MARTIN MARIETTA MATERIALS INC
Form 10-Q
May 05, 2014
Table of Contents

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 10-Q

(Mark One)

[X] QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the quarterly period ended **March 31, 2014**

OR

[ ] TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the transition period from to

Commission File Number 1-12744

MARTIN MARIETTA MATERIALS, INC.

(Exact name of registrant as specified in its charter)

North Carolina	56-1848578
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification Number)
2710 Wycliff Road, Raleigh, NC	27607-3033
(Address of principal executive offices)	(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 þ No ¨

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).

Yes þ 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 þ	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 þ

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

Class	Outstanding as of April 24, 2014
Common Stock, $0.01 par value	46,358,357

Table of Contents

MARTIN MARIETTA MATERIALS, INC. AND CONSOLIDATED SUBSIDIARIES

FORM 10-Q

For the Quarter Ended March 31, 2014

	Page
Part I. Financial Information:	
Item 1. Financial Statements.	
Consolidated Balance Sheets March 31, 2014, December 31, 2013 and March 31, 2013	3
Consolidated Statements of Earnings and Comprehensive Earnings - Three Months Ended March 31, 2014 and 2013	4
Consolidated Statements of Cash Flows - Three Months Ended March 31, 2014 and 2013	5
Consolidated Statement of Total Equity - Three Months Ended March 31, 2014	6
Notes to Consolidated Financial Statements	7
Item 2. Management s Discussion and Analysis of Financial Condition and Results of Operations.	25
Item 3. Quantitative and Qualitative Disclosures About Market Risk.	45
Item 4. Controls and Procedures.	46
Part II. Other Information:	
Item 1. Legal Proceedings.	47
Item 1A. Risk Factors.	47
Item 2. Unregistered Sales of Equity Securities and Use of Proceeds.	47
Item 4. Mine Safety Disclosures.	47
Item 6. Exhibits.	48
Signatures	49
Exhibit Index	50

Table of Contents

PART I. FINANCIAL INFORMATION

Item 1. Financial Statements.

MARTIN MARIETTA MATERIALS, INC. AND CONSOLIDATED SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

	March 31, 2014 *(Unaudited)*	December 31, 2013 *(Audited)*	March 31, 2013 *(Unaudited)*
	(Dollars in Thousands, Except Per Share Data)		
ASSETS			
Current Assets:			
Cash and cash equivalents	$ 35,801	$ 42,437	$ 37,260
Accounts receivable, net	242,587	245,421	202,150
Inventories, net	354,718	347,307	347,641
Current deferred income tax benefits	73,320	74,821	79,485
Other current assets	51,788	45,380	49,197
Total Current Assets	758,214	755,366	715,733
Property, plant and equipment	4,001,505	3,976,884	3,824,638
Allowances for depreciation, depletion and amortization	(2,207,969)	(2,177,643)	(2,092,551)
Net property, plant and equipment	1,793,536	1,799,241	1,732,087
Goodwill	616,621	616,621	616,350
Other intangibles, net	47,743	48,591	49,548
Other noncurrent assets	39,143	40,007	41,057
Total Assets	$ 3,255,257	$ 3,259,826	$ 3,154,775
LIABILITIES AND EQUITY			
Current Liabilities:			
Bank overdraft	$ -	$ 2,556	$ -
Accounts payable	98,775	103,600	77,080
Accrued salaries, benefits and payroll taxes	12,904	18,114	12,387
Pension and postretirement benefits	2,356	2,026	4,091
Accrued insurance and other taxes	27,265	29,103	27,470
Current maturities of long-term debt and short-term facilities	12,403	12,403	5,677
Accrued interest	18,077	7,349	18,479
Other current liabilities	21,978	35,398	23,506
Total Current Liabilities	193,758	210,549	168,690
Long-term debt	1,055,541	1,018,518	1,072,850
Pension, postretirement and postemployment benefits	80,457	78,489	184,287
Noncurrent deferred income taxes	272,346	279,999	230,109
Other noncurrent liabilities	108,862	97,352	88,782
Total Liabilities	1,710,964	1,684,907	1,744,718

Equity:			
Common stock, par value $0.01 per share	462	461	459
Preferred stock, par value $0.01 per share	-	-	-
Additional paid-in capital	442,551	432,792	421,024
Accumulated other comprehensive loss	(42,744)	(44,114)	(104,948)
Retained earnings	1,108,516	1,148,738	1,055,256
Total Shareholders Equity	1,508,785	1,537,877	1,371,791
Noncontrolling interests	35,508	37,042	38,266
Total Equity	1,544,293	1,574,919	1,410,057
Total Liabilities and Equity	$ 3,255,257	$ 3,259,826	$ 3,154,775

