

MARTIN MARIETTA MATERIALS INC

Form 10-Q

August 05, 2013

Table of Contents

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

**FORM 10-Q**

(Mark One)

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934  
For the quarterly period ended **June 30, 2013**

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

56-1848578  
(I.R.S. Employer Identification Number)

incorporation or organization)

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

27607-3033  
(Zip Code)

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

Former name:

None

Former name, former address and former fiscal year,

if changes since last report.

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

## Edgar Filing: MARTIN MARIETTA MATERIALS INC - Form 10-Q

the registrant was required to submit and post such files).

Yes

No

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

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

Indicate the number of shares outstanding of each of the issuer's classes of Common Stock, as of the latest practicable date.

Class
Common Stock, \$0.01 par value

Outstanding as of July 24, 2013
46,240,582

**Table of Contents**

MARTIN MARIETTA MATERIALS, INC. AND CONSOLIDATED SUBSIDIARIES

FORM 10-Q

For the Quarter Ended June 30, 2013

	Page
<b><u>Part I. Financial Information:</u></b>	
<b><u>Item 1. Financial Statements.</u></b>	
<u>Consolidated Balance Sheets – June 30, 2013, December 31, 2012 and June 30, 2012</u>	3
<u>Consolidated Statements of Earnings and Comprehensive Earnings - Three and Six Months Ended June 30, 2013 and 2012</u>	4
<u>Consolidated Statements of Cash Flows - Six Months Ended June 30, 2013 and 2012</u>	5
<u>Consolidated Statement of Total Equity - Six Months Ended June 30, 2013</u>	6
<u>Notes to Consolidated Financial Statements</u>	7
<b><u>Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations.</u></b>	25
<b><u>Item 3. Quantitative and Qualitative Disclosures About Market Risk.</u></b>	50
<b><u>Item 4. Controls and Procedures.</u></b>	51
<b><u>Part II. Other Information:</u></b>	
<b><u>Item 1. Legal Proceedings.</u></b>	52
<b><u>Item 1A. Risk Factors.</u></b>	52
<b><u>Item 2. Unregistered Sales of Equity Securities and Use of Proceeds.</u></b>	52
<b><u>Item 4. Mine Safety Disclosures.</u></b>	52
<b><u>Item 6. Exhibits.</u></b>	53
<b><u>Signatures</u></b>	54
<b><u>Exhibit Index</u></b>	55

**Table of Contents**

## PART I. FINANCIAL INFORMATION

## Item 1. Financial Statements.

## MARTIN MARIETTA MATERIALS, INC. AND CONSOLIDATED SUBSIDIARIES

## CONSOLIDATED BALANCE SHEETS

	June 30, 2013 <i>(Unaudited)</i>	December 31, 2012 <i>(Audited)</i>	June 30, 2012 <i>(Unaudited)</i>
	<i>(Dollars in Thousands, Except Per Share Data)</i>		
<b>ASSETS</b>			
Current Assets:			
Cash and cash equivalents	\$ 43,712	\$ 25,394	\$ 41,393
Accounts receivable, net	287,521	224,050	275,416
Inventories, net	348,873	332,311	331,984
Current deferred income tax benefits	79,104	77,716	75,000
Other current assets	47,275	40,930	36,538
Total Current Assets	806,485	700,401	760,331
Property, plant and equipment	3,843,806	3,812,587	3,739,475
Allowances for depreciation, depletion and amortization	(2,126,420)	(2,059,346)	(1,985,697)
Net property, plant and equipment	1,717,386	1,753,241	1,753,778
Goodwill	616,303	616,204	618,874
Other intangibles, net	48,668	50,433	52,213
Other noncurrent assets	42,277	40,647	41,337
Total Assets	\$ 3,231,119	\$ 3,160,926	\$ 3,226,533
<b>LIABILITIES AND EQUITY</b>			
Current Liabilities:			
Bank overdraft	\$ -	\$ -	\$ 3,352
Accounts payable	99,960	83,537	113,308
Accrued salaries, benefits and payroll taxes	16,259	19,461	15,586
Pension and postretirement benefits	4,616	6,851	5,746
Accrued insurance and other taxes	30,679	28,682	29,616
Current maturities of long-term debt and short-term facilities	6,169	5,676	7,171
Accrued interest	7,709	7,490	7,516
Other current liabilities	27,141	21,638	16,771
Total Current Liabilities	192,533	173,335	199,066
Long-term debt	1,087,150	1,042,183	1,137,076
Pension, postretirement and postemployment benefits	184,849	183,122	153,240
Noncurrent deferred income taxes	235,505	225,592	229,972
Other noncurrent liabilities	90,415	86,395	90,375
Total Liabilities	1,790,452	1,710,627	1,809,729

Edgar Filing: MARTIN MARIETTA MATERIALS INC - Form 10-Q

Equity:

Common stock, par value \$0.01 per share	461	459	457
Preferred stock, par value \$0.01 per share	-	-	-
Additional paid-in capital	429,936	414,657	404,074
Accumulated other comprehensive loss	(106,257)	(106,169)	(80,640)
Retained earnings	1,077,998	1,101,598	1,054,048
Total Shareholders' Equity	1,402,138	1,410,545	1,377,939
Noncontrolling interests	38,529	39,754	38,865
Total Equity	1,440,667	1,450,299	1,416,804
Total Liabilities and Equity	\$ 3,231,119	\$ 3,160,926	\$ 3,226,533

See accompanying notes to consolidated financial statements.

**Table of Contents**

## MARTIN MARIETTA MATERIALS, INC. AND CONSOLIDATED SUBSIDIARIES

## CONSOLIDATED STATEMENTS OF EARNINGS AND COMPREHENSIVE EARNINGS

	Three Months Ended June 30,		Six Months Ended June 30,	
	2013	2012	2013	2012
	<i>(In Thousands, Except Per Share Data)</i> <i>(Unaudited)</i>			
Net Sales	\$ 508,688	\$ 491,191	\$ 853,837	\$ 841,723
Freight and delivery revenues	53,994	54,497	93,844	97,938
<b>Total revenues</b>	<b>562,682</b>	<b>545,688</b>	<b>947,681</b>	<b>939,661</b>
Cost of sales	401,912	389,125	734,474	715,831
Freight and delivery costs	53,994	54,497	93,844	97,938
<b>Total cost of revenues</b>	<b>455,906</b>	<b>443,622</b>	<b>828,318</b>	<b>813,769</b>
<b>Gross Profit</b>	<b>106,776</b>	<b>102,066</b>	<b>119,363</b>	<b>125,892</b>
Selling, general & administrative expenses	37,843	35,275	75,492	68,303
Business development costs	275	9,240	582	35,140
Other operating (income) and expenses, net	(756)	(1,690)	(2,567)	(1,465)
<b>Earnings from Operations</b>	<b>69,414</b>	<b>59,241</b>	<b>45,856</b>	<b>23,914</b>
Interest expense	13,619	13,256	27,115	26,743
Other nonoperating (income) and expenses, net	(544)	(42)	78	(1,897)
<b>Earnings (Loss) from continuing operations before taxes on income</b>	<b>56,339</b>	<b>46,027</b>	<b>18,663</b>	<b>(932)</b>
Income tax expense (benefit)	15,026	8,553	6,579	(1,323)
<b>Earnings from Continuing Operations</b>	<b>41,313</b>	<b>37,474</b>	<b>12,084</b>	<b>391</b>
Gain (Loss) on discontinued operations, net of related tax expense (benefit) of \$83, \$30, \$56 and (\$70), respectively	254	334	154	(257)
<b>Consolidated net earnings</b>	<b>41,567</b>	<b>37,808</b>	<b>12,238</b>	<b>134</b>
Less: Net earnings (loss) attributable to noncontrolling interests	259	1,057	(1,230)	116
<b>Net Earnings Attributable to Martin Marietta Materials, Inc.</b>	<b>\$ 41,308</b>	<b>\$ 36,751</b>	<b>\$ 13,468</b>	<b>\$ 18</b>
<b>Net Earnings Attributable to Martin Marietta Materials, Inc.</b>				
Earnings from continuing operations	\$ 41,054	\$ 36,417	\$ 13,314	\$ 275
Earnings (Loss) from discontinued operations	254	334	154	(257)

Edgar Filing: MARTIN MARIETTA MATERIALS INC - Form 10-Q

	\$	41,308	\$	36,751	\$	13,468	\$	18
<b>Consolidated Comprehensive Earnings (See Note 1)</b>								
Earnings attributable to Martin Marietta Materials, Inc.	\$	39,999	\$	38,102	\$	13,380	\$	3,268
Earnings (Loss) attributable to noncontrolling interests		262		1,060		(1,225)		122
	\$	40,261	\$	39,162	\$	12,155	\$	3,390
<b>Net Earnings (Loss) Attributable to Martin Marietta Materials, Inc.</b>								
<b>Per Common Share</b>								
Basic from continuing operations attributable to common shareholders	\$	0.88	\$	0.79	\$	0.29	\$	0.01
Discontinued operations attributable to common shareholders		0.01		0.01		-		(0.01)
	\$	0.89	\$	0.80	\$	0.29	\$	-
Diluted from continuing operations attributable to common shareholders	\$	0.88	\$	0.79	\$	0.29	\$	0.01
Discontinued operations attributable to common shareholders		0.01		0.01		-		(0.01)
	\$	0.89	\$	0.80	\$	0.29	\$	-
<b>Weighted-Average Common Shares Outstanding</b>								
Basic		46,129		45,781		46,079		45,757
Diluted		46,260		45,905		46,217		45,757
Cash Dividends Per Common Share	\$	0.40	\$	0.40	\$	0.80	\$	0.80

See accompanying notes to consolidated financial statements.

**Table of Contents**

## MARTIN MARIETTA MATERIALS, INC. AND CONSOLIDATED SUBSIDIARIES

## CONSOLIDATED STATEMENTS OF CASH FLOWS

	Six Months Ended June 30,	
	2013	2012
	<i>(Dollars in Thousands)</i>	
	<i>(Unaudited)</i>	
<b>Cash Flows from Operating Activities:</b>		
Consolidated net earnings	\$ 12,238	\$ 134
Adjustments to reconcile consolidated net earnings to net cash provided by operating activities:		
Depreciation, depletion and amortization	85,992	88,735
Stock-based compensation expense	3,981	4,577
Gains on divestitures and sales of assets	(422)	(839)
Deferred income taxes	9,282	6,777
Excess tax benefits from stock-based compensation transactions	(2,253)	-
Other items, net	204	1,322
Changes in operating assets and liabilities, net of effects of acquisitions and divestitures:		
Accounts receivable, net	(65,165)	(71,668)
Inventories, net	(15,838)	(9,378)
Accounts payable	16,423	21,045
Other assets and liabilities, net	4,030	(13,036)
<b>Net Cash Provided by Operating Activities</b>	<b>48,472</b>	<b>27,669</b>
<b>Cash Flows from Investing Activities:</b>		
Additions to property, plant and equipment	(50,002)	(66,251)
Acquisitions, net	(3,246)	(87)
Proceeds from divestitures and sales of assets	1,874	3,947
<b>Net Cash Used for Investing Activities</b>	<b>(51,374)</b>	<b>(62,391)</b>
<b>Cash Flows from Financing Activities:</b>		
Borrowings of long-term debt	295,500	171,000
Repayments of long-term debt	(250,167)	(87,134)
Debt issuance costs	(510)	(300)
Change in bank overdraft	-	3,352
Dividends paid	(37,068)	(36,861)
Distributions to owners of noncontrolling interests	-	(800)
Issuances of common stock	11,212	836
Excess tax benefits from stock-based compensation transactions	2,253	-
<b>Net Cash Provided by Financing Activities</b>	<b>21,220</b>	<b>50,093</b>
<b>Net Increase in Cash and Cash Equivalents</b>	<b>18,318</b>	<b>15,371</b>
Cash and Cash Equivalents, beginning of period	25,394	26,022
<b>Cash and Cash Equivalents, end of period</b>	<b>\$ 43,712</b>	<b>\$ 41,393</b>



Edgar Filing: MARTIN MARIETTA MATERIALS INC - Form 10-Q

Supplemental Disclosures of Cash Flow Information:

Cash paid for interest	\$ 25,868	\$ 26,537
Cash refunds for income taxes	\$ 6,103	\$ 4,309

*See accompanying notes to consolidated financial statements.*

**Table of Contents**

## MARTIN MARIETTA MATERIALS, INC. AND CONSOLIDATED SUBSIDIARIES

## CONSOLIDATED STATEMENT OF TOTAL EQUITY

*(Unaudited)*

<i>(in thousands)</i>	Shares of Common Stock	Common Stock	Additional Paid-in Capital	Accumulated Comprehensive Loss	Other Retained Earnings	Total Shareholders Equity	Noncontrolling Interests	Total Equity
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	-	-	-	-	13,468	13,468	(1,230)	12,238
Other comprehensive (loss) earnings	-	-	-	(88)	-	(88)	5	(83)
Dividends declared	-	-	-	-	(37,068)	(37,068)	-	(37,068)
Issuances of common stock for stock award plans	230	2	11,298	-	-	11,300	-	11,300
Stock-based compensation expense	-	-	3,981	-	-	3,981	-	3,981
Balance at June 30, 2013	46,232	\$ 461	\$ 429,936	\$ (106,257)	\$ 1,077,998	\$ 1,402,138	\$ 38,529	\$ 1,440,667

*See accompanying notes to consolidated financial statements.*

**Table of Contents****MARTIN MARIETTA MATERIALS, INC. AND CONSOLIDATED SUBSIDIARIES****FORM 10-Q**

For the Quarter Ended June 30, 2013

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS****1. Significant Accounting Policies****Organization**

Martin Marietta Materials, Inc., (the Corporation) is engaged principally in the construction aggregates business. The Corporation's aggregates product line, which accounted for 71% of consolidated 2012 net sales, includes crushed stone, sand and gravel, and is used primarily for construction of highways and other infrastructure projects, and in the nonresidential and residential construction industries. Aggregates products are also used in the railroad, environmental, utility and agricultural industries. These aggregates products, along with the asphalt products, ready mixed concrete and road paving construction services of the Corporation's vertically-integrated operations (which accounted for 18% of consolidated 2012 net sales), are sold and shipped from a network of 301 quarries, distribution facilities and plants to customers in 33 states, Canada, the Bahamas and the Caribbean Islands.

