

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

**FORM 10-K**

(Mark One)

**ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**  
**For the fiscal year ended December 31, 2011**

**OR**

**TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

**For the transition period from** \_\_\_\_\_ **to** \_\_\_\_\_

**Commission file number 1-12744**

**MARTIN MARIETTA MATERIALS, INC.**

(Exact name of registrant as specified in its charter)

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

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

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

**27607-3033**  
(Zip Code)

**(919) 781-4550**

(Registrant's telephone number, including area code)

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

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

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

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

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

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

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

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

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

Large accelerated filer	<input checked="" type="checkbox"/>	Accelerated filer	<input type="checkbox"/>
Non-accelerated filer	<input type="checkbox"/> (Do not check if a smaller reporting company)	Smaller reporting company	<input type="checkbox"/>

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

As of June 30, 2011, the last business day of the registrant's most recently completed second fiscal quarter, the aggregate market value of the registrant's common stock held by non-affiliates of the registrant was \$1,750,661,896 based on the closing sale price as reported on the New York Stock Exchange.

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

<u>Class</u>	<u>Outstanding at February 23, 2012</u>
<b>Common Stock, \$.01 par value per share</b>	<b>45,624,785 shares</b>

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**DOCUMENTS INCORPORATED BY REFERENCE**

<u>Document</u>	<u>Parts Into Which Incorporated</u>
Excerpts from Annual Report to Shareholders for the Fiscal Year Ended December 31, 2011 (Annual Report)	Parts I, II, and IV
Proxy Statement for the Annual Meeting of Shareholders to be held May 24, 2012 (Proxy Statement)	Part III

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**PART I**

**ITEM 1. BUSINESS**

***General***

Martin Marietta Materials, Inc. (the “Company”) is a leading producer of aggregates products (crushed stone, sand, and gravel) for the construction industry, including infrastructure, nonresidential, residential, railroad ballast, agricultural, and chemical grade stone used in environmental applications. The Company’s aggregates business also includes asphalt products, ready mixed concrete, and road paving materials. The Company also has a Specialty Products segment that manufactures and markets magnesia-based chemical products used in industrial, agricultural, and environmental applications, and dolomitic lime sold primarily to customers in the steel industry. In 2011, the Company’s Aggregates business accounted for 87% of the Company’s total net sales, and the Company’s Specialty Products segment accounted for 13% of the Company’s total net sales.

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

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

Subsequent acquisitions in 1997 and 1998 expanded the Company’s Aggregates business in the middle of the country and added a leading producer of aggregates products in Texas, which provided the Company with access to an extensive rail network in Texas. These two transactions positioned the Company for numerous additional expansion acquisitions in Ohio, Indiana, and the southwestern regions of the United States, with the Company completing 29 smaller acquisitions between 1997 and 1999, which allowed the Company to enhance and expand its presence in the aggregates marketplace.

In 1998, the Company made an initial investment in an aggregates business that would later serve as the Company’s platform for further expansion in the southwestern and western United States. In 2001, the Company completed the purchase of all of the remaining interests of this business, which increased its ability to use rail as a mode of transportation.

Effective January 1, 2005, the Company formed a joint venture with Hunt Midwest Enterprises to operate substantially all of the aggregates facilities of both companies in Kansas City and surrounding areas. The parties contributed a total of 15 active quarry operations to the joint venture.

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

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

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

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

Between 2001 and 2011, the Company disposed of or permanently shut down a number of underperforming operations, including aggregates, asphalt, ready mixed concrete, trucking, and road paving operations of its Aggregates business and the refractories business of its Specialty Products segment. In some of its divestitures, the Company concurrently entered into supply agreements to provide aggregates at market rates to certain of these divested businesses. The Company will continue to evaluate opportunities to divest underperforming assets during 2012 in an effort to redeploy capital for other opportunities.

### ***Recent Developments***

On December 12, 2011, the Company proposed a business combination with Vulcan that would create a U.S.-based company that would be the global leader in construction aggregates (hereinafter, referred to as “proposed business combination with Vulcan”). The proposed business combination with Vulcan would be effected through a stock-for-stock, tax-free transaction, in which each outstanding share of Vulcan common stock will be exchanged for 0.50 of a share of the Company’s

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common stock (together with the associated preferred stock purchase rights). On December 12, 2011 the Company commenced an exchange offer for all of the outstanding shares of Vulcan common stock at the same exchange ratio. The proposed business combination with Vulcan and the exchange offer has the unanimous support of the Company's Board of Directors. The offer represents a premium for Vulcan shareholders of 15% to the average exchange ratio based on the closing share prices for Vulcan and the Company during the 10-day period ended December 9, 2011, the trading day before the commencement of the offer, and 18% to the average exchange ratio based on the closing share prices for Vulcan and the Company during the 30-day period ended December 9, 2011. If all shares of Vulcan common stock are exchanged pursuant to the offer, former Vulcan shareholders would own, in the aggregate, approximately 58% of the outstanding shares of the Company's common stock, based on the proposed exchange ratio. The Company also intends to maintain the dividend for the combined company at the Company's current rate of \$1.60 per share annually, or the equivalent of \$0.80 per Vulcan share annually, based on the proposed exchange ratio.