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 March 31, 2014	Three Months Ended March 31, 2013
	(In Thousands, Except Per Share Data)	
	(Unaudited)	
Net Sales	$ 379,678	$ 344,059
Freight and delivery revenues	48,951	39,850
Total revenues	428,629	383,909
Cost of sales	353,843	331,238
Freight and delivery costs	48,951	39,850
Total cost of revenues	402,794	371,088
Gross Profit	25,835	12,821
Selling, general & administrative expenses	34,247	37,648
Business development expenses	9,512	307
Other operating (income), net	(2,026)	(1,814)
Loss from Operations	(15,898)	(23,320)
Interest expense	12,201	13,496
Other nonoperating expenses, net	3,463	623
Loss from continuing operations before taxes on income	(31,562)	(37,439)
Income tax benefit	(8,424)	(8,398)
Loss from Continuing Operations	(23,138)	(29,041)
Loss on discontinued operations, net of related tax benefit of $1 and $76, respectively	(15)	(288)
Consolidated net loss	(23,153)	(29,329)
Less: Net loss attributable to noncontrolling interests	(1,535)	(1,490)
Net Loss Attributable to Martin Marietta Materials, Inc.	$ (21,618)	$ (27,839)
Net Loss Attributable to Martin Marietta Materials, Inc.:		
Loss from continuing operations	$ (21,603)	$ (27,551)
Loss from discontinued operations	(15)	(288)
	$ (21,618)	$ (27,839)
Consolidated Comprehensive Loss: (See Note 1)		
Loss attributable to Martin Marietta Materials, Inc.	$ (20,248)	$ (26,618)
Loss attributable to noncontrolling interests	(1,534)	(1,488)

	$	(21,782)	$	(28,106)
Net Loss Attributable to Martin Marietta Materials, Inc.				
Per Common Share:				
Basic from continuing operations attributable to common shareholders	$	(0.47)	$	(0.60)
Discontinued operations attributable to common shareholders		-		(0.01)
	$	(0.47)	$	(0.61)
Diluted from continuing operations attributable to common shareholders	$	(0.47)	$	(0.60)
Discontinued operations attributable to common shareholders		-		(0.01)
	$	(0.47)	$	(0.61)
Weighted-Average Common Shares Outstanding:				
Basic and Diluted		46,315		46,028
Cash Dividends Per Common Share	$	0.40	$	0.40

See accompanying notes to consolidated financial statements.

Table of Contents

MARTIN MARIETTA MATERIALS, INC. AND CONSOLIDATED SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Three Months Ended March 31, 2014	2013
	(Dollars in Thousands) *(Unaudited)*	
Cash Flows from Operating Activities:		
Consolidated net loss	$ (23,153)	$ (29,329)
Adjustments to reconcile consolidated net loss to net cash provided by operating activities:		
Depreciation, depletion and amortization	42,466	43,043
Stock-based compensation expense	1,409	1,245
Gains on divestitures and sales of assets	(1,106)	(662)
Deferred income taxes	(5,063)	3,393
Excess tax benefits from stock-based compensation transactions	(636)	(629)
Other items, net	1,223	719
Changes in operating assets and liabilities, net of effects of acquisitions and divestitures:		
Accounts receivable, net	2,834	20,273
Inventories, net	(7,411)	(14,606)
Accounts payable	(4,825)	(6,457)
Other assets and liabilities, net	874	1,585
Net Cash Provided by Operating Activities	6,612	18,575
Cash Flows from Investing Activities:		
Additions to property, plant and equipment	(36,913)	(21,880)
Acquisitions, net	(50)	(2,629)
Proceeds from divestitures and sales of assets	1,401	1,580
Net Cash Used for Investing Activities	(35,562)	(22,929)
Cash Flows from Financing Activities:		
Borrowings of long-term debt	60,000	60,000
Repayments of long-term debt	(23,125)	(29,400)
Payments on capital lease obligations	(525)	-
Change in bank overdraft	(2,556)	-
Dividends paid	(18,604)	(18,503)
Issuances of common stock	6,488	3,494
Excess tax benefits from stock-based compensation transactions	636	629
Net Cash Provided by Financing Activities	22,314	16,220
Net (Decrease) Increase in Cash and Cash Equivalents	(6,636)	11,866
Cash and Cash Equivalents, beginning of period	42,437	25,394
Cash and Cash Equivalents, end of period	$ 35,801	$ 37,260

Supplemental Disclosures of Cash Flow Information:		
Cash paid for interest	$ 1,633	$ 1,906
Cash paid (refunds) for income taxes	$ 53	$ (7,055)

See accompanying notes to consolidated financial statements.

Table of Contents

MARTIN MARIETTA MATERIALS, INC. AND CONSOLIDATED SUBSIDIARIES

CONSOLIDATED STATEMENT OF TOTAL EQUITY

(Unaudited)

(in thousands)	Shares of Common Stock	Common Stock	Additional Paid-in Capital	Accumulated Other Comprehensive Loss	Retained Earnings	Total Shareholders Equity	Noncontrolling Interests	Total Equity
Balance at December 31, 2013	46,261	$ 461	$ 432,792	$ (44,114)	$ 1,148,738	$ 1,537,877	$ 37,042	$ 1,574,919
Consolidated net loss	-	-	-	-	(21,618)	(21,618)	(1,535)	(23,153)
Other comprehensive earnings	-	-	-	1,370	-	1,370	1	1,371
Dividends declared	-	-	-	-	(18,604)	(18,604)	-	(18,604)
Issuances of common stock for stock award plans	92	1	8,350	-	-	8,351	-	8,351
Stock-based compensation expense	-	-	1,409	-	-	1,409	-	1,409
Balance at March 31, 2014	46,353	$ 462	$ 442,551	$ (42,744)	$ 1,108,516	$ 1,508,785	$ 35,508	$ 1,544,293

See accompanying notes to consolidated financial statements.

