly owned subsidiary of TXI Operations, LP.

29 Texas Industries Holdings, LLC is a wholly owned subsidiary of Texas Industries, Inc.

30 Texas Industries Trust is owned 100% by Texas Industries Holdings, LLC.

Theodore Holding, LLC, a Delaware limited liability company	60.7%	31
TXI Aviation, Inc. dba TXI Supply, a Texas corporation	100%	32
TXI California Inc., a Delaware corporation	100%	33
TXI Cement Company, a Delaware corporation	100%	34
TXI LLC, a Delaware limited liability company	100%	35
TXI Operating Trust, a Delaware trust	100%	36
TXI Operations, LP, a Delaware limited partnership	100%	37
TXI Power Company, a Texas corporation	100%	38
TXI Riverside Inc., a Delaware corporation	100%	39
TXI Transportation Company, a Texas corporation	100%	40

- 31 Martin Marietta Materials, Inc., is the manager of and owns a 60.7% interest in Theodore Holdings, LLC.
- 32 TXI Aviation, Inc., is a wholly owned subsidiary of Texas Industries, Inc.
- 33 TXI California Inc., is a wholly owned subsidiary of Texas Industries, Inc.
- 34 TXI Cement Company is a wholly owned subsidiary of Texas Industries, Inc.
- 35 TXI, LLC is a wholly owned subsidiary of Texas Industries, Inc.
- 36 TXI Operating Trust is owned 100% by TXI LLC.
- 37 TXI Operations, LP is owned 99% by Texas Industries Trust and owned 1% by TXI Operating Trust.
- 38 TXI Power Company is a wholly owned subsidiary of Texas Industries, Inc.
- 39 TXI Riverside Inc. is a wholly owned subsidiary of Texas Industries, Inc.
- 40 TXI Transportation Company is a wholly owned subsidiary of Texas Industries, Inc.

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We consent to the incorporation by reference in this Annual Report (Form 10-K) of Martin Marietta Materials, Inc. of our reports dated February 24, 2015, with respect to the consolidated financial statements of Martin Marietta Materials, Inc., and the effectiveness of internal control over financial reporting of Martin Marietta Materials, Inc., included in the 2014 Annual Report to Shareholders of Martin Marietta Materials, Inc.

Our audits also included the financial statement schedule of Martin Marietta Materials, Inc. listed in Item 15(a). This schedule is the responsibility of Martin Marietta Materials, Inc.'s management. Our responsibility is to express an opinion based on our audits. In our opinion, as to which the date is February 24, 2015, the financial statement schedule referred to above, when considered in relation to the basic financial statements taken as a whole, presents fairly in all material respects the information set forth therein.

We also consent to the incorporation by reference in the following Registration Statements:

- (1) Registration Statement (Form S-8 No. 333-115918) pertaining to the Amended and Restated Martin Marietta Materials, Inc. Common Stock Purchase Plan for Directors, Martin Marietta Materials, Inc. Performance Sharing Plan and the Martin Marietta Materials, Inc. Savings and Investment Plan for Hourly Employees,
- (2) Registration Statement (Form S-8 No. 333-85608) pertaining to the Martin Marietta Materials, Inc. Common Stock Purchase Plan for Directors,
- (3) Registration Statement (Form S-8 No. 33-83516) pertaining to the Martin Marietta Materials, Inc. Omnibus Securities Award Plan, as amended,
- (4) Registration Statement (Form S-8 No. 333-15429) pertaining to the Martin Marietta Materials, Inc. Common Stock Purchase Plan for Directors, Martin Marietta Materials, Inc. Performance Sharing Plan and the Martin Marietta Materials, Inc. Savings and Investment Plan for Hourly Employees,
- (5) Registration Statement (Form S-8 No. 333-79039) pertaining to the Martin Marietta Materials, Inc. Stock-Based Award Plan, as amended; and
- (6) Registration Statement (Form S-8 No. 333-) pertaining to the Texas Industries, Inc. 2004 Omnibus Equity Compensation Plan and the Texas Industries, Inc. Management Deferred Compensation Plan, as assumed by Martin Marietta Materials, Inc.

of our reports dated February 24, 2015, with respect to the consolidated financial statements of Martin Marietta Materials, Inc. and the effectiveness of internal control over financial reporting of Martin Marietta Materials, Inc., incorporated by reference in this Annual Report (Form 10-K), and our report included in the preceding paragraph with respect to the financial statement schedule of Martin Marietta Materials, Inc. included in this Annual Report (Form 10-K) of Martin Marietta Materials, Inc. for the year ended December 31, 2014.