Effective January 1, 2013, the Corporation reorganized the operations and management reporting structure of its Aggregates business, resulting in a change to its reportable segments. The Corporation currently conducts its aggregates and vertically-integrated operations through three reportable segments as follows:

	<b>AGGREGATES BUSINESS</b>		
Reportable Segments Operating Locations	Mid-America Group	Southeast Group	West Group
	Indiana, Iowa, Kentucky,	Alabama, Florida, Georgia,	Arkansas,
	Maryland,	Mississippi,	Colorado, Kansas,
	Minnesota,	Tennessee, Nova	Louisiana,
	eastern Nebraska,	Scotia and the Bahamas	Missouri,
	North Dakota,		western Nebraska,
	North Carolina,		Nevada,
	Ohio,		Oklahoma, Texas,
	South Carolina,		Utah and
	Virginia,		Wyoming

Washington and

West Virginia

In addition to the Aggregates business, the Corporation has a Specialty Products segment, accounting for 11% of consolidated 2012 net sales, which produces magnesia-based chemicals products used in industrial, agricultural and environmental applications and dolomitic lime sold primarily to customers in the steel industry.

**Table of Contents**

MARTIN MARIETTA MATERIALS, INC. AND CONSOLIDATED SUBSIDIARIES

FORM 10-Q

For the Quarter Ended June 30, 2013

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

**1. Significant Accounting Policies (continued)**

**Basis of Presentation**

The accompanying unaudited consolidated financial statements of the Corporation have been prepared in accordance with generally accepted accounting principles for interim financial information and with the instructions to the Quarterly Report on Form 10-Q and in Article 10 of Regulation S-X. The Corporation has continued to follow the accounting policies set forth in the audited consolidated financial statements and related notes thereto included in the Corporation's Annual Report on Form 10-K for the year ended December 31, 2012, filed with the Securities and Exchange Commission on February 22, 2013. In the opinion of management, the interim consolidated financial information provided herein reflects all adjustments, consisting of normal recurring accruals, necessary for a fair presentation of the results of operations, financial position and cash flows for the interim periods. The consolidated results of operations for the three and six months ended June 30, 2013 are not indicative of the results expected for other interim periods or the full year. The consolidated balance sheet at December 31, 2012 has been derived from the audited consolidated financial statements at that date but does not include all of the information and notes required by generally accepted accounting principles for complete financial statements. These consolidated financial statements should be read in conjunction with the audited consolidated financial statements and notes thereto included in the Corporation's Annual Report on Form 10-K for the year ended December 31, 2012.

**Reclassifications**

Prior-year segment information for the Aggregates business presented in Note 9 has been reclassified to conform to the presentation of the Corporation's current reportable segments.

**Consolidated Comprehensive Earnings/Loss and Accumulated Other Comprehensive Loss**

Consolidated comprehensive earnings/loss for the Corporation consist of consolidated net earnings or loss; 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.

**Table of Contents**

## MARTIN MARIETTA MATERIALS, INC. AND CONSOLIDATED SUBSIDIARIES

## FORM 10-Q

For the Quarter Ended June 30, 2013

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

**1. Significant Accounting Policies (continued)****Consolidated Comprehensive Earnings/Loss and Accumulated Other Comprehensive Loss (continued)**

Comprehensive earnings attributable to Martin Marietta Materials, Inc. are as follows:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2013	2012	2013	2012
	<i>(Dollars in Thousands)</i>			
Net earnings attributable to Martin Marietta Materials, Inc.	\$ 41,308	\$ 36,751	\$ 13,468	\$ 18
Other comprehensive (loss) earnings, net of tax	(1,309)	1,351	(88)	3,250
Comprehensive earnings attributable to Martin Marietta Materials, Inc.	\$ 39,999	\$ 38,102	\$ 13,380	\$ 3,268

Comprehensive earnings (loss) attributable to noncontrolling interests, consisting of net earnings or loss and adjustments for the funded status of pension and postretirement benefit plans, are as follows:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2013	2012	2013	2012
	<i>(Dollars in Thousands)</i>			
Net earnings (loss) attributable to noncontrolling interests	\$ 259	\$ 1,057	\$ (1,230)	\$ 116
Other comprehensive earnings, net of tax	3	3	5	6
Comprehensive earnings (loss) attributable to noncontrolling interests	\$ 262	\$ 1,060	\$ (1,225)	\$ 122

**Table of Contents**

## MARTIN MARIETTA MATERIALS, INC. AND CONSOLIDATED SUBSIDIARIES

## FORM 10-Q

For the Quarter Ended June 30, 2013

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

**1. Significant Accounting Policies (continued)****Consolidated Comprehensive Earnings/Loss and Accumulated Other Comprehensive Loss (continued)**

Changes in accumulated other comprehensive earnings, net of tax, are as follows:

	<i>(Dollars in Thousands)</i>			
	Pension and Postretirement Benefit Plans	Foreign Currency	Unamortized Value of Terminated Forward Starting Interest Rate Swap	Accumulated Other Comprehensive Loss
	Three Months Ended June 30, 2013			
Balance at beginning of period	\$ (106,296)	\$ 5,323	\$ (3,975)	\$ (104,948)
Other comprehensive loss before reclassifications, net of tax	(2,278)	(1,169)	-	(3,447)
Amounts reclassified from accumulated other comprehensive loss, net of tax	1,971	-	167	2,138
Other comprehensive earnings, net of tax	(307)	(1,169)	167	(1,309)
Balance at end of period	\$ (106,603)	\$ 4,154	\$ (3,808)	\$ (106,257)
	Three Months Ended June 30, 2012			
Balance at beginning of period	\$ (82,656)	\$ 5,275	\$ (4,610)	\$ (81,991)
Other comprehensive earnings before reclassifications, net of tax	(401)	(53)	-	(454)
Amounts reclassified from accumulated other comprehensive loss, net of tax	1,650	-	155	1,805
Other comprehensive earnings, net of tax	1,249	(53)	155	1,351

Edgar Filing: MARTIN MARIETTA MATERIALS INC - Form 10-Q

Balance at end of period	\$	(81,407)	\$	5,222	\$	(4,455)	\$	(80,640)
--------------------------	----	----------	----	-------	----	---------	----	----------

The other comprehensive loss before reclassifications for pension and postretirement benefit plans is net of tax of \$1,490,000 and \$260,000 for the three months ended June 30, 2013 and 2012, respectively.



**Table of Contents**

## MARTIN MARIETTA MATERIALS, INC. AND CONSOLIDATED SUBSIDIARIES

## FORM 10-Q

For the Quarter Ended June 30, 2013

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

**1. Significant Accounting Policies (continued)****Consolidated Comprehensive Earnings/Loss and Accumulated Other Comprehensive Loss (continued)**

*(Dollars in Thousands)*

	Pension and Postretirement Benefit Plans	Foreign Currency	Unamortized Value of Terminated Forward Starting Interest Rate Swap	Accumulated Other Comprehensive Loss
Six Months Ended June 30, 2013				
Balance at beginning of period	\$ (108,189)	\$ 6,157	\$ (4,137)	\$ (106,169)
Other comprehensive loss before reclassifications, net of tax	(2,312)	(2,003)	-	(4,315)
Amounts reclassified from accumulated other comprehensive loss, net of tax	3,898	-	329	4,227
Other comprehensive earnings, net of tax	1,586	(2,003)	329	(88)
Balance at end of period	\$ (106,603)	\$ 4,154	\$ (3,808)	\$ (106,257)
Six Months Ended June 30, 2012				
Balance at beginning of period	\$ (84,204)	\$ 5,076	\$ (4,762)	\$ (83,890)
Other comprehensive (loss) earnings before reclassifications, net of tax	(465)	146	-	(319)
Amounts reclassified from accumulated other comprehensive loss, net of tax	3,262	-	307	3,569
Other comprehensive earnings, net of tax	2,797	146	307	3,250

Balance at end of period	\$	(81,407)	\$	5,222	\$	(4,455)	\$	(80,640)
--------------------------	----	----------	----	-------	----	---------	----	----------

The other comprehensive loss before reclassifications for pension and postretirement benefit plans is net of tax of \$1,512,000 and \$302,000 for the six months ended June 30, 2013 and 2012, respectively.

**Table of Contents**

## MARTIN MARIETTA MATERIALS, INC. AND CONSOLIDATED SUBSIDIARIES

## FORM 10-Q

For the Quarter Ended June 30, 2013

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

**1. Significant Accounting Policies (continued)****Consolidated Comprehensive Earnings/Loss and Accumulated Other Comprehensive Loss (continued)**

Changes in net noncurrent deferred tax assets recorded in accumulated other comprehensive loss are as follows:

*(Dollars in Thousands)*

	Pension and Postretirement Benefit Plans	Unamortized Value of Terminated Forward Starting Interest Rate Swap	Net Noncurrent Deferred Tax Assets
	Three Months Ended June 30, 2013		
Balance at beginning of period	\$ 69,641	\$ 2,600	\$ 72,241
Tax effect of other comprehensive earnings	201	(108)	93
Balance at end of period	\$ 69,842	\$ 2,492	\$ 72,334
	Three Months Ended June 30, 2012		
Balance at beginning of period	\$ 54,148	\$ 3,017	\$ 57,165
Tax effect of other comprehensive earnings	(820)	(102)	(922)
Balance at end of period	\$ 53,328	\$ 2,915	\$ 56,243
	Six Months Ended June 30, 2013		
Balance at beginning of period	\$ 70,881	\$ 2,707	\$ 73,588
Tax effect of other comprehensive earnings	(1,039)	(215)	(1,254)
Balance at end of period	\$ 69,842	\$ 2,492	\$ 72,334

Edgar Filing: MARTIN MARIETTA MATERIALS INC - Form 10-Q

	Six Months Ended June 30, 2012		
Balance at beginning of period	\$ 55,161	\$ 3,116	\$ 58,277
Tax effect of other comprehensive earnings	(1,833)	(201)	(2,034)
Balance at end of period	\$ 53,328	\$ 2,915	\$ 56,243

Page 12 of 55

**Table of Contents**

## MARTIN MARIETTA MATERIALS, INC. AND CONSOLIDATED SUBSIDIARIES

## FORM 10-Q

For the Quarter Ended June 30, 2013

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

**1. Significant Accounting Policies (continued)****Consolidated Comprehensive Earnings/Loss and Accumulated Other Comprehensive Loss (continued)**

Reclassifications out of accumulated other comprehensive loss are as follows:

	Three Months Ended June 30,		Six Months Ended June 30,		Affected line items in the consolidated financial statements
	2013	2012	2013	2012	
	<i>(Dollars in Thousands)</i>				
Pension and postretirement benefit plans					
Settlement charge	\$ --	\$ 524	\$ --	\$ 524	
Amortization of:					
Prior service credit	(695)	(736)	(1,403)	(1,388)	
Actuarial loss	3,955	2,942	7,852	6,261	
					Cost of sales;
	3,260	2,730	6,449	5,397	Selling, general & administrative expenses
Tax effect	(1,289)	(1,080)	(2,551)	(2,135)	Deferred income taxes
	\$ 1,971	\$ 1,650	\$ 3,898	\$ 3,262	
Unamortized value of terminated forward starting interest rate swap					
Additional interest expense	\$ 275	\$ 257	\$ 544	\$ 508	Interest expense
Tax effect	(108)	(102)	(215)	(201)	Deferred income taxes
	\$ 167	\$ 155	\$ 329	\$ 307	

**Table of Contents**

## MARTIN MARIETTA MATERIALS, INC. AND CONSOLIDATED SUBSIDIARIES

## FORM 10-Q

For the Quarter Ended June 30, 2013

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

**1. Significant Accounting Policies (continued)****Earnings (Loss) per Common Share**

The numerator for basic and diluted earnings (loss) per common share is net earnings attributable to Martin Marietta Materials, Inc., reduced by dividends and undistributed earnings attributable to the Corporation's unvested restricted stock awards and incentive stock awards. If there is a net loss, no amount of the undistributed loss is attributed to unvested participating securities. The denominator for basic earnings per common share is the weighted-average number of common shares outstanding during the period. Diluted earnings per common share are computed assuming that the weighted-average number of common shares is increased by the conversion, using the treasury stock method, of awards to be issued to employees and nonemployee members of the Corporation's Board of Directors under certain stock-based compensation arrangements if the conversion is dilutive. For the three months ended June 30, 2013 and 2012 and the six months ended June 30, 2013, the diluted per-share computations reflect a change in the number of common shares outstanding to include the number of additional shares that would have been outstanding if the potentially dilutive common shares had been issued. For the six months ended June 30, 2012, all such awards were antidilutive given the net loss available to common shareholders attributable to Martin Marietta Materials Inc.