Table of Contents

MARTIN MARIETTA MATERIALS, INC. AND CONSOLIDATED SUBSIDIARIES

FORM 10-Q

For the Quarter Ended March 31, 2014

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 accounted for 69% of consolidated 2013 net sales and includes crushed stone, sand and gravel, and is used for construction of highways and other infrastructure projects, and in the nonresidential and residential construction industries. Aggregates products are also used in the railroad, agricultural, utility and environmental industries. These aggregates products, along with the Corporation s vertically-integrated operations, i.e., asphalt products, ready mixed concrete and road paving construction services (which accounted for 19% of consolidated 2013 net sales), are sold and shipped from a network of nearly 300 quarries, distribution facilities and plants to customers in 30 states, Canada, the Bahamas and the Caribbean Islands. The aggregates and vertically-integrated operations are reported collectively as the Corporation s Aggregates business .

Effective January 1, 2014, the Corporation made minor changes to the operations and management reporting structure of its Aggregates business, resulting in an immaterial change to its reportable segments. The Corporation currently conducts its Aggregates business through three reportable segments as follows:

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

South Carolina,

Virginia,
Washington and

West Virginia

Table of Contents

MARTIN MARIETTA MATERIALS, INC. AND CONSOLIDATED SUBSIDIARIES

FORM 10-Q

For the Quarter Ended March 31, 2014

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

1. Significant Accounting Policies (continued)

In addition to the Aggregates business, the Corporation has a Specialty Products segment, which accounted for 12% of consolidated 2013 net sales, that produces magnesia-based chemicals products used in industrial, agricultural and environmental applications and dolomitic lime sold primarily to customers in the steel industry.

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, 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 months ended March 31, 2014 are not indicative of the results expected for other interim periods or the full year. The consolidated balance sheet at December 31, 2013 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, 2013.

Early Adoption of New Accounting Standard

Effective January 1, 2014, the Corporation early adopted the Financial Accounting Standard Board s final guidance on reporting discontinued operations. The guidance is to be applied prospectively and redefines discontinued operations to be either 1) a component of an entity or group of components that has been disposed of or is classified as held for sale that represents a strategic shift that has or will have a major effect on an entity s operations and financial results or 2) a business that, upon acquisition, meets the criteria to be classified as held for sale. The adoption of the accounting standard did not have any effect on the Corporation s financial position or results of operations.

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.

Table of Contents

MARTIN MARIETTA MATERIALS, INC. AND CONSOLIDATED SUBSIDIARIES

FORM 10-Q

For the Quarter Ended March 31, 2014

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

1. Significant Accounting Policies (continued)

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, and are presented in the Corporation s consolidated statements of earnings and comprehensive earnings.

Comprehensive loss attributable to Martin Marietta Materials, Inc. is as follows:

	Three Months Ended March 31, 2014	Three Months Ended March 31, 2013
	(Dollars in Thousands)	
Net loss attributable to Martin Marietta Materials, Inc.	$ (21,618)	$ (27,839)
Other comprehensive earnings, net of tax	1,370	1,221
Comprehensive loss attributable to Martin Marietta Materials, Inc.	$ (20,248)	$ (26,618)

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

	Three Months Ended March 31, 2014	Three Months Ended March 31, 2013
	(Dollars in Thousands)	
Net loss attributable to noncontrolling interests	$ (1,535)	$ (1,490)
Other comprehensive earnings, net of tax	1	2
Comprehensive loss attributable to noncontrolling interests	$ (1,534)	$ (1,488)

Table of Contents

MARTIN MARIETTA MATERIALS, INC. AND CONSOLIDATED SUBSIDIARIES

FORM 10-Q

For the Quarter Ended March 31, 2014

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

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

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

	(Dollars in Thousands)			
	Pension and Postretirement Benefit Plans	Foreign Currency	Unamortized Value of Terminated Forward Starting Interest Rate Swap	Accumulated Other Comprehensive Loss
	Three Months Ended March 31, 2014			
Balance at beginning of period	$ (44,549)	$ 3,902	$ (3,467)	$ (44,114)
Other comprehensive earnings before reclassifications, net of tax	--	914	--	914
Amounts reclassified from accumulated other comprehensive loss, net of tax	282	--	174	456
Other comprehensive earnings, net of tax	282	914	174	1,370
Balance at end of period	$ (44,267)	$ 4,816	$ (3,293)	$ (42,744)
	Three Months Ended March 31, 2013			
Balance at beginning of period	$ (108,189)	$ 6,157	$ (4,137)	$ (106,169)
Other comprehensive loss before reclassifications, net of tax	--	(834)	--	(834)
Amounts reclassified from accumulated other comprehensive loss, net of tax	1,893	--	162	2,055