/s/ Ernst & Young LLP
Raleigh, North Carolina
February 24, 2015

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

I, C. Howard Nye, certify that:

1. I have reviewed this Form 10-K of Martin Marietta Materials, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

- (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
- (a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: February 24, 2015

By: /s/ C. Howard Nye
C. Howard Nye
Chairman, President and
Chief Executive Officer

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

I, Anne H. Lloyd, certify that:

1. I have reviewed this Form 10-K of Martin Marietta Materials, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

- (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
- (a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: February 24, 2015

By: /s/ Anne H. Lloyd
Anne H. Lloyd
Executive Vice President and
Chief Financial Officer

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

In connection with the 2014 Annual Report on Form 10-K (the "Report") of Martin Marietta Materials, Inc. (the "Registrant"), as filed with the Securities and Exchange Commission, I, C. Howard Nye, the Chief Executive Officer of the Registrant, certify that:

- (1) the Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and
- (2) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Registrant.

/s/ C. Howard Nye

C. Howard Nye

Chief Executive Officer

Date: February 24, 2015

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

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

In connection with the 2014 Annual Report on Form 10-K (the "Report") of Martin Marietta Materials, Inc. (the "Registrant"), as filed with the Securities and Exchange Commission, I, Anne H. Lloyd, the Chief Financial Officer of the Registrant, certify that:

- (1) the Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and
- (2) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Registrant.

/s/ Anne H. Lloyd

Anne H. Lloyd
Chief Financial Officer

Date: February 24, 2015

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

MINE SAFETY DISCLOSURE EXHIBIT

The operation of the Company's U.S. aggregate quarries and mines (including the mining operations of the Cement business) is subject to regulation by the federal Mine Safety and Health Administration (MSHA) under the Federal Mine Safety and Health Act of 1977 (the "Mine Act"). MSHA inspects the Company's quarries and mines (and cement plants) on a regular basis and issues various citations and orders when it believes a violation has occurred under the Mine Act. Whenever MSHA issues a citation or order, it also generally proposes a civil penalty, or fine, related to the alleged violation. Citations or orders can be contested and appealed, and as part of that process, are often reduced in severity and amount, and are sometimes dismissed.

Under the Dodd-Frank Wall Street Reform and Consumer Protection Act (the Dodd-Frank Act), the Company is required to present information regarding certain mining safety and health citations which MSHA has issued with respect to its aggregates mining operations in its periodic reports filed with the Securities and Exchange Commission (the "SEC"). In evaluating this information, consideration should be given to factors such as: (i) the number of citations and orders will vary depending on the size of the quarry or mine and type of operations (underground or surface), (ii) the number of citations issued will vary from inspector to inspector and location to location, and (iii) citations and orders can be contested and appealed, and in that process, may be reduced in severity and amount, and are sometimes dismissed.

We have provided information below in response to the rules and regulations of the SEC issued under Section 1503(a) of the Dodd-Frank Act. The disclosures reflect U.S. mining operations only, as the requirements of the Dodd-Frank Act and the SEC rules and regulations thereunder do not apply to our quarries and mines operated outside the United States.

The Company presents the following items regarding certain mining safety and health matters for the year ended December 31, 2014 (Appendix 1):

- Total number of violations of mandatory health or safety standards that could significantly and substantially contribute to the cause and effect of a mine safety or health hazard under section 104 of the Mine Act for which the Company received a citation from MSHA (hereinafter, "Section 104 S&S Citations"). If MSHA determines that a violation of a mandatory health or safety standard is reasonably likely to result in a reasonably serious injury or illness under the unique circumstance contributed to by the violation, MSHA will classify the violation as a "significant and substantial" violation (commonly referred to as a "S&S" violation). MSHA inspectors will classify each citation or order written as a "S&S" violation or not.
- Total number of orders issued under section 104(b) of the Mine Act (hereinafter, "Section 104(b) Orders"). These orders are issued for situations in which MSHA determines a previous violation covered by a Section 104(a) citation has not been totally abated within the prescribed time period, so a further order is needed to require the mine operator to immediately withdraw all persons (except certain authorized persons) from the affected area of a quarry or mine.