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2013	2012	2013	2012
	<i>(In Thousands)</i>			
Net earnings from continuing operations attributable to Martin Marietta Materials, Inc.	\$ 41,054	\$ 36,417	\$ 13,314	\$ 275
Less: Distributed and undistributed earnings attributable to unvested awards	197	232	182	242
Basic and diluted net earnings available to common shareholders from continuing operations attributable to Martin Marietta Materials, Inc.	40,857	36,185	13,132	33
Basic and diluted net earnings (loss) available to common shareholders from discontinued operations	254	334	154	(257)
	\$ 41,111	\$ 36,519	\$ 13,286	\$ (224)

## Edgar Filing: MARTIN MARIETTA MATERIALS INC - Form 10-Q

Basic and diluted net earnings (loss) available to common shareholders attributable to Martin Marietta Materials, Inc.

Basic weighted-average common shares outstanding	46,129	45,781	46,079	45,757
Effect of dilutive employee and director awards	131	124	138	--
Diluted weighted-average common shares outstanding	46,260	45,905	46,217	45,757

Page 14 of 55

**Table of Contents**

## MARTIN MARIETTA MATERIALS, INC. AND CONSOLIDATED SUBSIDIARIES

## FORM 10-Q

For the Quarter Ended June 30, 2013

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

**2. Discontinued Operations****Divestitures and Permanent Closures**

Operations that are disposed of or permanently shut down represent discontinued operations, and, therefore, the results of their operations through the dates of disposal and any gain or loss on disposals are included in discontinued operations in the consolidated statements of earnings and comprehensive earnings. The results of operations for divestitures do not include Corporate overhead that was allocated during the periods the Corporation owned these operations.

All discontinued operations relate to the Aggregates business. Discontinued operations consist of the following:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2013	2012	2013	2012
	<i>(Dollars in Thousands)</i>			
Pretax gain on operations	\$ 337	\$ 364	\$ 210	\$ 27
Pretax loss on disposals	--	--	--	(354)
Pretax gain (loss)	337	364	210	(327)
Income tax expense (benefit)	83	30	56	(70)
Net earnings (loss)	\$ 254	\$ 334	\$ 154	\$ (257)

**3. Inventories, Net**

	June 30, 2013	December 31, 2012	June 30, 2012
	<i>(Dollars in Thousands)</i>		
Finished products	\$ 366,320	\$ 355,881	\$ 355,455
Products in process and raw materials	18,701	16,442	18,714
Supplies and expendable parts	59,437	56,805	55,201
	444,458	429,128	429,370
Less allowances	(95,585)	(96,817)	(97,386)



Total	\$ 348,873	\$ 332,311	\$ 331,984
-------	------------	------------	------------

Table of Contents

## MARTIN MARIETTA MATERIALS, INC. AND CONSOLIDATED SUBSIDIARIES

## FORM 10-Q

For the Quarter Ended June 30, 2013

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

**4. Long-Term Debt**

	June 30, 2013	December 31, 2012	June 30, 2012
	<i>(Dollars in Thousands)</i>		
6.6% Senior Notes, due 2018	\$ 298,783	\$ 298,677	\$ 298,575
7% Debentures, due 2025	124,457	124,443	124,430
6.25% Senior Notes, due 2037	228,130	228,114	228,097
Term Loan Facility, due 2015, interest rate of 2.20% at June 30, 2013; 2.21% at December 31, 2012; and 1.87% at June 30, 2012	240,000	245,000	245,000
Revolving Facility, interest rate of 1.89% at June 30, 2013; 1.91% at December 31, 2012; and 1.62% at June 30, 2012	50,000	50,000	145,000
Trade Receivable Facility, interest rate of 0.79% at June 30, 2013	150,000	--	--
AR Credit Facility, interest rate of 1.00% at December 31, 2012 and June 30, 2012	--	100,000	100,000
Other notes	1,949	1,625	3,145
<b>Total debt</b>	<b>1,093,319</b>	<b>1,047,859</b>	<b>1,144,247</b>
<b>Less current maturities</b>	<b>(6,169)</b>	<b>(5,676)</b>	<b>(7,171)</b>
<b>Long-term debt</b>	<b>\$ 1,087,150</b>	<b>\$ 1,042,183</b>	<b>\$ 1,137,076</b>

The Corporation's \$100,000,000 secured accounts receivable credit facility (the AR Credit Facility) expired by its own terms on April 20, 2013. On April 19, 2013, the Corporation, through a wholly-owned consolidated special purpose subsidiary, established a \$150,000,000 trade receivable securitization facility with SunTrust Bank and certain other lenders that may become a party to the facility from time to time (the Trade Receivable Facility). Borrowings under the Trade Receivable Facility bear interest at a rate equal to the one-month LIBOR plus 0.6% and are backed by trade receivables originated by the Corporation (\$274,818,000 at June 30, 2013), which the Corporation then sells to the wholly-owned consolidated special purpose subsidiary. Availability under the Trade Receivable Facility is limited to the lesser of the facility limit or 82% of eligible receivables, as defined. The Corporation continues to be responsible for the servicing and administration of the receivables purchased. The Corporation has the option to request an increase in the commitment amount by up to an additional \$100,000,000, in increments of no less than \$25,000,000, subject to receipt of lender commitments for the increased amount. The Trade Receivable Facility matures on April 19, 2014. At June 30, 2013, outstanding borrowings under the Trade Receivable Facility were classified as long-term on the consolidated balance sheet as the Corporation has the ability and intent to refinance or renew amounts outstanding. The Trade Receivable Facility contains a cross-default provision to the Corporation's other debt

agreements.

**Table of Contents**

MARTIN MARIETTA MATERIALS, INC. AND CONSOLIDATED SUBSIDIARIES

FORM 10-Q

For the Quarter Ended June 30, 2013

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

**4. Long-Term Debt (continued)**

The Corporation's Credit Agreement, consisting of a \$250,000,000 senior unsecured term loan (the Term Loan Facility) and a \$350,000,000 senior unsecured revolving facility (the Revolving Facility), 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 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 maintains specified ratings on its long-term unsecured debt and the Ratio calculated without such exclusion does not exceed 3.75x. Additionally, if no amounts are outstanding under the Revolving Facility, consolidated debt, including debt guaranteed by the Corporation, 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.

The Corporation amended the Credit Agreement Ratio in 2012. The amendment temporarily increased the maximum Ratio to 3.75x at June 30, 2013. The Ratio returns to the pre-amendment maximum of 3.50x for the September 30, 2013 calculation date. The Corporation was in compliance with this Ratio at June 30, 2013.

Available borrowings under the Revolving Facility are reduced by any outstanding letters of credit issued by the Corporation under the Revolving Facility. At June 30, 2013, the Corporation had \$2,507,000 of outstanding letters of credit issued under the Revolving Facility.

Accumulated other comprehensive loss includes the unamortized value of terminated forward starting interest rate swap agreements. For the three and six months ended June 30, 2013, the Corporation recognized \$275,000 and \$544,000, respectively, as additional interest expense. For the three and six months ended June 30, 2012, the Corporation recognized \$257,000 and \$508,000, 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 \$1,000,000 until the maturity of the 6.6% Senior Notes in 2018.

**5. 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.



**Table of Contents**

MARTIN MARIETTA MATERIALS, INC. AND CONSOLIDATED SUBSIDIARIES

FORM 10-Q

For the Quarter Ended June 30, 2013

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

**5. Financial Instruments (continued)**

Temporary cash investments are placed primarily in money market funds, money market demand deposit accounts and Eurodollar time deposits with the following financial institutions: Bank of America, N.A., Branch Banking and Trust Company, JPMorgan Chase Bank, N.A., Regions Bank, Fifth Third 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.

Customer receivables are due from a large number of customers, primarily in the construction industry, and are dispersed across wide geographic and economic regions. However, customer receivables are more heavily concentrated in certain states (namely, Texas, North Carolina, Iowa, Colorado and Georgia). The estimated fair values of customer receivables approximate their carrying amounts due to the short-term nature of the receivables.

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

The bank overdraft represents the float of outstanding checks. 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 amounts due to the short-term nature of the payables.

The carrying values and fair values of the Corporation's long-term debt were \$1,093,319,000 and \$1,141,592,000, respectively, at June 30, 2013; \$1,047,859,000 and \$1,105,650,000, respectively, at December 31, 2012; and \$1,144,247,000 and \$1,204,965,000, respectively, at June 30, 2012. The estimated fair value of the Corporation's publicly-registered long-term notes was estimated based on level 1 of the fair value hierarchy using quoted market prices. The estimated fair value of other borrowings, which primarily represents variable-rate debt, approximates its carrying amount as the interest rates reset periodically.

**6. Income Taxes**

Six Months Ended June 30,

Edgar Filing: MARTIN MARIETTA MATERIALS INC - Form 10-Q

	2013	2012
Estimated effective income tax rate:		
Continuing operations	35.3%	142.0%
Discontinued operations	26.7%	21.4%
Consolidated overall	35.2%	110.6%

Page 18 of 55

Table of Contents

## MARTIN MARIETTA MATERIALS, INC. AND CONSOLIDATED SUBSIDIARIES

## FORM 10-Q

For the Quarter Ended June 30, 2013

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

**6. Income Taxes (continued)**

The Corporation's effective income tax rate reflects the effect of federal and state income taxes and the impact of differences in book and tax accounting arising from the net permanent benefits associated with the statutory depletion deduction for mineral reserves, the impact of foreign losses for which no tax benefit was realized and the domestic production deduction. The effective income tax rates for discontinued operations reflect the tax effects of individual operations' transactions and are not indicative of the Corporation's overall effective income tax rate.

The Corporation's unrecognized tax benefits, excluding interest, correlative effects and indirect benefits, are as follows:

	Six Months Ended June 30, 2013
	<i>(Dollars in Thousands)</i>
Unrecognized tax benefits at beginning of period	\$ 15,380
Gross increases tax positions in prior years	4,508
Gross decreases tax positions in prior years	(2,412)
Gross increases tax positions in current year	777
Unrecognized tax benefits at end of period	\$ 18,253

The Corporation anticipates that it is reasonably possible that unrecognized tax benefits may decrease up to \$10,290,000 during the twelve months ending June 30, 2014 as a result of resolution through payments to taxing authorities and the expiration of the statute of limitations for the 2009 tax year. The majority of the decrease relates to the expected settlement of the Advance Pricing Agreement ( APA ) the Corporation has with Canada that increased the sales price charged for intercompany shipments from Canada to the United States during the years 2005 through 2011. Upon final settlement with the Canadian taxing authority, the Corporation will be allowed a corresponding refund of tax in the United States for the years 2005 through 2011 pursuant to an APA with the United States, the impact of which is not included in the table of unrecognized tax benefits at June 30, 2013.

At June 30, 2013, unrecognized tax benefits of \$15,035,000 related to permanent income tax differences, net of federal tax expense, would have favorably affected the Corporation's effective income tax rate if recognized. However, the unrecognized tax benefits, if recognized, would be offset by the corresponding \$8,367,000 expense in the United States related to the APA settlement.