Other comprehensive earnings, net of tax	1,893	(834)	162	1,221
Balance at end of period	$ (106,296)	$ 5,323	$ (3,975)	$ (104,948)

Table of Contents

MARTIN MARIETTA MATERIALS, INC. AND CONSOLIDATED SUBSIDIARIES

FORM 10-Q

For the Quarter Ended March 31, 2014

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 March 31, 2014		
Balance at beginning of period	$ 29,198	$ 2,269	$ 31,467
Tax effect of other comprehensive earnings	(182)	(114)	(296)
Balance at end of period	$ 29,016	$ 2,155	$ 31,171
	Three Months Ended March 31, 2013		
Balance at beginning of period	$ 70,881	$ 2,707	$ 73,588
Tax effect of other comprehensive earnings	(1,240)	(107)	(1,347)
Balance at end of period	$ 69,641	$ 2,600	$ 72,241

Reclassifications out of accumulated other comprehensive loss are as follows:

	Three Months Ended March 31,		Affected line items in the consolidated statements of earnings
	2014	2013	and comprehensive earnings
	(Dollars in Thousands)		

Pension and postretirement benefit plans Amortization of:			
Prior service credit	$ (703)	$ (702)	
Actuarial loss	1,167	3,835	
	464	3,133	Cost of sales; Selling, general and administrative expenses
Tax benefit	(182)	(1,240)	Income tax benefit
	$ 282	$ 1,893	
Unamortized value of terminated forward starting interest rate swap			
Additional interest expense	$ 288	$ 269	Interest expense
Tax benefit	(114)	(107)	Income tax benefit
	$ 174	$ 162	

Table of Contents

MARTIN MARIETTA MATERIALS, INC. AND CONSOLIDATED SUBSIDIARIES

FORM 10-Q

For the Quarter Ended March 31, 2014

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

1. Significant Accounting Policies (continued)

Earnings per Common Share

The numerator for basic and diluted earnings per common share is net earnings/loss 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 March 31, 2014 and 2013, all such awards were antidilutive given the net loss attributable to Martin Marietta Materials Inc.

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

	Three Months Ended March 31,	
	2014	2013
	(In Thousands)	
Net loss from continuing operations attributable to Martin Marietta Materials, Inc.	$ (21,603)	$ (27,551)
Less: Distributed and undistributed earnings attributable to unvested awards	67	93
Basic and diluted net loss available to common shareholders from continuing operations attributable to Martin Marietta Materials, Inc.	(21,670)	(27,644)
Basic and diluted net loss available to common shareholders from discontinued operations	(15)	(288)
Basic and diluted net loss available to common shareholders attributable to Martin Marietta Materials, Inc.	$ (21,685)	$ (27,932)
Basic and diluted weighted-average common shares outstanding	46,315	46,028

Table of Contents

MARTIN MARIETTA MATERIALS, INC. AND CONSOLIDATED SUBSIDIARIES

FORM 10-Q

For the Quarter Ended March 31, 2014

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

2. Discontinued Operations

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.

3. Inventories, Net

	March 31, 2014	December 31, 2013	March 31, 2013
		(Dollars in Thousands)	
Finished products	$ 372,567	$ 368,334	$ 363,610
Products in process and raw materials	16,478	16,077	20,908
Supplies and expendable parts	64,093	61,922	59,362
	453,138	446,333	443,880
Less: Allowances	98,420	99,026	96,239
Total	$ 354,718	$ 347,307	$ 347,641

Table of Contents

MARTIN MARIETTA MATERIALS, INC. AND CONSOLIDATED SUBSIDIARIES

FORM 10-Q

For the Quarter Ended March 31, 2014

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

4. Long-Term Debt

	March 31, 2014	December 31, 2013	March 31, 2013
		(Dollars in Thousands)	
6.6% Senior Notes, due 2018	$ 298,949	$ 298,893	$ 298,730
7% Debentures, due 2025	124,478	124,471	124,450
6.25% Senior Notes, due 2037	228,157	228,148	228,122
Term Loan Facility, due 2018, interest rate of 1.65% at March 31, 2014; 1.67% at December 31, 2013; and 2.20% at March 31, 2013	245,395	248,441	240,000
Revolving Facility, interest rate of 3.50% at March 31, 2014 and 1.90% at March 31, 2013	20,000	--	110,000
Trade Receivable Facility, interest rate of 0.75% at March 31, 2014 and 0.77% at December 31, 2013	150,000	130,000	--
AR Credit Facility, interest rate of 1.00% at March 31, 2013	--	--	75,600
Other notes	965	968	1,625
Total debt	1,067,944	1,030,921	1,078,527
Less: Current maturities	12,403	12,403	5,677
Long-term debt	$ 1,055,541	$ 1,018,518	$ 1,072,850

The Corporation, through a wholly-owned consolidated special purpose subsidiary, has 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). The Trade Receivable Facility is backed by eligible, as defined, trade receivables of $232,566,000 and $234,101,000 at March 31, 2014 and December 31, 2013, respectively, which are originated by the Corporation and then sold to the wholly-owned consolidated special purpose subsidiary by the Corporation. The Corporation continues to be responsible for the servicing and administration of the receivables purchased by the wholly-owned consolidated special purpose subsidiary. At March 31, 2014 and December 31, 2013, outstanding borrowings under the Trade Receivable Facility were classified as long-term on the consolidated balance sheet as the Corporation has the intent and ability to refinance amounts outstanding using other long-term credit facilities. The Trade Receivable Facility contains a cross-default provision to the Corporation s other debt agreements. On April 18, 2014, the Corporation extended the maturity of the Trade Receivable Facility to September 30, 2014.