- Total number of citations and orders for unwarrantable failure of the mine operator to comply with mandatory health or safety standards under Section 104(d) of the Mine Act (hereinafter, “Section 104(d) Citations and Orders”). These violations are similar to those described above, but the standard is that the violation could significantly and substantially contribute to the cause and effect of a safety or health hazard, but the conditions do not cause imminent danger, and the MSHA inspector finds that the violation is caused by an unwarranted failure of the operator to comply with the health and safety standards.
- Total number of flagrant violations under section 110(b)(2) of the Mine Act (hereinafter, “Section 110(b)(2) Violations”). These violations are penalty violations issued if MSHA determines that violations are “flagrant”, for which civil penalties may be assessed. A “flagrant” violation means a reckless or repeated failure to make reasonable efforts to eliminate a known violation of a mandatory health or safety standard that substantially and proximately caused, or reasonably could have been expected to cause, death or serious bodily injury.
- Total number of imminent danger orders issued under section 107(a) of the Mine Act (hereinafter, “Section 107(a) Orders”). These orders are issued for situations in which MSHA determines an imminent danger exists in the quarry or mine and results in orders of immediate withdrawal of all persons (except certain authorized persons) from the area of the quarry or mine affected by its condition until the imminent danger and the underlying conditions causing the imminent danger no longer exist.
- Total Dollar Value of MSHA Assessments Proposed. These are the amounts of proposed assessments issued by MSHA with each citation or order for the time period covered by the report. Penalties are assessed by MSHA according to a formula that considers a number of factors, including the mine operator’s history, size, negligence, gravity of the violation, good faith in trying to correct the violation promptly, and the effect of the penalty on the operator’s ability to continue in business.
- Total Number of Mining-Related Fatalities. Mines subject to the Mine Act are required to report all fatalities occurring at their facilities unless the fatality is determined to be “non-chargeable” to the mining industry. The final rules of the SEC require disclosure of mining-related fatalities at mines subject to the Mine Act. Only fatalities determined by MSHA not to be mining-related may be excluded.
- Receipt of written notice from MSHA of a pattern (or a potential to have such a pattern) of violations of mandatory health or safety standards that are of such nature as could have significantly and substantially contributed to the cause and effect of other mine health or

safety hazards under section 104(e) of the Mine Act. If MHSA determines that a mine has a “pattern” of these types of violations, or the potential to have such a pattern, MSHA is required to notify the mine operator of the existence of such a thing.

- Legal Actions Pending as of the Last Day of Period.
- Legal Actions Initiated During Period.
- Legal Actions Resolved During Period.

The Federal Mine Safety and Health Review Commission (the “Commission”) is an independent adjudicative agency that provides administrative trial and appellate review of legal disputes arising under the Mine Act. The cases may involve, among other questions, challenges by operators to citations, orders and penalties they have received from MSHA, or complaints of discrimination by miners under Section 105 of the Mine Act. Appendix 1 shows, for each of the Company’s quarries and mines identified, as of December 31, 2014, the number of legal actions pending before the Commission, along with the number of legal actions initiated before the Commission during the year as well as resolved during the year. In addition, Appendix 1 includes a footnote to the column for legal actions before the Commission pending as of the last day of the period, which footnote breaks down that total number of legal actions pending by categories according to the type of proceeding in accordance with various categories established by the Procedural Rules of the Commission.

Appendix 1 attached

Location	MSHA ID	Section 104 S&S Citations (#)	Section 104(b) Orders (#)	Section 104(d) Citations and Orders (#)	Section 110(b)(2) Violations (#)	Section 107(a) Orders (#)	Total Dollar Value of MSHA Assessment/\$ Proposed	Total Number of Mining Related Fatalities (#)	Received Notice of Pattern of Violation Under Section 104€ (yes/no)	Received Notice of Potential to have Pattern under Section 104€ (yes/no)	Legal Actions Pending as of Last Day of Period (#)*	Legal Actions Instituted During Period (#)	Legal Actions Resolved During Period (#)
Alexander Quarry	BN5	0	0	0	0	0	\$ 0	0	no	no	0	0	0
American Stone Quarry	3100189	0	0	0	0	0	\$ 417	0	no	no	0	0	0
Anderson Creek	4402963	0	0	0	0	0	\$ 0	0	no	no	0	0	0
Arrowood Quarry	3100059	0	0	0	0	0	\$ 138	0	no	no	0	0	0
Asheboro Quarry	3100066	0	0	0	0	0	\$ 451	0	no	no	0	0	0
Bakers Quarry	3100071	0	0	0	0	0	\$ 100	0	no	no	0	0	0
Belgrade Quarry	3100064	0	0	0	0	0	\$ 0	0	no	no	0	0	0
Benson Quarry	3101979	0	0	0	0	0	\$ 0	0	no	no	0	0	1
Berkeley Quarry	3800072	0	0	0	0	0	\$ 0	0	no	no	0	0	0
Bessemer City Quarry	3101105	0	0	0	0	0	\$ 0	0	no	no	0	0	0
Black Ankle Quarry	3102220	0	0	0	0	0	\$ 0	0	no	no	0	0	0
Bonds Gravel Pit	3101963	0	0	0	0	0	\$ 117	0	no	no	0	0	0
Boonsboro Quarry	1800024	0	0	0	0	0	\$ 0	0	no	no	0	0	0
Burlington Quarry	3100042	0	0	0	0	1	\$ 0	0	no	no	1	1	0
Caldwell Quarry	3101869	0	0	0	0	0	\$ 200	0	no	no	2	1	0
Carmel Church Quarry	4405633	0	0	0	0	0	\$ 0	0	no	no	0	0	0
Castle Hayne Quarry	3100063	0	0	0	0	0	\$ 250	0	no	no	0	0	0
Cayce Quarry	3800016	1	0	0	0	0	\$ 1,195	0	no	no	0	1	1
Central Rock Quarry	3100050	0	0	0	0	0	\$ 100	0	no	no	0	0	0
Charlotte Quarry	3100057	0	0	0	0	0	\$ 0	0	no	no	0	0	0
Chesterfield Quarry	3800682	0	0	0	0	0	\$ 0	0	no	no	0	0	0
Clarks Quarry	3102009	0	0	0	0	0	\$ 0	0	no	no	0	0	0
Cumberland Quarry	3102237	0	0	0	0	0	\$ 0	0	no	no	0	0	0
Denver	3101971	0	0	0	0	0	\$ 0	0	no	no	0	0	0
Doswell Quarry	4400045	1	0	0	0	0	\$ 2,773	0	no	no	0	0	1
East Alamance	3102021	0	0	0	0	0	\$ 0	0	no	no	0	0	0
Fountain Quarry	3100065	0	0	0	0	0	\$ 446	0	no	no	0	0	0