The consolidated overall estimated effective income tax rate for the six months ended June 30, 2012 included a refund of federal tax and interest of \$1,626,000 related to the 2006 tax year. This discrete event drove an increase in the consolidated overall estimated effective income tax rate for the six months ended June 30, 2012.

**Table of Contents**

## MARTIN MARIETTA MATERIALS, INC. AND CONSOLIDATED SUBSIDIARIES

## FORM 10-Q

For the Quarter Ended June 30, 2013

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

**7. Pension and Postretirement Benefits**

The estimated components of the recorded net periodic benefit cost (credit) for pension and postretirement benefits are as follows:

	Three Months Ended June 30,			
	Pension		Postretirement Benefits	
	2013	2012	2013	2012
	<i>(Dollars in Thousands)</i>			
Service cost	\$ 4,060	\$ 3,174	\$ 56	\$ 59
Interest cost	5,799	5,743	251	322
Expected return on assets	(6,717)	(5,802)	--	--
Amortization of:				
Prior service cost (credit)	113	113	(808)	(849)
Actuarial loss (gain)	3,949	3,016	6	(74)
Settlement charge	--	524	--	--
Net periodic benefit cost (credit)	\$ 7,204	\$ 6,768	\$ (495)	\$ (542)

	Six Months Ended June 30,			
	Pension		Postretirement Benefits	
	2013	2012	2013	2012
	<i>(Dollars in Thousands)</i>			
Service cost	\$ 8,060	\$ 6,740	\$ 113	\$ 114
Interest cost	11,512	12,193	506	617
Expected return on assets	(13,335)	(12,318)	--	--
Amortization of:				
Prior service cost (credit)	224	240	(1,627)	(1,628)
Actuarial loss (gain)	7,840	6,403	12	(142)
Settlement charge	--	524	--	--
Net periodic benefit cost (credit)	\$ 14,301	\$ 13,782	\$ (996)	\$ (1,039)

**8. 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, 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.

**Table of Contents**

MARTIN MARIETTA MATERIALS, INC. AND CONSOLIDATED SUBSIDIARIES

FORM 10-Q

For the Quarter Ended June 30, 2013

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

**8. Commitments and Contingencies (continued)**

**Environmental and Governmental Regulations**

The United States Environmental Protection Agency ( USEPA ) includes 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 Corporation in 2010 and 2011 regarding the Corporation s compliance with the CAA New Source Review ( NSR ) program at its Specialty Products dolomitic lime manufacturing plant in Woodville, Ohio. The Corporation has been providing information to the USEPA in response to these NOVs and has had several meetings with the USEPA. The Corporation believes it is in substantial compliance with the NSR program. Because the enforcement proceeding is in its initial stage, 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 upgrades will be spread over time and will not have a material adverse effect on the Corporation 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 Specialty Products segment of the business.

**Guarantee of Affiliate**

The Corporation has a guaranty agreement with Bank of America, N.A., to guarantee a \$6,200,000 amortizing loan due April 2015. The Corporation also had an unconditional guaranty of payment agreement with Fifth Third Bank ( Fifth Third ) to guarantee the repayment of amounts borrowed by an affiliate under a \$24,000,000 revolving line of credit provided by Fifth Third. The affiliate has agreed to reimburse and indemnify the Corporation for any payments and expenses the Corporation may incur from these agreements. The Corporation holds a subordinate lien on certain of the affiliate s assets as collateral for potential payments under the agreements.

**Table of Contents**

## MARTIN MARIETTA MATERIALS, INC. AND CONSOLIDATED SUBSIDIARIES

## FORM 10-Q

For the Quarter Ended June 30, 2013

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

**9. Business Segments**

The Corporation conducts its aggregates and vertically-integrated operations through three reportable business segments: Mid-America Group, Southeast Group and West Group. The Corporation also has a Specialty Products segment that includes magnesia-based chemicals products and dolomitic lime.

The following tables display selected financial data for continuing operations for the Corporation's reportable business segments. Corporate loss from operations primarily includes depreciation on capitalized interest, expenses for corporate administrative functions, unallocated corporate expenses and other nonrecurring and/or non-operational adjustments. Prior-year segment information has been reclassified to conform to the presentation of the Corporation's current reportable segments.

	Three Months Ended June 30,		Six Months Ended June 30,	
	2013	2012	2013	2012
<i>(Dollars in Thousands)</i>				
<b>Total revenues:</b>				
Mid-America Group	\$ 203,532	\$ 201,785	\$ 318,127	\$ 326,716
Southeast Group	60,442	63,027	116,184	123,080
West Group	237,364	225,627	391,796	378,314
Total Aggregates Business	501,338	490,439	826,107	828,110
Specialty Products	61,344	55,249	121,574	111,551
Total	\$ 562,682	\$ 545,688	\$ 947,681	\$ 939,661
<b>Net sales:</b>				
Mid-America Group	\$ 186,405	\$ 184,712	\$ 292,637	\$ 299,326
Southeast Group	55,261	58,848	106,584	114,006
West Group	210,390	197,169	342,815	326,213
Total Aggregates Business	452,056	440,729	742,036	739,545
Specialty Products	56,632	50,462	111,801	102,178
Total	\$ 508,688	\$ 491,191	\$ 853,837	\$ 841,723

Edgar Filing: MARTIN MARIETTA MATERIALS INC - Form 10-Q

Earnings (Loss) from operations:

Mid-America Group	\$ 46,951	\$ 43,827	\$ 35,923	\$ 38,603
Southeast Group	(5,176)	(5,623)	(13,563)	(11,528)
West Group	16,940	17,346	5,642	5,019
Total Aggregates Business	58,715	55,550	28,002	32,094
Specialty Products	18,726	17,451	35,804	35,672
Corporate	(8,027)	(13,760)	(17,950)	(43,852)
Total	\$ 69,414	\$ 59,241	\$ 45,856	\$ 23,914

**Table of Contents**

## MARTIN MARIETTA MATERIALS, INC. AND CONSOLIDATED SUBSIDIARIES

## FORM 10-Q

For the Quarter Ended June 30, 2013

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

**9. Business Segments (continued)**

Assets employed for the Mid-America and West Groups changed since prior year as a result of the Corporation's reorganization of the operations of its Aggregates business (see Note 1).

	June 30, 2013	December 31, 2012	June 30, 2012
<i>(Dollars in Thousands)</i>			
<u>Assets employed:</u>			
Mid-America Group	\$ 1,079,198	\$ 1,036,155	\$ 1,070,907
Southeast Group	588,098	607,705	615,742
West Group	1,184,065	1,147,879	1,182,720
Total Aggregates Business	2,851,361	2,791,739	2,869,369
Specialty Products	153,542	157,673	142,597
Corporate	226,216	211,514	214,567
Total	\$ 3,231,119	\$ 3,160,926	\$ 3,226,533

The Aggregates business includes the aggregates product line, along with the asphalt, ready mixed concrete and road paving product lines of its vertically-integrated operations. All vertically-integrated operations reside in the West Group. The following tables provide net sales and gross profit by product line for the Aggregates business and are reconciled to consolidated net sales and gross profit.

	Three Months Ended June 30,		Six Months Ended June 30,	
	2013	2012	2013	2012
<i>(Dollars in Thousands)</i>				
<u>Net sales:</u>				
Aggregates	\$ 357,240	\$ 356,820	\$ 605,031	\$ 614,165
Asphalt	18,811	20,235	28,444	32,774
Ready Mixed Concrete	36,662	29,246	64,030	49,501
Road Paving	39,343	34,428	44,531	43,105
Total Aggregates Business	452,056	440,729	742,036	739,545

Edgar Filing: MARTIN MARIETTA MATERIALS INC - Form 10-Q

Specialty Products	56,632	50,462	111,801	102,178
<b>Total</b>	<b>\$ 508,688</b>	<b>\$ 491,191</b>	<b>\$ 853,837</b>	<b>\$ 841,723</b>

Gross profit (loss):

Aggregates	\$ 78,942	\$ 76,928	\$ 81,003	\$ 88,343
Asphalt	4,903	3,441	2,448	2,706
Ready Mixed Concrete	1,649	679	1,334	(550)
Road Paving	(284)	787	(4,571)	(2,068)
<b>Total Aggregates Business</b>	<b>85,210</b>	<b>81,835</b>	<b>80,214</b>	<b>88,431</b>
Specialty Products	21,284	19,923	40,866	39,313
Corporate	282	308	(1,717)	(1,852)
<b>Total</b>	<b>\$ 106,776</b>	<b>\$ 102,066</b>	<b>\$ 119,363</b>	<b>\$ 125,892</b>



**Table of Contents**

## MARTIN MARIETTA MATERIALS, INC. AND CONSOLIDATED SUBSIDIARIES

## FORM 10-Q

For the Quarter Ended June 30, 2013

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

**10. Supplemental Cash Flow Information**

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

	Six Months Ended June 30,	
	2013	2012
	<i>(Dollars in Thousands)</i>	
Other current and noncurrent assets	\$ (4,463)	\$ (9,482)
Accrued salaries, benefits and payroll taxes	(5,366)	(2,962)
Accrued insurance and other taxes	1,996	3,208
Accrued income taxes	(430)	(5,675)
Accrued pension, postretirement and postemployment benefits	2,122	(252)
Other current and noncurrent liabilities	10,171	2,127
	\$ 4,030	\$ (13,036)

The change in other current and noncurrent liabilities is driven by unrecognized tax benefits related to the estimated settlement of the APA described in Note 6.

**11. Subsequent Events**

On July 1, 2013, the Corporation acquired three aggregates quarries in the greater Atlanta, Georgia area for \$62,000,000. The operating results of the acquired locations will be reported through the Corporation's Southeast Group in the financial statements starting from the date of acquisition. This transaction provides over 800 million tons of aggregates reserves and enhances the Corporation's existing long-term position in this market.

**Table of Contents**

## MARTIN MARIETTA MATERIALS, INC. AND CONSOLIDATED SUBSIDIARIES

## FORM 10-Q

For the Quarter Ended June 30, 2013

## MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND

## RESULTS OF OPERATIONS

Second Quarter Ended June 30, 2013

## Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations.

**OVERVIEW** Martin Marietta Materials, Inc. (the Corporation), is the nation's second largest producer of construction aggregates. The Corporation's annual net sales and earnings are predominately derived from its Aggregates business, which processes and sells granite, limestone, and other aggregates products, including asphalt, ready mixed concrete and road paving construction services, from a network of 301 quarries, distribution facilities and plants to customers in 33 states, Canada, the Bahamas and the Caribbean Islands. The Aggregates business' products are used primarily by commercial customers principally in domestic construction of highways and other infrastructure projects and for nonresidential and residential building development. Aggregates products are also used in the railroad, environmental, utility and agricultural industries.

Effective January 1, 2013, the Corporation reorganized the groups within its Aggregates business. The Corporation currently conducts its aggregates and vertically-integrated operations through three reportable business segments: Mid-America Group, Southeast Group and West Group. The Mid-America Group continues to include operations formerly reported in the Mideast Group, along with operations in Iowa, Minnesota, eastern Nebraska, North Dakota, and Washington (which were formerly reported in the West Group). The Southeast Group remains unchanged. With the exception of operations now reported in the Mid-America Group, there were no other changes to the West Group.

**AGGREGATES BUSINESS**

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

Primary Modes of  
Transportation for  
Aggregates Product Line

Truck, Limited Rail and  
Water

Truck, Rail and  
Water

Truck and Rail

**Table of Contents**

MARTIN MARIETTA MATERIALS, INC. AND CONSOLIDATED SUBSIDIARIES

FORM 10-Q

For the Quarter Ended June 30, 2013

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND

RESULTS OF OPERATIONS

Second Quarter Ended June 30, 2013

(Continued)

The Corporation also has a Specialty Products segment that produces magnesia-based chemicals products used in industrial, agricultural and environmental applications and dolomitic lime sold primarily to customers in the steel industry.

**CRITICAL ACCOUNTING POLICIES** The Corporation outlined its critical accounting policies in its Annual Report on Form 10-K for the year ended December 31, 2012, filed with the Securities and Exchange Commission (SEC) on February 22, 2013. There were no changes to the Corporation's critical accounting policies during the six months ended June 30, 2013.