Table of Contents

MARTIN MARIETTA MATERIALS, INC. AND CONSOLIDATED SUBSIDIARIES

FORM 10-Q

For the Quarter Ended March 31, 2014

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

4. Long-Term Debt (continued)

The Corporation s Credit Agreement, which provides a $250,000,000 senior unsecured term loan (the Term Loan Facility) and a $350,000,000 five-year senior unsecured revolving facility (the Revolving Facility), requires the Corporation s ratio of consolidated debt to consolidated earnings before interest, taxes, depreciation, depletion and amortization (EBITDA), as defined, for the trailing twelve months (the Ratio) to not exceed 3.50x as of the end of any fiscal quarter, provided that the Corporation may exclude from the Ratio debt incurred in connection with certain acquisitions for a period of 180 days so long as the Corporation, as a consequence of such specified acquisition, does not have its rating on long-term unsecured debt fall below BBB by Standard & Poor s or Baa2 by Moody s and the Ratio calculated without such exclusion does not exceed 3.75x. Additionally, if no amounts are outstanding under both the Revolving Facility and the Trade Receivable Facility, consolidated debt, including debt for which the Corporation is a co-borrower, 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 was in compliance with this Ratio at March 31, 2014.

Available borrowings under the Revolving Facility are reduced by any outstanding letters of credit issued by the Corporation under the Revolving Facility. At March 31, 2014, December 31, 2013 and March 31, 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 months ended March 31, 2014 and 2013, the Corporation recognized $288,000 and $269,000, respectively, as additional interest expense. The ongoing amortization of the terminated value of the forward starting interest rate swap agreements will increase annual interest expense by approximately $1,200,000 until the maturity of the 6.6% Senior Notes in 2018.

Table of Contents

MARTIN MARIETTA MATERIALS, INC. AND CONSOLIDATED SUBSIDIARIES

FORM 10-Q

For the Quarter Ended March 31, 2014

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

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.

Temporary cash investments are placed primarily in money market funds, money market demand deposit accounts and Eurodollar time deposits with the following financial institutions: Branch Banking and Trust Company, Comerica Bank, Fifth Third Bank, JPMorgan Chase Bank, N.A., Regions Bank and Wells Fargo Bank, N.A. The Corporation s cash equivalents have maturities of less than three months. Due to the short maturity of these investments, they are carried on the consolidated balance sheets at cost, which approximates fair value.

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

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

The carrying values and fair values of the Corporation s long-term debt were $1,067,944,000 and $1,127,149,000, respectively, at March 31, 2014; $1,030,921,000 and $1,068,324,000, respectively, at December 31, 2013; and $1,078,527,000 and $1,155,051,000, respectively, at March 31, 2013. 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.

Table of Contents

MARTIN MARIETTA MATERIALS, INC. AND CONSOLIDATED SUBSIDIARIES

FORM 10-Q

For the Quarter Ended March 31, 2014

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

6. Income Taxes

	Three Months Ended March 31, 2014	2013
Estimated effective income tax rate:		
Continuing operations	26.7%	22.4%
Discontinued operations	6.3%	20.9%
Consolidated overall	26.7%	22.4%

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.

On September 13, 2013, the U.S. Treasury Department and Internal Revenue Service issued final regulations addressing costs incurred in acquiring, producing or improving tangible property (the tangible property regulations). The tangible property regulations required the Corporation to make additional tax accounting method changes as of January 1, 2014. As of December 31, 2013, the Corporation estimated the tax impact of the regulatory change and recorded an increase in noncurrent deferred tax liabilities in the amount of $1,334,000, with a corresponding reduction in current taxes payable.

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

	Three Months Ended March 31, 2014 *(Dollars in Thousands)*
Unrecognized tax benefits at beginning of period	$ 11,826
Gross increases tax positions in prior years	1,898
Gross decreases tax positions in prior years	(173)
Gross increases tax positions in current year	480

Unrecognized tax benefits at end of period	$	14,031

Table of Contents

MARTIN MARIETTA MATERIALS, INC. AND CONSOLIDATED SUBSIDIARIES

FORM 10-Q

For the Quarter Ended March 31, 2014

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

6. Income Taxes (continued)

The Corporation anticipates that it is reasonably possible that unrecognized tax benefits may decrease up to $7,365,000, excluding indirect benefits, during the twelve months ending March 31, 2015 as a result of expected settlements with taxing authorities and the expiration of the foreign and domestic statute of limitations for the 2009 and 2010 tax years, respectively.