Franklin Quarry	3102130	0	0	0	0	0	\$ 0	0	no	no	0	0	0
Fuquay Quarry	3102055	0	0	0	0	0	\$ 0	0	no	no	0	0	0
Garner Quarry	3100072	0	0	0	0	0	\$ 400	0	no	no	0	0	6
Georgetown II Quarry	3800525	1	0	0	0	0	\$ 385	0	no	no	0	0	0
Hickory Quarry	3100043	0	0	0	0	0	\$ 1,452	0	no	no	0	0	0
Hicone Quarry	3102088	0	0	0	0	0	\$ 0	0	no	no	0	0	0
Jamestown Quarry	3100051	0	0	0	0	0	\$ 200	0	no	no	0	0	0
Kannapolis Quarry	3100070	0	0	0	0	0	\$ 208	0	no	no	0	0	0
Kings Mountain Quarry	3100047	0	0	0	0	0	\$ 0	0	no	no	0	0	0
Lemon Springs Quarry	3101104	0	0	0	0	0	\$ 100	0	no	no	0	0	0
Loamy Sand and Gravel	3800721	0	0	0	0	0	\$ 138	0	no	no	0	0	0
Maiden Quarry	3102125	0	0	0	0	0	\$ 108	0	no	no	0	0	0
Mallard Creek Quarry	3102006	0	0	0	0	0	\$ 0	0	no	no	0	0	0
Matthews Quarry	3102084	1	0	0	0	0	\$ 873	0	no	no	0	0	0
Midlothian Quarry	4403767	0	0	0	0	0	\$ 238	0	no	no	0	0	0
North Columbia Quarry	3800146	0	0	0	0	0	\$ 100	0	no	no	0	0	0
Onslow Quarry	3102120	0	0	0	0	0	\$ 0	0	no	no	0	0	0
Pinesburg	1800021	0	0	0	0	0	\$ 0	0	no	no	0	0	0
Pomona Quarry	3100052	0	0	0	0	0	\$ 138	0	no	no	0	0	0
Raleigh Durham Quarry	3101941	0	0	0	0	0	\$ 2,470	0	no	no	0	0	0
Red Hill Quarry	4400072	0	0	0	0	0	\$ 327	0	no	no	0	0	0
Reidsville Quarry	3100068	0	0	0	0	0	\$ 534	0	no	no	0	0	0
Rock Hill Quarry	3800026	0	0	0	0	0	\$ 127	0	no	no	3	0	0
Rocky River Quarry	3102033	0	0	0	0	0	\$ 0	0	no	no	0	0	0
Salem Stone Company	3102038	0	0	0	0	0	\$ 0	0	no	no	0	0	0
Siler City Quarry	3100044	0	0	0	0	0	\$ 0	0	no	no	0	0	0
Statesville Quarry	3100055	0	0	0	0	0	\$ 100	0	no	no	0	0	0
Thomasville Quarry	3101475	0	0	0	0	0	\$ 100	0	no	no	0	0	0
Wilson Quarry	3102230	0	0	0	0	0	\$ 0	0	no	no	0	0	0
Woodleaf Quarry	3100069	0	0	0	0	0	\$ 200	0	no	no	0	0	0
(45) North Indianapolis SURFACE	1200002	1	0	0	0	0	\$ 390	0	no	no	0	0	0
Apple Grove	3301676	0	0	0	0	0	\$ 0	0	no	no	0	0	0
Belmont Sand	1201911	0	0	0	0	0	\$ 0	0	no	no	0	0	0
Blue Rock	3300016	0	0	0	0	0	\$ 0	0	no	no	0	0	0
Burning Springs	4608862	0	0	0	0	0	\$ 500	0	no	no	0	0	4
Carmel SandG	1202124	1	0	0	0	0	\$ 363	0	no	no	0	0	0