**RESULTS OF OPERATIONS**

Except as indicated, the following comparative analysis in the Results of Operations section of this Management's Discussion and Analysis of Financial Condition and Results of Operations reflects results from continuing operations and is based on net sales and cost of sales. However, gross margin as a percentage of net sales and operating margin as a percentage of net sales represent non-GAAP measures. The Corporation presents these ratios calculated based on net sales, as it is consistent with the basis by which management reviews the Corporation's operating results. Further, management believes it is consistent with the basis by which investors analyze the Corporation's operating results given that freight and delivery revenues and costs represent pass-throughs and have no 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). The following tables present the calculations of gross margin and operating margin for the three and six months ended June 30, 2013 and 2012 in accordance with GAAP and reconciliations of the ratios as percentages of total revenues to percentages of net sales:

**Gross Margin in Accordance with GAAP**

Three Months Ended		Six Months Ended	
June 30,		June 30,	
2013	2012	2013	2012
<i>(Dollars in Thousands)</i>			

Edgar Filing: MARTIN MARIETTA MATERIALS INC - Form 10-Q

Gross profit	\$ 106,776	\$ 102,066	\$ 119,363	\$ 125,892
Total revenues	\$ 562,682	\$ 545,688	\$ 947,681	\$ 939,661
Gross margin	19.0%	18.7%	12.6%	13.4%

Page 26 of 55

**Table of Contents**

## MARTIN MARIETTA MATERIALS, INC. AND CONSOLIDATED SUBSIDIARIES

## FORM 10-Q

For the Quarter Ended June 30, 2013

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

Second Quarter Ended June 30, 2013

(Continued)

**Gross Margin Excluding Freight and Delivery Revenues**

	Three Months Ended June 30,		Six Months Ended June 30,	
	2013	2012	2013	2012
	<i>(Dollars in Thousands)</i>			
Gross profit	\$ 106,776	\$ 102,066	\$ 119,363	\$ 125,892
Total revenues	\$ 562,682	\$ 545,688	\$ 947,681	\$ 939,661
Less: Freight and delivery revenues	(53,994)	(54,497)	(93,844)	(97,938)
Net sales	\$ 508,688	\$ 491,191	\$ 853,837	\$ 841,723
Gross margin excluding freight and delivery revenues	21.0%	20.8%	14.0%	15.0%

**Operating Margin in Accordance with GAAP**

	Three Months Ended June 30,		Six Months Ended June 30,	
	2013	2012	2013	2012
	<i>(Dollars in Thousands)</i>			
Earnings from operations	\$ 69,414	\$ 59,241	\$ 45,856	\$ 23,914
Total revenues	\$ 562,682	\$ 545,688	\$ 947,681	\$ 939,661

Operating margin	12.3%	10.9%	4.8%	2.5%
------------------	-------	-------	------	------

**Table of Contents**

## MARTIN MARIETTA MATERIALS, INC. AND CONSOLIDATED SUBSIDIARIES

## FORM 10-Q

For the Quarter Ended June 30, 2013

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

Second Quarter Ended June 30, 2013

(Continued)

**Operating Margin Excluding Freight and Delivery Revenues**

	Three Months Ended June 30,		Six Months Ended June 30,	
	2013	2012	2013	2012
	<i>(Dollars in Thousands)</i>			
Earnings from operations	\$ 69,414	\$ 59,241	\$ 45,856	\$ 23,914
Total revenues	\$ 562,682	\$ 545,688	\$ 947,681	\$ 939,661
Less: Freight and delivery revenues	(53,994)	(54,497)	(93,844)	(97,938)
Net sales	\$ 508,688	\$ 491,191	\$ 853,837	\$ 841,723
Operating margin excluding freight and delivery revenues	13.6%	12.1%	5.4%	2.8%

**Quarter Ended June 30**

Significant items for the quarter ended June 30, 2013 (unless noted, all comparisons are versus the prior-year quarter):

Earnings per diluted share of \$0.89 compared with \$0.80 (prior-year quarter includes \$0.12 per diluted share charge for business development costs)

Consolidated net sales of \$508.7 million, up 3.6%, compared with \$491.2 million

Aggregates product line pricing up 1.7%; aggregates product line volume down 1.6%

Consolidated gross margin (excluding freight and delivery revenues) of \$106.8 million, up \$4.7 million

Record Specialty Products net sales of \$56.6 million



Consolidated selling, general and administrative expenses ( SG&A ) up 20 basis points as a percentage of net sales

Consolidated earnings from operations of \$69.4 million compared with \$59.2 million (prior-year quarter includes \$9.2 million of business development costs)

The following table presents net sales, gross profit, selling, general and administrative expenses and earnings from operations data for the Corporation and its reportable segments for the three months ended June 30, 2013 and 2012. In each case, the data is stated as a percentage of net sales of the Corporation or the relevant segment, as the case may be.

**Table of Contents**

## MARTIN MARIETTA MATERIALS, INC. AND CONSOLIDATED SUBSIDIARIES

## FORM 10-Q

For the Quarter Ended June 30, 2013

## MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND

## RESULTS OF OPERATIONS

Second Quarter Ended June 30, 2013

(Continued)

	Three Months Ended June 30,			
	2013	% of	2012	% of
	Amount	Net Sales	Amount	Net Sales
	<i>(Dollars in Thousands)</i>			
<b>Net sales:</b>				
Mid-America Group	\$ 186,405		\$ 184,712	
Southeast Group	55,261		58,848	
West Group	210,390		197,169	
Total Aggregates Business	452,056	100.0	440,729	100.0
Specialty Products	56,632	100.0	50,462	100.0
Total	\$ 508,688	100.0	\$ 491,191	100.0
<b>Gross profit (loss):</b>				
Mid-America Group	\$ 59,607	32.0	\$ 56,255	30.5
Southeast Group	(551)	(1.0)	(896)	(1.5)
West Group	26,154	12.4	26,476	13.4
Total Aggregates Business	85,210	18.8	81,835	18.6
Specialty Products	21,284	37.6	19,923	39.5
Corporate	282	--	308	--
Total	\$ 106,776	21.0	\$ 102,066	20.8
<b>Selling, general &amp; administrative expenses:</b>				
Mid-America Group	\$ 12,705		\$ 13,810	
Southeast Group	4,491		4,520	
West Group	11,186		10,988	
Total Aggregates Business	28,382	6.3	29,318	6.7
Specialty Products	2,529	4.5	2,196	4.4
Corporate	6,932	--	3,761	--

Edgar Filing: MARTIN MARIETTA MATERIALS INC - Form 10-Q

Total	\$ 37,843	7.4	\$ 35,275	7.2
<b>Earnings (Loss) from operations:</b>				
Mid-America Group	\$ 46,951		\$ 43,827	
Southeast Group	(5,176)		(5,623)	
West Group	16,940		17,346	
Total Aggregates Business	58,715	13.0	55,550	12.6
Specialty Products	18,726	33.1	17,451	34.6
Corporate	(8,027)	--	(13,760)	--
Total	\$ 69,414	13.6	\$ 59,241	12.1

Page 29 of 55

Table of Contents

MARTIN MARIETTA MATERIALS, INC. AND CONSOLIDATED SUBSIDIARIES

FORM 10-Q

For the Quarter Ended June 30, 2013

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND

RESULTS OF OPERATIONS

Second Quarter Ended June 30, 2013

(Continued)

The Corporation reported higher second-quarter net sales and gross margin (excluding freight and delivery revenues) compared with the prior-year quarter, which was particularly noteworthy in light of excessive rainfall in most of the Corporation's key markets. Consolidated net sales increased 3.6%, driven by pricing growth in all Aggregates business product lines and a new quarterly net sales record achieved by the Specialty Products business. Net earnings increased 12.4% despite being constrained by the impact of wet weather, particularly in the midwestern and southeastern United States. For example, the state of Iowa had the wettest second quarter in over a century, and, many Georgia markets had rainfall during the quarter more than double the average levels, including Augusta which reported its wettest month in weather history in June. While difficult to isolate all of the quarter's weather impact, the Corporation knows its effect was at least three-fold. First, with respect to potential lost sales, the Corporation estimates that precipitation reduced shipment volumes between 1.5 million and 1.7 million tons. Second, though more difficult to estimate than the sales component, throughput challenges created by wet weather significantly reduced operational productivity. Finally, lower production volumes led to an underabsorption of fixed costs. Despite these challenging conditions, the Corporation continues to see positive indicators of construction activity, including double-digit growth on a year-to-date basis in the private-sector construction market. Historically, increases in private construction have led to growth in public-sector construction. Management anticipates this trend continuing and the Corporation remains well-positioned to serve these opportunities.

During the quarter, pricing momentum in the aggregates product line continued with each of the Aggregates business reportable groups achieving increases. The West Group reported a 2.8% improvement, reflecting price increases implemented over the past year. The Mid-America and Southeast Groups reported average selling price increases of 1.9% and 0.4%, respectively, in the aggregates product line. Recently implemented mid-year pricing increases provide further support for continued pricing momentum. The Corporation's vertically-integrated businesses also achieved pricing growth, with the ready mixed concrete and asphalt product lines reporting increases of 8.3% and 4.3%, respectively.

Through the first half of the year, growth in construction activity has been concentrated in the private sector which, on a year-to-date basis through May, reported a 12% increase in construction put-in-place. Consistent with this trend, the Corporation's private-sector markets reported volume growth over the prior-year quarter. The nonresidential market, which represented approximately 30% of second-quarter aggregates shipments, increased 7%. This growth was attributable to commercial construction, namely office and retail, and was partially offset by a decline in shipments to the energy sector due to a modest slowdown in shale oil field activity. The residential construction market continues to recover; housing starts are up more than 10% over the prior year and housing completions are up over 20%.

Shipments to the residential market increased 4% and accounted for 13% of second-quarter aggregates shipments, representing a more normalized and balanced percentage of overall product sales. Management expects further increases in residential volumes as the housing market continues to move toward a more sustainable equilibrium. Finally, the ChemRock/Rail end-use market, approximately 10% of second-quarter aggregates shipments, increased 2%.

**Table of Contents**

## MARTIN MARIETTA MATERIALS, INC. AND CONSOLIDATED SUBSIDIARIES

## FORM 10-Q

For the Quarter Ended June 30, 2013

## MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND

## RESULTS OF OPERATIONS

Second Quarter Ended June 30, 2013

(Continued)

The infrastructure market comprised the remaining 47% of second-quarter aggregates shipments. Lower government spending and wet weather contributed to an 8% decline in quarterly volumes to this end-use market and a 1.6% overall shipment decline for the Aggregates business. However, given the ongoing recovery of the U.S. economy, reflected by employment growth, management remains optimistic for increased future public-sector construction activity. Similar to the pattern experienced in Texas over the last few years, growth in the residential sector within the Corporation's geographic areas is expected to stimulate growth in the nonresidential and infrastructure markets to serve an expanding economy and increased population. The Corporation sees early signs of this cycle developing in both Colorado and Georgia.

Management is also encouraged by states' recent initiatives to address long-neglected infrastructure needs. For example, the South Carolina Department of Transportation recently increased its budget by \$500 million for repairs of existing roads and the Indiana Department of Transportation approved up to an additional \$415 million annually for construction of new roads and expansion of major highways. Additionally, Texas is expected to initiate work on several large highway projects in the second half of the year in connection with its increased state Department of Transportation budget. Texas is also one of the most proactive states in applications for funding under the *Transportation Infrastructure Finance and Innovation Act*, or TIFIA, a program with the ability to leverage up to \$50 billion in financing for transportation projects of either national or regional significance. A number of TIFIA awards are currently expected to be announced later this year. Consistent with management's previous viewpoint, given the timing of the initial awards, any meaningful impact of TIFIA is not expected prior to 2014.

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

	Three Months Ended June 30,	
	2013	2012
	<i>(Dollars in Thousands)</i>	
<b>Net sales<sup>1</sup>:</b>		
Aggregates	\$ 357,240	\$ 356,820
Asphalt	18,811	20,235
Ready Mixed Concrete	36,662	29,246
Road Paving	39,343	34,428

Edgar Filing: MARTIN MARIETTA MATERIALS INC - Form 10-Q

Total Aggregates Business	\$ 452,056	\$ 440,729
---------------------------	------------	------------

*<sup>1</sup>Net sales by product line reflect the elimination of inter-product line sales.*

Page 31 of 55

**Table of Contents**

## MARTIN MARIETTA MATERIALS, INC. AND CONSOLIDATED SUBSIDIARIES

## FORM 10-Q

For the Quarter Ended June 30, 2013

## MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND

## RESULTS OF OPERATIONS

Second Quarter Ended June 30, 2013

(Continued)

The following tables present volume and pricing data and shipments data for the aggregates product line.