At March 31, 2014, unrecognized tax benefits of $7,449,000 related to interest accruals and permanent income tax differences, net of federal tax benefits, would have favorably affected the Corporation s effective income tax rate if recognized.

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 March 31,			
	Pension		Postretirement Benefits	
	2014	2013	2014	2013
	(Dollars in Thousands)			
Service cost	$ 3,730	$ 4,064	$ 55	$ 65
Interest cost	6,590	5,749	290	248
Expected return on assets	(7,698)	(6,663)	--	--
Amortization of:				
Prior service cost (credit)	111	112	(814)	(814)
Actuarial loss (gain)	1,202	3,835	(35)	--
Net periodic benefit cost (credit)	$ 3,935	$ 7,097	$ (504)	$ (501)

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.

MARTIN MARIETTA MATERIALS, INC. AND CONSOLIDATED SUBSIDIARIES

FORM 10-Q

For the Quarter Ended March 31, 2014

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

8. Commitments and Contingencies (continued)

Litigation Related to the Merger

Following the announcement of the merger, a purported stockholder of Texas Industries, Inc. (TXI) filed a putative class action lawsuit against TXI and members of the TXI board, and against the Corporation and one of its affiliates, in the United States District Court for the Northern District of Texas, captioned *Maxine Phillips, Individually and on Behalf of All Others Similarly Situated v. Texas Industries, Inc., et al.*, Case 3:14-cv-00740-B (referred to as the *Phillips* Action). The plaintiff in the *Phillips* Action alleges in an amended complaint, among other things, (i) that members of the TXI board breached their fiduciary duties to TXI s stockholders by failing to fully disclose material information regarding the proposed transaction and by adopting the merger agreement for inadequate consideration and pursuant to an inadequate process, (ii) that the Corporation and one of the Corporation s affiliates aided and abetted the TXI board in their alleged breaches of fiduciary duty and (iii) that the registration statement of which this joint proxy statement/prospectus forms a part contains certain material misstatements and omissions in violation of Section 14(a) and 20(a) of the Exchange Act. The plaintiff in the *Phillips* Action seeks, among other things, injunctive relief enjoining TXI and the Corporation from proceeding with the merger, rescission in the event the merger is consummated, damages, and an award of attorneys and other fees and costs. The Corporation believes the lawsuit is without merit.

Environmental and Governmental Regulations

The United States Environmental Protection Agency (EPA) includes the lime industry as a national enforcement priority under the federal Clean Air Act (CAA). As part of the industry wide effort, the EPA issued Notices of Violation/Findings of Violation (NOVs) to the Corporation in 2010 and 2011 regarding 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 EPA in response to these NOVs and has had several meetings with the EPA. The Corporation believes it is in substantial compliance with the NSR program. At this time, the Corporation cannot reasonably estimate what likely penalties or upgrades to equipment might ultimately be required. The Corporation believes that any costs related to any upgrades to capital equipment will be spread over time and will not have a material adverse effect on the Corporation s results of operations or its financial condition, but can give no assurance that the ultimate resolution of this matter will not have a material adverse effect on the financial condition or results of operations of the Specialty Products segment of the business.

MARTIN MARIETTA MATERIALS, INC. AND CONSOLIDATED SUBSIDIARIES

FORM 10-Q

For the Quarter Ended March 31, 2014

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

8. Commitments and Contingencies (continued)

Borrowing Arrangements with Affiliate

The Corporation is a co-borrower with an unconsolidated affiliate for a $24,000,000 revolving line of credit agreement with Fifth Third Bank. The line of credit expires in August 2015. The affiliate has agreed to reimburse and indemnify the Corporation for any payments and expenses the Corporation may incur from this agreement. The Corporation holds a lien on the affiliate s membership interest in a joint venture as collateral for payment under the revolving line of credit.

In September 2013, the Corporation loaned $3,402,000 to this unconsolidated affiliate to repay in full the outstanding balance of the affiliate s loan with Bank of America, N.A. and entered into a loan agreement with the affiliate for monthly repayment of principal and interest of that loan amount through May 2016. The Corporation holds a lien on the affiliate s property as collateral for payment under the loan and security agreement. As of March 31, 2014 and December 31, 2013, the amount due from the affiliate related to this loan was $2,773,000 and $2,984,000, respectively.

In addition, the Corporation has a $6,000,000 outstanding loan due from this unconsolidated affiliate as of March 31, 2014.

Employees

Approximately 15% of the Corporation s employees are represented by a labor union. All such employees are hourly employees. The Corporation maintains collective bargaining agreements relating to the union employees within the Aggregates business and Specialty Products segment. Of the Specialty Products segment, located in Manistee, Michigan and Woodville, Ohio, 100% of its hourly employees are represented by labor unions. The Woodville collective bargaining agreement expires in June 2014. Management does not anticipate any difficulties in renewing the Woodville labor contract.