Cedarville	3304072	0	0	0	0	0	\$ 0	0	no	no	0	0	0
Clinton County	3304546	0	0	0	0	0	\$ 0	0	no	no	0	0	0
Cloverdale	1201744	0	0	0	0	0	\$ 100	0	no	no	0	0	0
Cook Road	3304534	0	0	0	0	0	\$ 0	0	no	no	0	0	0
E-Town SandG	3304279	0	0	0	0	0	\$ 0	0	no	no	0	0	0
Fairborn Gravel	3301388	0	0	0	0	0	\$ 0	0	no	no	0	0	0
Fairfield	3301396	0	0	0	0	0	\$ 0	0	no	no	0	0	0
Franklin Gravel	3302940	0	0	0	0	0	\$ 0	0	no	no	0	0	0
Hamilton Gravel	3301394	0	0	0	0	0	\$ 0	0	no	no	0	0	0
Harrison	3301395	0	0	0	0	0	\$ 0	0	no	no	0	0	0
Kentucky Ave Mine	1201762	1	0	0	0	0	\$ 750	0	no	no	0	0	0
Kokomo Mine	1202105	0	0	0	0	0	\$ 0	0	no	no	0	0	0
Kokomo Sand	1202203	0	0	0	0	0	\$ 100	0	no	no	0	0	0
Kokomo Stone	1200142	0	0	0	0	0	\$ 0	0	no	no	0	0	0
Lynchburg Quarry	3304281	0	0	0	0	0	\$ 0	0	no	no	0	0	0
Noblesville SandG	1201994	3	0	0	0	0	\$ 1,634	0	no	no	0	0	0
Noblesville Stone	1202176	3	0	0	0	0	\$ 1,595	0	no	no	0	1	2
North Indianapolis	1201993	2	0	0	0	0	\$ 485	0	no	no	0	0	0
Ohio Recycle	3304394	0	0	0	0	0	\$ 0	0	no	no	0	0	0
Petersburg	1516895	0	0	0	0	0	\$ 0	0	no	no	0	0	0
Phillipsburg	3300006	0	0	0	0	0	\$ 100	0	no	no	0	0	0
Ross Gravel	3301587	0	0	0	0	0	\$ 0	0	no	no	0	0	0
Troy Gravel	3301678	0	0	0	0	0	\$ 100	0	no	no	0	0	0
Waverly Sand	1202038	0	0	0	0	0	\$ 100	0	no	no	0	0	0
Xenia	3301393	0	0	0	0	0	\$ 0	0	no	no	0	0	0
Alabaster Quarry Co19	103068	0	0	0	0	0	\$ 0	0	no	no	0	0	0
Appling Quarry	901083	0	0	0	0	0	\$ 0	0	no	no	0	0	0
Auburn, Al Quarry	100006	0	0	0	0	0	\$ 127	0	no	no	0	0	0
Auburn, GA Quarry	900436	0	0	0	0	0	\$ 200	0	no	no	0	0	0
Augusta Quarry-GA	900065	1	0	0	0	0	\$ 845	0	no	no	1	0	0
Birmingham Shop	102096	0	0	0	0	0	\$ 0	0	no	no	0	0	0
Cabbage Grove Quarry	800008	0	0	0	0	0	\$ 0	0	no	no	0	0	0
Camak Quarry	900075	0	0	0	0	0	\$ 451	0	no	no	0	0	0
Chattanooga Quarry	4003159	2	0	0	0	0	\$ 1,551	0	no	no	0	1	2
Forsyth Quarry	901035	0	0	0	0	0	\$ 0	0	no	no	0	0	0
Jefferson Quarry	901106	0	0	0	0	0	\$ 100	0	no	no	0	0	0