Volume/Pricing Variance <sup>(1)</sup>	Three Months Ended June 30, 2013	
	Volume	Pricing
Heritage Aggregates Product Line <sup>(2)</sup> :		
Mid-America Group	(1.2%)	1.9%
Southeast Group	(6.7%)	0.4%
West Group	(0.5%)	2.8%
Heritage Aggregates Operations <sup>(2)</sup>	(1.6%)	1.8%
Aggregates Product Line <sup>(3)</sup>	(1.6%)	1.7%

Shipments	Three Months Ended June 30,	
	2013	2012
	<i>(tons in thousands)</i>	
Heritage Aggregates Product Line <sup>(2)</sup> :		
Mid-America Group	16,573	16,774
Southeast Group	4,273	4,579
West Group	13,703	13,767
Heritage Aggregates Operations <sup>(2)</sup>	34,549	35,120
Acquisitions	24	--
Divestitures <sup>(4)</sup>	1	10
Aggregates Product Line <sup>(3)</sup>	34,574	35,130

Three Months Ended  
June 30,  
2013                      2012



*(tons in thousands)***Shipments**Aggregates Product Line <sup>(3)</sup>:

Tons to external customers	33,286	33,906
Internal tons used in other product lines	1,288	1,224
<b>Total aggregates tons</b>	<b>34,574</b>	<b>35,130</b>

- (1) *Volume/pricing variances reflect the percentage increase/(decrease) from the comparable period in the prior year.*
- (2) *Heritage Aggregates Product Line and Heritage Aggregates Operations exclude volume and pricing data for acquisitions that have not been included in prior-year operations for the comparable period and exclude divestitures.*
- (3) *Aggregates Product Line includes all acquisitions from the date of acquisition and divestitures through the date of disposal.*
- (4) *Divestitures include the tons related to divested aggregates product line operations up to the date of divestiture.*

**Table of Contents**

## MARTIN MARIETTA MATERIALS, INC. AND CONSOLIDATED SUBSIDIARIES

## FORM 10-Q

For the Quarter Ended June 30, 2013

## MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND

## RESULTS OF OPERATIONS

Second Quarter Ended June 30, 2013

(Continued)

The per-ton average selling price for the aggregates product line was \$10.48 and \$10.31 for the three months ended June 30, 2013 and 2012, respectively.

The Corporation's vertically-integrated operations include asphalt, ready mixed concrete and road paving businesses in Arkansas, Colorado and Texas. Average selling prices by product line for the Corporation's vertically-integrated operations are as follows:

	Three Months Ended June 30,	
	2013	2012
Asphalt	\$ 42.55/ton	\$ 40.80/ton
Ready Mixed Concrete	\$ 82.29/yd <sup>3</sup>	\$ 76.01/yd <sup>3</sup>

Unit shipments by product line for the Corporation's vertically-integrated operations are as follows:

	Three Months Ended June 30,	
	2013	2012
	<i>(in thousands)</i>	
Asphalt Product Line:		
Tons to external customers	382	468
Internal tons used in road paving business	461	399
Total asphalt tons	843	867
Ready Mixed Concrete cubic yards	436	377

The Aggregates business is significantly affected by erratic weather patterns, seasonal changes and other weather-related conditions. Aggregates production and shipment levels correlate with general construction activity levels, 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. Excessive rainfall, and conversely excessive

drought, can also jeopardize shipments, production and profitability in all markets served by the Corporation. Because of the significant impact of weather on the Corporation's operations, second-quarter results are not indicative of expected performance for other interim periods or the full year.

**Table of Contents**

## MARTIN MARIETTA MATERIALS, INC. AND CONSOLIDATED SUBSIDIARIES

## FORM 10-Q

For the Quarter Ended June 30, 2013

## MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND

## RESULTS OF OPERATIONS

Second Quarter Ended June 30, 2013

(Continued)

The Specialty Products business continued its strong performance and generated second-quarter net sales of \$56.6 million, reflecting growth in both the dolomitic lime and chemicals product lines. Sales of dolomitic lime include the contribution from the Woodville kiln that became operational during the fourth quarter of 2012, partially offset by the impact of a 4% decrease in steel production compared with the prior-year quarter. Earnings from operations of \$18.7 million were up 7% over the prior-year quarter, but were negatively affected by higher natural gas costs which reduced earnings from operations by \$0.8 million.

Operations personnel continued their focus on cost control, as evidenced by a 20-basis-point expansion of consolidated gross margin (excluding freight and delivery revenues), despite weather constraints that resulted in shipment and production reductions. The Mid-America Group, led by the performance of the Mid-Atlantic Division, which includes Virginia, North Carolina, and South Carolina, achieved a 150-basis-point improvement in gross margin (excluding freight and delivery revenues). The Mid-Atlantic Division leveraged a 10% increase in aggregates product line shipments into an incremental gross margin (excluding freight and delivery revenues) exceeding the Corporation's publicly-stated expectations.

Quarterly gross profit for the Southeast Group in 2013 was negatively impacted by \$1.1 million in unplanned repairs for a shiploader/reclaimer.

The following presents a rollforward of the Corporation's gross profit (dollars in thousands):

Consolidated gross profit, quarter ended June 30, 2012	\$ 102,066
Aggregates product line:	
Pricing strength	6,305
Volume weakness	(5,885)
Cost decreases, net	1,594
Increase in aggregates product line gross profit	2,014
Vertically-integrated operations	1,361
Specialty Products	1,361
Corporate	(26)

Increase in consolidated gross profit	4,710
Consolidated gross profit, quarter ended June 30, 2013	\$ 106,776

**Table of Contents**

## MARTIN MARIETTA MATERIALS, INC. AND CONSOLIDATED SUBSIDIARIES

## FORM 10-Q

For the Quarter Ended June 30, 2013

## MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND

## RESULTS OF OPERATIONS

Second Quarter Ended June 30, 2013

(Continued)

Gross profit (loss) by business is as follows:

	Three Months Ended	
	June 30,	
	2013	2012
	<i>(Dollars in Thousands)</i>	
<b><u>Gross profit (loss):</u></b>		
Aggregates	\$ 78,942	\$ 76,928
Asphalt	4,903	3,441
Ready Mixed Concrete	1,649	679
Road Paving	(284)	787
Total Aggregates Business	85,210	81,835
Specialty Products	21,284	19,923
Corporate	282	308
Total	\$ 106,776	\$ 102,066

Consolidated SG&A expenses were 7.4% of net sales, up 20 basis points compared with the prior-year quarter. On an absolute basis, SG&A increased \$2.6 million, largely related to incremental costs for an information systems upgrade expected to be completed by the fall of 2013.

During the second quarter of 2012, the Corporation incurred \$9.2 million of business development costs related to a proposed significant business combination that was not consummated.

Among other items, other operating income and expenses, net, includes gains and losses on the sale of assets; gains and losses related to 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. For the second quarter, consolidated other operating income and expenses, net, was income of \$0.8 million in 2013 compared with income of \$1.7 million in 2012, primarily as a result of higher gains on the sale of assets in 2012.



**Table of Contents**

MARTIN MARIETTA MATERIALS, INC. AND CONSOLIDATED SUBSIDIARIES

FORM 10-Q

For the Quarter Ended June 30, 2013

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND

RESULTS OF OPERATIONS

Second Quarter Ended June 30, 2013

(Continued)

**Six Months Ended June 30**

Significant items for the six months ended June 30, 2013 (unless noted, all comparisons are versus the prior-year period):

Earnings per diluted share of \$0.29 compared with breakeven earnings per diluted share (prior-year period includes \$0.46 per diluted share charge for business development costs)

Consolidated net sales of \$853.8 million, up 1.4%, compared with \$841.7 million

Aggregates product line pricing up 3.3%; aggregates product line volume down 4.6%; production cost per ton up 2.9%

Specialty Products net sales of \$111.8 million and earnings from operations of \$35.8 million

Consolidated SG&A up 70 basis points as a percentage of net sales

Consolidated earnings from operations of \$45.9 million compared with \$23.9 million (prior-year period includes \$35.1 million of business development costs)



**Table of Contents**

## MARTIN MARIETTA MATERIALS, INC. AND CONSOLIDATED SUBSIDIARIES

## FORM 10-Q

For the Quarter Ended June 30, 2013

## MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND

## RESULTS OF OPERATIONS

Second Quarter Ended June 30, 2013

(Continued)

The following table presents net sales, gross profit, selling, general and administrative expenses and earnings from operations data for the Corporation and its reportable segments for the six months ended June 30, 2013 and 2012. In each case, the data is stated as a percentage of net sales of the Corporation or the relevant segment, as the case may be.

	Six Months Ended June 30,			
	2013	% of Net Sales	2012	% of Net Sales
	Amount		Amount	
	<i>(Dollars in Thousands)</i>			
<b>Net sales:</b>				
Mid-America Group	\$ 292,637		\$ 299,326	
Southeast Group	106,584		114,006	
West Group	342,815		326,213	
Total Aggregates Business	742,036	100.0	739,545	100.0
Specialty Products	111,801	100.0	102,178	100.0
Total	\$ 853,837	100.0	\$ 841,723	100.0
<b>Gross profit (loss):</b>				
Mid-America Group	\$ 59,514	20.3	\$ 63,222	21.1
Southeast Group	(5,456)	(5.1)	(721)	(0.6)
West Group	26,156	7.6	25,930	7.9
Total Aggregates Business	80,214	10.8	88,431	12.0
Specialty Products	40,866	36.6	39,313	38.5
Corporate	(1,717)	--	(1,852)	--
Total	\$ 119,363	14.0	\$ 125,892	15.0

**Selling, general & administrative expenses:**

Edgar Filing: MARTIN MARIETTA MATERIALS INC - Form 10-Q

Mid-America Group	\$ 24,944		\$ 27,021	
Southeast Group	8,970		9,411	
West Group	22,928		22,207	
Total Aggregates Business	56,842	7.7	58,639	7.9
Specialty Products	5,020	4.5	4,725	4.6
Corporate	13,630	--	4,939	--
Total	\$ 75,492	8.8	\$ 68,303	8.1

**Earnings (Loss) from operations:**

Mid-America Group	\$ 35,923		\$ 38,603	
Southeast Group	(13,563)		(11,528)	
West Group	5,642		5,019	
Total Aggregates Business	28,002	3.8	32,094	4.3
Specialty Products	35,804	32.0	35,672	34.9
Corporate	(17,950)	--	(43,852)	--
Total	\$ 45,856	5.4	\$ 23,914	2.8

**Table of Contents**

## MARTIN MARIETTA MATERIALS, INC. AND CONSOLIDATED SUBSIDIARIES

## FORM 10-Q

For the Quarter Ended June 30, 2013

## MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND

## RESULTS OF OPERATIONS

Second Quarter Ended June 30, 2013

(Continued)

For the first six months of 2013, consolidated net sales increased 1.4%, driven by pricing and volume improvements for the ready mixed concrete product line and record net sales achieved by the Specialty Products business.

Pricing momentum in the aggregates product line continued with each of our reportable groups achieving pricing growth. The West Group reported a 5.3% improvement, primarily due to price increases implemented over the past year. The Mid-America and Southeast Groups reported average selling price increases of 2.5% and 3.0%, respectively, in the aggregates product line. The Corporation's vertically-integrated businesses also achieved pricing growth, with the ready mixed concrete and asphalt product lines reporting increases of 8.5% and 4.8%, respectively.

Excessive rainfall and lower government spending contributed to a 4.6% decline in aggregates product line shipments during the six months ended June 30, 2013.

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

	Six Months Ended June 30,	
	2013	2012
	<i>(Dollars in Thousands)</i>	
<b>Net sales<sup>1</sup>:</b>		
Aggregates	\$ 605,031	\$ 614,165
Asphalt	28,444	32,774
Ready Mixed Concrete	64,030	49,501
Road Paving	44,531	43,105
 Total Aggregates Business	 \$ 742,036	 \$ 739,545

<sup>1</sup> Net sales by product line reflect the elimination of inter-product line sales.

The following tables present volume and pricing data and shipments data for the aggregates product line.