Table of Contents

MARTIN MARIETTA MATERIALS, INC. AND CONSOLIDATED SUBSIDIARIES

FORM 10-Q

For the Quarter Ended March 31, 2014

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

9. Business Segments

The Aggregates business contains three reportable business segments: Mid-America Group, Southeast Group and West Group. The Corporation also has a Specialty Products segment.

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, business development expenses, unallocated corporate expenses and other nonrecurring and/or non-operational adjustments.

	Three Months Ended March 31,	
	2014	2013
	(Dollars in Thousands)	
Total revenues:		
Mid-America Group	$ 115,708	$ 119,541
Southeast Group	59,820	55,742
West Group	190,787	148,396
Total Aggregates Business	366,315	323,679
Specialty Products	62,314	60,230
Total	$ 428,629	$ 383,909
Net sales:		
Mid-America Group	$ 106,533	$ 110,188
Southeast Group	55,381	51,323
West Group	160,416	127,379
Total Aggregates Business	322,330	288,890
Specialty Products	57,348	55,169
Total	$ 379,678	$ 344,059
(Loss) Earnings from operations:		
Mid-America Group	$ (11,766)	$ (13,963)
Southeast Group	(6,111)	(8,386)
West Group	2,081	(8,126)

Total Aggregates Business	(15,796)	(30,475)
Specialty Products	16,285	17,078
Corporate	(16,387)	(9,923)
Total	$ (15,898)	$ (23,320)

Table of Contents

MARTIN MARIETTA MATERIALS, INC. AND CONSOLIDATED SUBSIDIARIES

FORM 10-Q

For the Quarter Ended March 31, 2014

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

9. Business Segments (continued)

	March 31, 2014	December 31, 2013	March 31, 2013
		(Dollars in Thousands)	
Assets employed:			
Mid-America Group	$ 1,257,753	$ 1,242,394	$ 1,137,903
Southeast Group	607,219	611,906	588,408
West Group	1,024,038	1,030,599	1,039,404
Total Aggregates Business	2,889,010	2,884,899	2,765,715
Specialty Products	153,070	154,024	154,688
Corporate	213,177	220,903	234,372
Total	$ 3,255,257	$ 3,259,826	$ 3,154,775

The Aggregates business includes the aggregates product line and vertically-integrated operations, which include asphalt, ready mixed concrete and road paving product lines. 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, which are reconciled to consolidated amounts, as follows:

	Three Months Ended March 31, 2014	2013
	(Dollars in Thousands)	
Net sales:		
Aggregates	$ 263,885	$ 247,791
Asphalt	10,498	9,633
Ready Mixed Concrete	38,009	26,277
Road Paving	9,938	5,189
Total Aggregates Business	322,330	288,890
Specialty Products	57,348	55,169
Total	$ 379,678	$ 344,059
Gross profit (loss):		
Aggregates	$ 10,051	$ 2,061
Asphalt	(1,426)	(2,455)

Ready Mixed Concrete	2,944	(81)
Road Paving	(3,982)	(4,287)
Total Aggregates Business	7,587	(4,762)
Specialty Products	18,755	19,582
Corporate	(507)	(1,999)
Total	$ 25,835	$ 12,821

Table of Contents

MARTIN MARIETTA MATERIALS, INC. AND CONSOLIDATED SUBSIDIARIES

FORM 10-Q

For the Quarter Ended March 31, 2014

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:

	Three Months Ended March 31, 2014	Three Months Ended March 31, 2013
	(Dollars in Thousands)	
Other current and noncurrent assets	$ (783)	$ 549
Accrued salaries, benefits and payroll taxes	(3,984)	(6,075)
Accrued insurance and other taxes	(1,838)	(1,213)
Accrued income taxes	(4,595)	(8,261)
Accrued pension, postretirement and post employment benefits	2,763	1,538
Other current and noncurrent liabilities	9,311	15,047
	$ 874	$ 1,585

The change in accrued income taxes for the three months ended March 31, 2014 relates to a decrease in current estimated taxable income and the difference in net tax payments for the period. The change in other current and noncurrent liabilities for the three months ended March 31, 2014 primarily relates to a decrease in estimated settlements with taxing authorities.

Noncash investing and financing activities are as follows:

	Three Months Ended March 31, 2014	Three Months Ended March 31, 2013
	(Dollars in Thousands)	
Noncash investing and financing activities:		
Acquisition of assets through capital lease	$ 5,930	$ --

MARTIN MARIETTA MATERIALS, INC. AND CONSOLIDATED SUBSIDIARIES

FORM 10-Q

For the Quarter Ended March 31, 2014

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

11. Business Developments

On January 28, 2014, the Corporation and TXI announced that the Boards of Directors of both companies unanimously approved a definitive merger agreement pursuant to which, subject to the terms and conditions of the merger agreement, the Corporation will acquire all of the outstanding shares of TXI common stock in a tax-free, stock-for-stock transaction (the proposed business combination with TXI). Under the terms of the merger agreement, TXI stakeholders will receive 0.700 shares of the Corporation s common stock for each share of TXI common stock owned at closing. Pursuant to the terms of the proposed business combination with TXI, the Corporation s dividends will be limited to regular quarterly dividends of $0.40 per share until the earlier of the closing of the proposed business combination with TXI or the termination of the merger agreement, with declaration, record and payment dates consistent with past practice. Additionally, repurchases of the Corporation s common stock will be prohibited until the earlier of the closing of the proposed business combination with TXI or the termination of the merger agreement. The proposed business combination is currently under review for regulatory approvals and is expected to close in the summer. For the three months ended March 31, 2014, the Corporation incurred $9,458,000 of business development expenses related to the acquisition.