Junction City Quarry	901029	0	0	0	0	0	\$ 0	0	no	no	0	0	0
Lithonia Quarry	900023	1	0	0	0	0	\$ 717	0	no	no	0	0	0
Maylene Quarry	100634	0	0	0	0	0	\$ 227	0	no	no	0	0	0
Morgan Co Quarry	901126	0	0	0	0	0	\$ 517	0	no	no	0	0	0
Newton Quarry	900899	0	0	0	0	0	\$ 300	0	no	no	0	0	0
ONeal Quarry Co19	103076	0	0	0	0	0	\$ 100	0	no	no	0	0	0
Paulding Quarry	901107	0	0	0	0	0	\$ 100	0	no	no	0	0	0
Perry Quarry	801083	0	0	0	0	0	\$ 200	0	no	no	0	0	0
Red Oak Quarry	900069	0	0	0	0	0	\$ 200	0	no	no	0	0	0
R-S Sand and Gravel	2200381	0	0	0	0	0	\$ 0	0	no	no	0	0	1
Ruby Quarry	900074	0	0	0	0	0	\$ 150	0	no	no	0	0	0
Shorter Sand and Gravel	102852	0	0	0	0	0	\$ 0	0	no	no	0	0	0
Six Mile Quarry	901144	0	0	0	0	0	\$ 0	0	no	no	0	0	0
Tyrone Quarry	900306	1	0	0	0	0	\$ 100	0	no	no	0	0	0
Vance Quarry Co19	103022	0	0	0	0	0	\$ 0	0	no	no	0	0	1
Warrenton Quarry	900580	0	0	0	0	0	\$ 0	0	no	no	0	0	0
Alden Portable Sand	1302037	0	0	0	0	0	\$ 0	0	no	no	0	0	0
Alden Portable Plant 1	1302031	0	0	0	0	0	\$ 0	0	no	no	0	0	0
Alden Portable Plant 2	1302033	1	0	0	0	1	\$ 439	0	no	no	0	3	3
Alden Portable Wash	1302122	0	0	0	0	0	\$ 208	0	no	no	0	0	0
Alden Quarry - Shop	1300228	3	0	0	0	0	\$ 4,638	0	no	no	0	0	0
Alden Shop	1302320	0	0	0	0	0	\$ 0	0	no	no	0	0	0
Ames Mine	1300014	5	0	0	0	0	\$ 200	0	no	no	0	0	0
Beaver Lake Quarry	4503347	0	0	0	0	0	\$ 0	0	no	no	0	0	0
Cedar Rapids Quarry	1300122	0	0	0	0	0	\$ 127	0	no	no	0	0	0
Des Moines Portable	1300150	0	0	0	0	0	\$ 100	0	no	no	0	0	0
Des Moines Shop	1300932	0	0	0	0	0	\$ 100	0	no	no	0	0	0
Dubois Quarry	2501046	5	0	0	0	0	\$ 3,553	0	no	no	0	0	0
Durham Mine	1301225	0	0	0	0	0	\$ 734	0	no	no	0	0	0
Earlham Quarry	1302123	0	0	0	0	0	\$ 0	0	no	no	0	0	0
Environmental Crew (Plant 854)	1302126	0	0	0	0	0	\$ 0	0	no	no	0	0	0
Ferguson Quarry	1300124	0	0	0	0	0	\$ 100	0	no	no	0	0	0
Fort Calhoun	2500006	1	0	0	0	0	\$ 543	0	no	no	0	0	0
Fort Dodge Mine	1300032	3	0	0	0	0	\$ 6,810	0	no	no	1	1	0
Greenwood	2300141	2	0	0	0	0	\$ 1,369	0	no	no	1	1	2
Iowa Grading	1302316	0	0	0	0	0	\$ 100	0	no	no	0	0	1

LeGrand Portable	1302317	0	0	0	0	0	\$ 0	0	no	no	0	0	0
Linn County Sand	1302208	0	0	0	0	0	\$ 0	0	no	no	0	0	0
Malcom Mine	1300112	2	0	0	0	0	\$ 1,663	0	no	no	0	0	0
Marshalltown Sand	1300718	0	0	0	0	0	\$ 0	0	no	no	0	0	0
Moore Quarry	1302188	1	0	0	0	0	\$ 1,274	0	no	no	0	0	0
New Harvey Sand	1301778	0	0	0	0	0	\$ 100	0	no	no	0	0	0
Northwest Division OH	A2354	0	0	0	0	0	\$ 0	0	no	no	0	0	0
Ottawa Quarry	1401590	1	0	0	0	0	\$ 575	0	no	no	0	1	1
Pacific Quarry	4500844	0	0	0	0	0	\$ 300	0	no	no	0	0	0
Parkville Mine	2301883	1	0	0	0	0	\$ 1,253	0	no	no	0	2	3
Pederson Quarry	1302192	0	0	0	0	0	\$ 327	0	no	no	0	0	0
Raccoon River Sand	1302315	0	0	0	0	0	\$ 0	0	no	no	0	0	0
Randolph Deep Mine	2302308	6	0	3	0	0	\$ 17,409	0	no	no	6	6	0
Reasoner Sand	1300814	1	0	0	0	0	\$ 150	0	no	no	0	0	0
Saylorville Sand	1302290	0	0	0	0	0	\$ 0	0	no	no	0	0	0
Springfield Quarry	2501103	0	0	0	0	0	\$ 0	0	no	no	0	0	0
St Cloud Quarry	2100081	1	0	0	0	0	\$ 1,445	0	no	no	0	0	0
Stamper Mine	2302232	8	0	2	0	1	\$ 19,996	0	no	no	3	6	3
Sully Mine	1300063	2	0	0	0	0	\$ 1,068	0	no	no	0	0	0
Sunflower	1401556	1	0	0	0	0	\$ 987	0	no	no	0	0	0
Weeping Water Mine	2500998	12	0	2	0	1	\$ 30,491	0	no	no	11	1	0
Yellow Medicine Quarry	2100033	0	0	0	0	0	\$ 300	0	no	no	0	0	0
211 Quarry	4103829	0	0	0	0	0	\$ 0	0	no	no	0	2	2
Augusta Quarry-KS	1400126	0	0	0	0	0	\$ 300	0	no	no	0	0	0
Beckman Quarry	4101335	2	0	0	0	0	\$ 2,656	0	no	no	0	0	0
Bedrock Plant	4103283	0	0	0	0	0	\$ 1,531	0	no	no	0	0	0
Bells Savoy SG TXI**	4104019	2	0	0	0	0	\$ 1,740	0	no	no	0	0	0
Black Rock Quarry	300011	1	0	0	0	0	\$ 0	0	no	no	0	0	0
Black Spur Quarry	4104159	8	0	1	0	0	\$ 8,938	0	no	no	3	4	1
Blake Quarry	1401584	0	0	0	0	0	\$ 100	0	no	no	0	0	0
Bridgeport Stone TXI**	4100007	5	0	0	0	0	\$ 7,828	0	no	no	0	0	0
Broken Bow SandG	3400460	2	0	0	0	0	\$ 552	0	no	no	0	0	1
Chico	4103360	1	0	0	0	0	\$ 108	0	no	no	0	0	0
Cobey	4104140	0	0	0	0	0	\$ 0	0	no	no	0	0	0
Davis	3401299	1	0	0	0	0	\$ 362	0	no	no	0	0	0
Garfield SG TXI**	4103909	1	0	0	0	0	\$ 999	0	no	no	0	0	0