<b>Volume/Pricing Variance</b> <sup>(1)</sup>	Six Months Ended June 30, 2013	
	Volume	Pricing
Heritage Aggregates Product Line <sup>(2)</sup> :		
Mid-America Group	(4.8%)	2.5%
Southeast Group	(9.4%)	3.0%
West Group	(2.6%)	5.3%
Heritage Aggregates Operations <sup>(2)</sup>	(4.6%)	3.2%
Aggregates Product Line <sup>(3)</sup>	(4.6%)	3.3%

**Table of Contents**

## MARTIN MARIETTA MATERIALS, INC. AND CONSOLIDATED SUBSIDIARIES

## FORM 10-Q

For the Quarter Ended June 30, 2013

## MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND

## RESULTS OF OPERATIONS

Second Quarter Ended June 30, 2013

(Continued)

	Six Months Ended June 30,	
	2013	2012
	<i>(tons in thousands)</i>	
<b>Shipments</b>		
Heritage Aggregates Product Line <sup>(2)</sup> :		
Mid-America Group	25,215	26,474
Southeast Group	8,093	8,935
West Group	24,020	24,654
Heritage Aggregates Operations <sup>(2)</sup>	57,328	60,063
Acquisitions	24	--
Divestitures <sup>(4)</sup>	2	33
Aggregates Product Line <sup>(3)</sup>	57,354	60,096

	Six Months Ended June 30,	
	2013	2012
	<i>(tons in thousands)</i>	
<b>Shipments</b>		
Aggregates Product Line <sup>(3)</sup> :		
Tons to external customers	55,407	58,125
Internal tons used in other product lines	1,947	1,971
Total aggregates tons	57,354	60,096

- (1) Volume/pricing variances reflect the percentage increase / (decrease) from the comparable period in the prior year.
- (2) Heritage Aggregates Product Line and Heritage Aggregates Operations exclude volume and pricing data for acquisitions that have not been included in prior-year operations for the comparable period and exclude divestitures.
- (3) Aggregates Product Line includes all acquisitions from the date of acquisition and divestitures through the date of disposal.
- (4) Divestitures include the tons related to divested aggregates product line operations up to the date of divestiture.

Edgar Filing: MARTIN MARIETTA MATERIALS INC - Form 10-Q

The per-ton average selling price for the aggregates product line was \$10.67 and \$10.34 for the six months ended June 30, 2013 and 2012, respectively.

Average selling prices by product line for the Corporation's vertically-integrated operations are as follows:

	Six Months Ended June 30,	
	2013	2012
Asphalt	\$ 42.51/ton	\$ 40.58/ton
Ready Mixed Concrete	\$ 82.04/yd <sup>3</sup>	\$ 75.62/yd <sup>3</sup>

Page 39 of 55

**Table of Contents**

## MARTIN MARIETTA MATERIALS, INC. AND CONSOLIDATED SUBSIDIARIES

## FORM 10-Q

For the Quarter Ended June 30, 2013

## MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND

## RESULTS OF OPERATIONS

Second Quarter Ended June 30, 2013

(Continued)

Unit shipments by product line for the Corporation's vertically-integrated operations are as follows:

	Six Months Ended June 30,	
	2013	2012
	<i>(in thousands)</i>	
Asphalt Product Line:		
Tons to external customers	608	791
Internal tons used in road paving business	496	486
Total asphalt tons	1,104	1,277
Ready Mixed Concrete cubic yards	765	644

For 2013, Specialty Products' net sales of \$111.8 million increased \$9.6 million, or 9.4%, over the prior-year period. Sales growth for the dolomitic lime product line reflects shipments from the new lime kiln which became operational in November 2012, partially offset by the loss of higher-margin sales from a customer that filed for bankruptcy. Earnings from operations were \$35.8 million compared with \$35.7 million.

Consolidated gross margin (excluding freight and delivery revenues) was 14.0% for 2013 versus 15.0% for 2012. The reduction reflects lower aggregates product line shipments, which reduced the operating leverage of the Aggregates business. Furthermore, gross profit for the Southeast Group in 2013 was negatively impacted by \$1.7 million in unplanned repairs for a shiploader/reclaimer.

The following presents a rollforward of the Corporation's gross profit (dollars in thousands):

Consolidated gross profit, six months ended June 30, 2012	\$ 125,892
Aggregates product line:	
Pricing strength	19,149

Edgar Filing: MARTIN MARIETTA MATERIALS INC - Form 10-Q

Volume weakness	(28,283)
Cost decreases, net	1,794
Decrease in aggregates product line gross profit	(7,340)
Vertically-integrated operations	(877)
Specialty Products	1,553
Corporate	135
Decrease in consolidated gross profit	(6,529)
Consolidated gross profit, six months ended June 30, 2013	\$ 119,363

Page 40 of 55



**Table of Contents**

## MARTIN MARIETTA MATERIALS, INC. AND CONSOLIDATED SUBSIDIARIES

## FORM 10-Q

For the Quarter Ended June 30, 2013

## MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND

## RESULTS OF OPERATIONS

Second Quarter Ended June 30, 2013

(Continued)

Gross profit (loss) by business is as follows:

	Six Months Ended June 30,	
	2013	2012
	<i>(Dollars in Thousands)</i>	
<b>Gross profit (loss):</b>		
Aggregates	\$ 81,003	\$ 88,343
Asphalt	2,448	2,706
Ready Mixed Concrete	1,334	(550)
Road Paving	(4,571)	(2,068)
Total Aggregates Business	80,214	88,431
Specialty Products	40,866	39,313
Corporate	(1,717)	(1,852)
Total	\$ 119,363	\$ 125,892

Consolidated SG&A expenses were 8.8% of net sales, up 70 basis points compared with the prior-year period. On an absolute basis, SG&A increased \$7.2 million, largely related to incremental costs for an information systems upgrade.

During the six months ended June 30, 2012, the Corporation incurred \$35.1 million of business development costs related to a proposed significant business combination that was not consummated.

For the first six months, consolidated other operating income and expenses, net, was income of \$2.6 million in 2013 compared with income of \$1.5 million in 2012, due in part to higher gains on the sale of assets in 2013.

In addition to other offsetting amounts, other nonoperating income and expenses, net, are comprised generally of interest income and net equity earnings from nonconsolidated investments. Consolidated other nonoperating income and expenses, net, for the six months ended June 30 was an expense of \$0.1 million in 2013 compared with income of \$1.9 million in 2012, with the change resulting from a gain on debt repurchased at a discount in 2012 and a gain on foreign currency transactions in 2012.



Table of Contents

## MARTIN MARIETTA MATERIALS, INC. AND CONSOLIDATED SUBSIDIARIES

## FORM 10-Q

For the Quarter Ended June 30, 2013

## MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND

## RESULTS OF OPERATIONS

Second Quarter Ended June 30, 2013

(Continued)

## LIQUIDITY AND CAPITAL RESOURCES

Cash provided by operating activities for the six months ended June 30, 2013 was \$48.5 million compared with \$27.7 million for the same period in 2012. The improvement is attributable to the absence of significant business development costs incurred in 2012. Operating cash flow is primarily derived from consolidated net earnings or loss, before deducting depreciation, depletion and amortization, and offset by working capital requirements. Depreciation, depletion and amortization were as follows:

	Six Months Ended June 30,	
	2013	2012
	<i>(Dollars in Thousands)</i>	
Depreciation	\$ 81,096	\$ 84,056
Depletion	2,284	1,903
Amortization	2,612	2,776
	\$ 85,992	\$ 88,735

The seasonal nature of the construction aggregates business impacts quarterly operating cash flow when compared with the full year. Full-year 2012 net cash provided by operating activities was \$222.7 million compared with \$27.7 million for the first six months of 2012.

During the six months ended June 30, 2013, the Corporation invested \$50.0 million of capital into its business. Full-year capital spending, exclusive of acquisitions, if any, is expected to be approximately \$155.0 million in 2013. Comparable full-year capital expenditures were \$151.0 million in 2012.

On April 19, 2013, the Corporation, through a wholly-owned consolidated special purpose subsidiary, established a \$150 million trade receivable securitization facility with SunTrust Bank and certain other lenders that may become a party to the facility from time to time (the Trade Receivable Facility). Borrowings under the Trade Receivable Facility are limited based on the balance of the Corporation's accounts receivable and bear interest at a rate equal to the one-month LIBOR plus 0.6%. The Corporation has the option to request an increase in the commitment amount by up

to an additional \$100 million in increments of no less than \$25 million, subject to receipt of lender commitments for the increased amount. The Trade Receivable Facility matures on April 19, 2014.

On July 1, 2013, the Corporation acquired three aggregates quarries in Atlanta, Georgia, for \$62.0 million.

**Table of Contents**

MARTIN MARIETTA MATERIALS, INC. AND CONSOLIDATED SUBSIDIARIES

FORM 10-Q

For the Quarter Ended June 30, 2013

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND

RESULTS OF OPERATIONS

Second Quarter Ended June 30, 2013

(Continued)

The Corporation can repurchase its common stock through open-market purchases pursuant to authority granted by its Board of Directors. The Corporation did not repurchase any shares of common stock during the six months ended June 30, 2013 and 2012. Management currently has no intent to repurchase any shares of the Corporation's common stock. At June 30, 2013, 5,042,000 shares of common stock were remaining under the Corporation's repurchase authorization.

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 earnings before interest, taxes, depreciation, depletion and amortization (EBITDA), as defined, for the trailing twelve month period (the Ratio) to not exceed 3.50x as of the end of any fiscal quarter, provided that the 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. Additionally, if there are no amounts outstanding under the Revolving Facility, consolidated debt, including debt guaranteed by the Corporation, 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.

The Corporation amended the Credit Agreement Ratio in 2012. The amendment temporarily increased the maximum Ratio to 3.75x at June 30, 2013. The Ratio returns to the pre-amendment maximum of 3.50x for the September 30, 2013 calculation date.

The Ratio is calculated as debt, including debt guaranteed by the Corporation, divided by consolidated EBITDA, as defined, for the trailing twelve months. Consolidated EBITDA is generally defined as earnings before interest expense, income tax expense, and depreciation, depletion and amortization expense for continuing operations. Additionally, stock-based compensation expense is added back and interest income is deducted in the calculation of consolidated EBITDA. Certain other nonrecurring noncash items, if they occur, can affect the calculation of consolidated EBITDA.

Table of Contents

## MARTIN MARIETTA MATERIALS, INC. AND CONSOLIDATED SUBSIDIARIES

## FORM 10-Q

For the Quarter Ended June 30, 2013

## MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND

## RESULTS OF OPERATIONS

Second Quarter Ended June 30, 2013

(Continued)

At June 30, 2013, the Corporation's ratio of consolidated debt to consolidated EBITDA, as defined, for the trailing twelve months EBITDA was 3.17 times and was calculated as follows:

	Twelve Month Period July 1, 2012 to June 30, 2013 <i>(Dollars in thousands)</i>
Earnings from continuing operations attributable to Martin Marietta Materials, Inc.	\$ 97,949
Add back:	
Interest expense	53,711
Income tax expense	24,656
Depreciation, depletion and amortization expense	169,965
Stock-based compensation expense	7,185
Deduct:	
Interest income	(294)
<b>Consolidated EBITDA, as defined</b>	<b>\$ 353,172</b>
Consolidated debt, including debt guaranteed by the Corporation, at June 30, 2013	\$ 1,117,807
Deduct:	
Unrestricted cash and cash equivalents in excess of \$50,000 at June 30, 2013	--
<b>Consolidated net debt, as defined, at June 30, 2013</b>	<b>\$ 1,117,807</b>

Consolidated debt to consolidated EBITDA, as defined, at June 30, 2013 for the trailing twelve months EBITDA	3.17X
--	-------

The Trade Receivable Facility contains a cross-default provision to the Corporation's other debt agreements. In the event of a default on the Ratio, the lenders can terminate the Credit Agreement and Trade Receivable Facility and declare any outstanding balances as immediately due.

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. At June 30, 2013, the Corporation had \$297 million of unused borrowing capacity under its Revolving Facility, subject to complying with the related leverage covenant. The Trade Receivable Facility expires on April 19, 2014 and the Credit Agreement expires on March 31, 2015.

**Table of Contents**

MARTIN MARIETTA MATERIALS, INC. AND CONSOLIDATED SUBSIDIARIES

FORM 10-Q

For the Quarter Ended June 30, 2013

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND

RESULTS OF OPERATIONS

Second Quarter Ended June 30, 2013

(Continued)

The Corporation may be required to obtain financing to fund certain strategic acquisitions, if any such opportunities arise, or to refinance outstanding debt. Any strategic acquisition of size for cash 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 the credit markets, through the interest cost related to its variable-rate debt, which includes borrowings under its Revolving Facility, Term Loan Facility and Trade Receivable Facility at June 30, 2013. 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. The Corporation's composite credit rating remains at investment-grade level, which facilitates obtaining financing at lower rates than noninvestment-grade ratings. While management believes its composite credit ratings will remain at an investment-grade level, no assurance can be given that these ratings will remain at current levels, particularly if any opportunities arise to consummate strategic acquisitions.

**TRENDS AND RISKS** The Corporation outlined the risks associated with its business in its Annual Report on Form 10-K for the year ended December 31, 2012, filed with the Securities and Exchange Commission on February 22, 2013. Management continues to evaluate its exposure to all operating risks on an ongoing basis.