12. Subsequent Events

On April 2, 2014, the Corporation paid $19,529,000 million for the remaining 50% interest in a joint venture.

Table of Contents

MARTIN MARIETTA MATERIALS, INC. AND CONSOLIDATED SUBSIDIARIES

FORM 10-Q

For the Quarter Ended March 31, 2014

MANAGEMENT S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND

RESULTS OF OPERATIONS

First Quarter Ended March 31, 2014

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 consolidated net sales and operating 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 nearly 300 quarries, distribution facilities and plants to customers in 30 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, agricultural, utility and environmental industries.

The Corporation currently conducts its Aggregates business through three reportable business segments: Mid-America Group, Southeast Group and West Group.

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

Aggregates Product Line

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.

MARTIN MARIETTA MATERIALS, INC. AND CONSOLIDATED SUBSIDIARIES

FORM 10-Q

For the Quarter Ended March 31, 2014

MANAGEMENT S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND

RESULTS OF OPERATIONS

First Quarter Ended March 31, 2014

(Continued)

CRITICAL ACCOUNTING POLICIES The Corporation outlined its critical accounting policies in its Annual Report on Form 10-K for the year ended December 31, 2013. There were no changes to the Corporation s critical accounting policies during the three months ended March 31, 2014.

STRATEGIC INITIATIVES

On January 28, 2014, the Corporation and Texas Industries, Inc. (TXI) announced that the Boards of Directors of both companies unanimously approved a definitive merger agreement pursuant to which, subject to the terms and conditions of the merger agreement, the Corporation will acquire all of the outstanding shares of TXI common stock in a tax-free, stock-for-stock transaction (the proposed business combination with TXI). The business combination is expected to close in the summer.

RESULTS OF OPERATIONS

Except as indicated, the comparative analysis in 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 months ended March 31, 2014 and 2013 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 March 31,

	2014	2013
	(Dollars in Thousands)	
Gross profit	$ 25,835	$ 12,821
Total revenues	$ 428,629	$ 383,909
Gross margin	6.0%	3.3%

Table of Contents

MARTIN MARIETTA MATERIALS, INC. AND CONSOLIDATED SUBSIDIARIES

FORM 10-Q

For the Quarter Ended March 31, 2014

MANAGEMENT S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND

RESULTS OF OPERATIONS

First Quarter Ended March 31, 2014

(Continued)

Gross Margin Excluding Freight and Delivery Revenues

	Three Months Ended March 31, 2014	2013
	(Dollars in Thousands)	
Gross profit	$ 25,835	$ 12,821
Total revenues	$ 428,629	$ 383,909
Less: Freight and delivery revenues	(48,951)	(39,850)
Net sales	$ 379,678	$ 344,059
Gross margin excluding freight and delivery revenues	6.8%	3.7%

Operating Margin in Accordance with GAAP

	Three Months Ended March 31, 2014	2013
	(Dollars in Thousands)	
Loss from operations	$ (15,898)	$ (23,320)
Total revenues	$ 428,629	$ 383,909

Operating margin	(3.7%)	(6.1%)

Operating Margin Excluding Freight and Delivery Revenues

	Three Months Ended March 31, 2014	2013
	(Dollars in Thousands)	
Loss from operations	$ (15,898)	$ (23,320)
Total revenues	$ 428,629	$ 383,909
Less: Freight and delivery revenues	(48,951)	(39,850)
Net sales	$ 379,678	$ 344,059
Operating margin excluding freight and delivery revenues	(4.2%)	(6.8%)

Table of Contents

MARTIN MARIETTA MATERIALS, INC. AND CONSOLIDATED SUBSIDIARIES

FORM 10-Q

For the Quarter Ended March 31, 2014

MANAGEMENT S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND

RESULTS OF OPERATIONS

First Quarter Ended March 31, 2014

(Continued)

Impact of Business Development Expenses

Adjusted consolidated loss from operations and adjusted loss per diluted share for the quarter ended March 31, 2014, exclude the impact of business development expenses related to the proposed business combination with TXI, and represent non-GAAP financial measures. Management presents these measures for investors and analysts to evaluate and forecast the Corporation s financial results, as these business development expenses are nonrecurring costs (in thousands, except per share data).

The following shows the calculation of the impact of business development expenses related to the proposed business combination with TXI on the loss per diluted share for the quarter ended March 31, 2014:

Business development expenses related to the proposed business combination with TXI	$ 9,458
Income tax benefit	(3,725)
After-tax impact of business development expenses related to the proposed business combination with TXI	