Garwood	4102886	0	0	0	0	0	\$ 612	0	no	no	0	0	0
GMS - TXI**	C335	0	0	0	0	0	\$ 0	0	no	no	0	0	0
Hatton Quarry	301614	0	0	0	0	0	\$ 300	0	no	no	0	0	0
Helotes	4103137	1	0	0	0	0	\$ 276	0	no	no	0	0	0
Hondo	4104708	0	0	0	0	0	\$ 117	0	no	no	0	0	0
Hondo-1	4104090	0	0	0	0	0	\$ 200	0	no	no	0	0	0
Hugo	3400061	0	0	0	0	0	\$ 0	0	no	no	0	0	0
Idabel	3400507	1	0	0	0	0	\$ 919	0	no	no	1	1	0
Jena Aggregates TXI**	1601298	0	0	0	0	0	\$ 200	0	no	no	0	0	0
Jones Mill Quarry	301586	0	0	0	0	0	\$ 100	0	no	no	0	0	0
Kansas Portable	1401659	0	0	0	0	0	\$ 0	0	no	no	0	0	0
Koontz McCombs Pit	4105048	1	1	0	0	0	\$ 2,354	0	no	no	0	0	0
Koontz Portable Crusher	4104204	0	0	0	0	0	\$ 0	0	no	no	0	0	0
Mill Creek	3401285	2	0	0	0	0	\$ 1,312	0	no	no	0	0	0
Mill Creek TXI**	3401859	4	0	0	0	0	\$ 928	0	no	no	0	0	0
New Braunfels Quarry	4104264	3	0	0	0	0	\$ 1,142	0	no	no	0	0	0
North Marion Quarry	1401506	0	0	0	0	0	\$ 0	0	no	no	0	0	0
Perryville Aggregates TXI**	1601417	0	0	0	0	0	\$ 200	0	no	no	0	0	0
Poteet (Sand Plant)	4101342	0	0	0	0	0	\$ 217	0	no	no	0	0	0
Rio Medina	4103594	3	0	0	0	0	\$ 1,815	0	no	no	0	0	0
S.T. Porter Pit	4102673	0	0	0	0	0	\$ 0	0	no	no	0	0	0
San Pedro Quarry	4101337	3	0	0	0	0	\$ 1,853	0	no	no	0	0	0
Sawyer	3401634	0	0	0	0	0	\$ 350	0	no	no	0	0	0
Snyder	3401651	3	0	0	0	0	\$ 1,293	0	no	no	0	0	0
Tin Top SG TXI**	4102852	1	0	0	0	0	\$ 200	0	no	no	0	0	0
Webberville TXI**	4104363	0	0	0	0	0	\$ 100	0	no	no	0	0	0
Woodworth Aggregates TXI**	1601070	0	0	0	0	0	\$ 100	0	no	no	0	0	0
North Troy***	3401905	0	0	0	0	0	\$ 0	0	no	no	0	0	1
North Troy Portable	3401949	0	0	0	0	0	\$ 0	0	no	no	0	0	0
Cottonwood Sand and Gravel	504418	0	0	0	0	0	\$ 665	0	no	no	0	0	0
Fountain Sand and Gravel	503821	0	0	0	0	0	\$ 100	0	no	no	0	0	0
Granite Canyon Quarry	4800018	7	0	0	0	0	\$ 724	0	no	no	0	1	2
Greeley 35th Ready Mix	503215	2	0	0	0	0	\$ 352	0	no	no	0	0	0
Greeley 35th Sand and Gravel	504613	0	0	0	0	0	\$ 100	0	no	no	0	0	0
Guernsey	4800004	1	0	0	0	0	\$ 575	0	no	no	0	0	0
Gypsum Portable 4 - 11	504320	3	0	0	0	0	\$ 4,147	0	no	no	0	1	1