**OUTLOOK**

Management is encouraged by various positive trends in the Corporation's business and markets—especially in private-sector employment and construction. Management anticipates volumes to the nonresidential end-use market to increase in the mid-single digits given that the Architecture Billings Index, or ABI, a leading economic indicator for nonresidential construction spending activity, remains at a strong level. Residential construction is experiencing a level of growth not seen since late 2005 with seasonally-adjusted starts ahead of any period since 2008. Management believes this trend in housing starts will continue and the residential end-use market will experience double-digit volume growth. By contrast, the weather-related slowdown in aggregates shipments experienced in the first half of the year, coupled with a delay in large infrastructure projects moving through the public letting cycle, leads management to expect aggregates shipments to the infrastructure end-use market to be down in the mid-single digits for the full year. The ChemRock/Rail end-use market is expected to be flat compared with 2012. Cumulatively, management anticipates aggregates product line shipments will increase 1% to 3%.

Management currently expects aggregates product line pricing will increase 2% to 4% for the full year. A variety of factors beyond the Corporation's direct control may continue to exert pressure on volumes, and the forecasted pricing



increase is not expected to be uniform across the company.

**Table of Contents**

MARTIN MARIETTA MATERIALS, INC. AND CONSOLIDATED SUBSIDIARIES

FORM 10-Q

For the Quarter Ended June 30, 2013

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND

RESULTS OF OPERATIONS

Second Quarter Ended June 30, 2013

(Continued)

Management expects the Corporation's vertically-integrated businesses to generate between \$350 million and \$375 million of net sales and \$20 million to \$22 million of gross profit.

Aggregates product line direct production costs per ton should be flat compared with 2012. SG&A expenses, excluding costs in 2013 and 2012 related to the information systems upgrade, as a percentage of net sales are expected to decline slightly.

Net sales for the Specialty Products segment are expected to be between \$220 million and \$230 million, generating \$81 million to \$85 million of gross profit. Steel utilization and natural gas prices are two key factors for this segment.

Interest expense is expected to remain relatively flat. The Corporation's effective tax rate is expected to approximate 26%, excluding discrete events. Capital expenditures are forecast at \$155 million.

The 2013 outlook includes management's assessment of the likelihood of certain risk factors that will affect performance. The most significant risk to 2013 performance will be the United States economy and its impact on construction activity. While both the *Moving Ahead for Progress in the 21<sup>st</sup> Century Act* and TIFIA credit assistance are excluded from federal budget sequester and the U.S. debt ceiling limit, the ultimate resolution of these issues may have a significant impact on the economy and, consequently, construction activity. The Federal sequester that went into effect in March did not appear to have a significant impact on the broader economy in the first half of the year. While transportation investment is mostly exempt from spending cuts, the impact of sequester may become more apparent during the second half of the year. Other risks related to the Corporation's future performance include, but are not limited to, both price and volume and include 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 certain regulatory or economic factors, a slowdown in the residential construction recovery, or some combination thereof; and a reduction in ChemRock/Rail shipments resulting from declining coal traffic on the railroads. 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. North Carolina, a state that disproportionately affects the Corporation's revenue and profitability, is among the states experiencing these fiscal pressures, although recent statistics indicate that transportation and tax revenues

are increasing. The Specialty Products business essentially runs at capacity; therefore any unplanned changes in costs or realignment of customers introduce volatility to the earnings of this segment.

**Table of Contents**

MARTIN MARIETTA MATERIALS, INC. AND CONSOLIDATED SUBSIDIARIES

FORM 10-Q

For the Quarter Ended June 30, 2013

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

Second Quarter Ended June 30, 2013

(Continued)

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 materials 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 Specialty Products 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 rail cars and locomotive power to move trains, affects its ability to efficiently transport material into certain markets, most notably Texas, Florida and the Gulf Coast. The availability of trucks and drivers to transport the Corporation's product, particularly in markets experiencing increased demand due to energy sector activity, is also a risk. The Aggregates business is 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 full-year outlook 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 risk from tax reform at the federal and state levels.

**Table of Contents**

MARTIN MARIETTA MATERIALS, INC. AND CONSOLIDATED SUBSIDIARIES

FORM 10-Q

For the Quarter Ended June 30, 2013

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND

RESULTS OF OPERATIONS

Second Quarter Ended June 30, 2013

(Continued)

**OTHER MATTERS** 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 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](http://www.martinmarietta.com) and are also available at the SEC's website at [www.sec.gov](http://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 Quarterly 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. You can identify these statements by the fact that they do not relate only to historical or current facts. They may use words such as anticipate, estimate, expect, project, intend, plan, believe, and 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 Quarterly Report on Form 10-Q include, but are not limited to, 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 termination, capping and/or reduction of the federal and/or state gasoline taxes or other revenue related to infrastructure construction; the level and timing of federal and state transportation funding, including federal stimulus projects and most particularly in North Carolina and Texas, two of the Corporation's largest and most profitable states, and Iowa, Colorado and Georgia, which when coupled with North Carolina and Texas, represented 57% of 2012 net sales of the Aggregates business; 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 decline 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 continued slowdown in energy-related drilling activity; a slowdown in residential construction recovery; 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, conveyor belts, and with respect to the Specialty Products segment, natural gas; continued increases in the cost of other repair and supply parts; 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 and cost of

**Table of Contents**

MARTIN MARIETTA MATERIALS, INC. AND CONSOLIDATED SUBSIDIARIES

FORM 10-Q

For the Quarter Ended June 30, 2013

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND

RESULTS OF OPERATIONS

Second Quarter Ended June 30, 2013

(Continued)

construction equipment in the United States; weakening in the steel industry markets served by the Corporation's dolomitic lime products; inflation and its effect on both production and interest costs; reduction of the Corporation's credit rating to noninvestment-grade resulting from strategic acquisitions; 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 returns to previous levels of instability; downward pressure on the Corporation's common stock price and its impact on goodwill impairment evaluations; 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.

**INVESTOR ACCESS TO COMPANY FILINGS** Shareholders may obtain, without charge, a copy of Martin Marietta Materials, Inc.'s Annual Report on Form 10-K, as filed with the Securities and Exchange Commission for the fiscal year ended December 31, 2012, by writing to:

Martin Marietta Materials, Inc.

Attn: Corporate Secretary

2710 Wycliff Road

Raleigh, North Carolina 27607-3033

Additionally, Martin Marietta Materials, Inc.'s Annual Report, press releases and filings with the Securities and Exchange Commission, including Forms 10-K, 10-Q, 8-K and 11-K, can generally be accessed via the Corporation's website. Filings with the Securities and Exchange Commission accessed via the website are available through a link with the Electronic Data Gathering, Analysis, and Retrieval ( EDGAR ) system. Accordingly, access to such filings is available upon EDGAR placing the related document in its database. Investor relations contact information is as follows:

Telephone: (919) 788-4367

Website address: [www.martinmarietta.com](http://www.martinmarietta.com)

Information included on the Corporation's website is not incorporated into, or otherwise create a part of, this report.



**Table of Contents**

MARTIN MARIETTA MATERIALS, INC. AND CONSOLIDATED SUBSIDIARIES

FORM 10-Q

For the Quarter Ended June 30, 2013

Item 3. Quantitative and Qualitative Disclosures About Market Risk.

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.

Management has considered the current economic environment and its potential impact to the Corporation's business. Demand for aggregates products, particularly in the nonresidential and residential construction markets, could decline if companies and consumers are unable to obtain financing for construction projects or if economic uncertainty causes delays or cancellations to capital projects. Additionally, declining tax revenues and state budget deficits have negatively affected states' abilities to finance infrastructure construction projects.

Demand in the residential construction market is affected by interest rates. The Federal Reserve kept the federal funds rate near zero percent during the six months ended June 30, 2013. The residential construction market accounted for approximately 14% of the Corporation's heritage aggregates product line shipments for the six months ended June 30, 2013.

Aside from these inherent risks from within its operations, the Corporation's earnings are affected also by changes in short-term interest rates as a result of any temporary cash investments, including money market funds and Eurodollar time deposit accounts; any outstanding variable-rate borrowing facilities; and defined benefit pension plans. Additionally, the Corporation's earnings are affected by energy costs. The Corporation has no material counterparty risk or foreign currency risk.

*Variable-Rate Borrowing Facilities.* The Corporation has a \$600 million Credit Agreement, comprised of a \$350 million Revolving Facility and \$250 million Term Loan Facility, and a Trade Receivable Facility. Borrowings under these facilities bear interest at a variable interest rate. A hypothetical 100-basis-point increase in interest rates on borrowings of \$440.0 million, which was the collective outstanding balance at June 30, 2013, would increase interest expense by \$4.4 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 Corporation's Annual Report on Form 10-K for the year ended December 31, 2012, filed with the Securities and Exchange Commission on February 22, 2013.

**Table of Contents**

MARTIN MARIETTA MATERIALS, INC. AND CONSOLIDATED SUBSIDIARIES

FORM 10-Q

For the Quarter Ended June 30, 2013

*Energy Costs.* Energy costs, including diesel fuel and natural gas, represent significant production costs for the Corporation. The Corporation's Specialty Products business has fixed price agreements for the supply of coal and approximately 25% of its natural gas needs in 2013. A hypothetical 10% change in the Corporation's energy prices in 2013 as compared with 2012, assuming constant volumes, would impact annual 2013 pretax earnings by approximately \$18.8 million.

*Aggregate Risk for Interest Rates and Energy Costs.* Pension expense for 2013 is calculated based on assumptions selected at December 31, 2012. Therefore, interest rate risk in 2013 is limited to the potential effect related to the Corporation's borrowings under variable-rate facilities. The effect of a hypothetical increase in interest rates of 1% on \$440.0 million of variable-rate borrowings outstanding at June 30, 2013 would increase interest expense on an annual basis by \$4.4 million. Additionally, a 10% change in energy costs would impact annual pretax earnings by \$18.8 million.

Item 4. Controls and Procedures

As of June 30, 2013, an evaluation was performed under the supervision and with the participation of the Corporation's management, including the Chief Executive Officer and Chief Financial Officer, of the effectiveness of the design and the operation of the Corporation's disclosure controls and procedures. Based on that evaluation, the Corporation's management, including the Chief Executive Officer and Chief Financial Officer, concluded that the Corporation's disclosure controls and procedures were effective as of June 30, 2013. There were no changes in the Corporation's internal control over financial reporting during the most recently completed fiscal quarter that materially affected, or are reasonably likely to materially affect, the Corporation's internal control over financial reporting.

**Table of Contents**

## MARTIN MARIETTA MATERIALS, INC. AND CONSOLIDATED SUBSIDIARIES

## FORM 10-Q

For the Quarter Ended June 30, 2013

## PART II-OTHER INFORMATION

**Item 1. Legal Proceedings.**

Reference is made to *Part I. Item 3. Legal Proceedings* of the Martin Marietta Materials, Inc. Annual Report on Form 10-K for the year ended December 31, 2012.

**Item 1A. Risk Factors.**

Reference is made to *Part I. Item 1A. Risk Factors and Forward-Looking Statements* of the Martin Marietta Materials, Inc. Annual Report on Form 10-K for the year ended December 31, 2012.

**Item 2. Unregistered Sales of Equity Securities and Use of Proceeds.**

## ISSUER PURCHASES OF EQUITY SECURITIES

Period	Total Number of Shares Purchased	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	Maximum Number of Shares that May Yet be Purchased Under the Plans or Programs
April 1, 2013				
April 30, 2013	--	\$ --	--	5,041,871
May 1, 2013				
May 31, 2013	--	\$ --	--	5,041,871
June 1, 2013				
June 30, 2013	--	\$ --	--	5,041,871
Total	--	\$ --	--	5,041,871

The Corporation'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.

**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 Quarterly Report on Form 10-Q.

**Table of Contents**

MARTIN MARIETTA MATERIALS, INC. AND CONSOLIDATED SUBSIDIARIES

FORM 10-Q

For the Quarter Ended June 30, 2013

PART II-OTHER INFORMATION

(Continued)

**Item 6. Exhibits.**

Exhibit No.	Document
31.01	Certification dated August 5, 2013 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 August 5, 2013 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	Written Statement dated August 5, 2013 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	Written Statement dated August 5, 2013 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 Disclosures
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

**Table of Contents**

SIGNATURES

Pursuant to the requirements 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.  
(Registrant)

Date: August 5, 2013

By: /s/ Anne H. Lloyd  
Anne H. Lloyd  
Executive Vice President and  
Chief Financial Officer

Page 54 of 55

**Table of Contents**

MARTIN MARIETTA MATERIALS, INC. AND CONSOLIDATED SUBSIDIARIES

FORM 10-Q

For the Quarter Ended June 30, 2013

EXHIBIT INDEX

Exhibit No.	Document
31.01	Certification dated August 5, 2013 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 August 5, 2013 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	Written Statement dated August 5, 2013 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	Written Statement dated August 5, 2013 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 Disclosures
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