Mamm Creek Portable 15	504647	2	0	0	0	0	0	\$ 3,314	0	no	no	1	1	0
Milford	4202177	0	0	0	0	0	0	\$ 0	0	no	no	0	0	0
Mustang Quarry	2602484	0	0	0	0	0	0	\$ 0	0	no	no	0	0	0
Portable Crushing	503984	0	0	0	0	0	0	\$ 0	0	no	no	0	0	0
Portable Plant 10	503984	0	0	0	0	0	0	\$ 0	0	no	no	0	0	0
Portable Recycle 18	501057	0	0	0	0	0	0	\$ 0	0	no	no	0	0	0
Portable Recycle 2	504360	0	0	0	0	0	0	\$ 0	0	no	no	0	0	0
Portable Recycle 21	504520	0	0	0	0	0	0	\$ 100	0	no	no	0	0	0
Powers Portable	504531	1	0	0	0	0	0	\$ 1,167	0	no	no	0	0	0
Riverbend Sand and Gravel	504841	1	0	0	0	0	0	\$ 327	0	no	no	0	0	0
Sievers Portable 19 - 20	504531	0	0	0	0	0	0	\$ 0	0	no	no	0	0	0
Spanish Springs Co 2	2600803	1	0	0	0	0	0	\$ 8,734	0	no	no	0	0	0
Spec Agg Sand and Gravel	500860	0	0	0	0	0	0	\$ 667	0	no	no	0	0	0
Table Mountain Quarry	404847	0	0	0	0	0	0	\$ 0	0	no	no	0	0	0
Taft Sand and Gravel	504526	0	0	0	0	0	0	\$ 300	0	no	no	0	2	2
Taft Shop	504735	2	0	0	0	0	0	\$ 1,145	0	no	no	0	0	0
California District	400011	1	0	0	0	0	0	\$ 2,003	0	no	no	0	0	0
Hunter Cement TXI**	4102820	17	0	3	0	2	2	\$ 28,701	0	no	no	5	9	4
Midlothian Cement TXI**	4100071	1	0	0	0	0	0	\$ 2,681	0	no	no	0	0	0
Riverside Cement - OG Distrib**	400011	3	0	0	0	0	0	\$ 8,673	0	no	no	0	0	0
Riverside CMT - Crestmore TXI**	400010	0	0	0	0	0	0	\$ 743	0	no	no	0	0	0
Riverside CMT - Oro Grande TXI**	400011	0	0	0	0	0	0	\$ 0	0	no	no	0	0	0
Salisbury Shop	3101235	0	0	0	0	0	0	\$ 890	0	no	no	0	0	0
Woodville	3300156	1	0	0	0	0	0	\$ 3,044	0	no	no	0	7	7
TOTALS:		164	1	11	0	6	6	\$ 231,700	0			39	54	53

* Of the 39 legal actions pending on December 31, 2014, 23 were contests of citations or orders referenced in Subpart B of CFR Part 2700, which includes contests of citations and orders issued under Section 104 of the Mine Act and contests of imminent danger orders under Section 107 of the Mine Act and 16 were contests of proposed penalties referenced in Subpart C of 29 CFR Part 2700, which are administrative proceedings before the Commission challenging a civil penalty that MSHA has proposed for the violation contained in a citation or order.

** Sites acquired by the Company effective July 1, 2014 as part of the business combination with Texas Industries, Inc. (TXI). Represents citations, orders, violations, assessments, etc. with respect to the period of ownership by Texas Industries, Inc. (TXI) from January 1, 2014 through June 30, 2014 and the period of ownership by the Company from July 1, 2014 through December 31, 2014.

*** Sites disposed of by the Company on August 15, 2014 as part of divesting the N. Troy Quarry following the business combination with TXI (but held as a separate entity as required by the Department of Justice since June 29, 2014). Represents citations, orders, violations, assessments, etc. with respect to the period of ownership from January 1, 2014 through August 15, 2014.