In furtherance of the proposed business combination with Vulcan, the Company submitted notice to Vulcan of its intention to nominate five independent director candidates for election to Vulcan's Board of Directors at Vulcan's 2012 Annual Meeting of Shareholders and filed a preliminary proxy statement (and amendments thereto) with the Securities and Exchange Commission (the "SEC") in connection with the proposal. The Company's nominees, if elected, would replace the Vulcan directors whose terms are scheduled to expire in 2012. The Company intends to file a definitive proxy statement and when completed, the Company's definitive proxy statement and accompanying proxy card will be mailed to Vulcan shareholders.

Management believes that a strategic combination of the Company and Vulcan is compelling financially and operationally, and that such a combination provides significant benefits for shareholders of both companies, as well as their employees, customers and communities. Management is committed to and intends to take the necessary steps to consummate the proposed business combination with Vulcan.

Risks and uncertainties relating to the Company's proposed business combination with Vulcan are summarized under Item IA, Risk Factors, of this Form 10-K. For additional information regarding the proposed business combination with Vulcan, please see the prospectus/offer to exchange included in the Company's Registration Statement on Form S-4 filed with the SEC on December 12, 2011 (as may be amended from time to time).

### ***Business Segment Information***

The Company operates in four reportable business segments: the Mideast Group, Southeast Group, and West Group, collectively the Aggregates business, and the Specialty Products segment. The Specialty Products segment includes the magnesia-based chemicals and dolomitic lime businesses. Information concerning the Company's total revenues, net sales, gross profit, earnings from operations, assets employed, and certain additional information attributable to each reportable business segment for each year in the three-year period ended December 31, 2011 is included in "Note O: Business Segments" of the "Notes to Financial Statements" of the Company's 2011 consolidated financial statements (the "2011 Financial Statements"), which are included under Item 8 of this Form 10-K, and

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are part of the Company's 2011 Annual Report to Shareholders (the "2011 Annual Report"), which information is incorporated herein by reference.

### ***Aggregates Business***

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

The Company is the second largest producer of aggregates for the construction industry in the United States. In 2011, inclusive of 6.3 million tons attributable to operations divested during the year, the Company's Aggregates business shipped 125.1 million tons of aggregates primarily to customers in 31 states, Canada, the Bahamas, and the Caribbean Islands. For continuing operations, the business shipped 118.8 million tons of aggregates, generating net sales and earnings from operations of \$1.3 billion and \$127.5 million, respectively.

The Aggregates business markets its products primarily to the construction industry, with approximately 54% of its heritage aggregates shipments made to contractors in connection with highway and other public infrastructure projects and the balance of its shipments made primarily to contractors in connection with nonresidential and residential construction projects. As a result of dependence upon the construction industry, the profitability of aggregates producers is sensitive to national, regional, and local economic conditions, and particularly to cyclical swings in construction spending, which is affected by fluctuations in interest rates, demographic and population shifts, and changes in the level of infrastructure spending funded by the public sector.

The Company's aggregates shipments volume has ranged from 123 million tons to 130 million tons over the last three years, reflecting a certain degree of volume stability in a cyclical trough environment. Overall aggregates shipments declined 3.8% in 2011 after a 5.4% increase in 2010 in aggregates shipments over 2009 levels representing the Company's first year of volume growth since 2005. The Company's heritage aggregates shipments declined 3.5% in 2011 compared to 2010. Heritage aggregates shipments exclude tonnage from acquisitions that were not included in prior-year operations for a full year and divestitures. Prior to 2010, the ongoing economic recession had resulted in unprecedented reductions in aggregates shipments, as evidenced by United States aggregates consumption declining by almost 40% from peak volumes in 2006. Aggregates shipments have also suffered as states continue to balance their construction spending with the uncertainty related to long-term federal highway funding and budget shortfalls caused by decreasing tax revenues.

The American Recovery and Reinvestment Act of 2009 ("ARRA"), the federal economic stimulus plan signed into law in February 2009, provided approximately \$28.6 billion of additional funding for highways, roads, bridges and airports through 2012. However, the lack of shovel-ready projects delayed the impact of ARRA on the aggregates industry. As of December 31, 2011, approximately 15% of ARRA infrastructure funds remain and, by law, must be spent in 2012. Based on its market positions, the Company estimates that it has supplied approximately 6% to 8% of

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aggregates required for projects funded by ARRA and will supply approximately the same percentage amounts in 2012.

The Company's Aggregates business covers a wide geographic area, with aggregates, asphalt products, and ready mixed concrete sold and shipped from a network of approximately 304 quarries, underground mines, distribution facilities, and plants to customers in 31 states, Canada, the Bahamas, and the Caribbean Islands. The Company's five largest revenue-generating states (Texas, North Carolina, Iowa, Georgia, and South Carolina) account for approximately 57% of total 2011 net sales for the Aggregates business by state of destination. The Company's Aggregates business is accordingly affected by the economies in these regions and has been adversely affected in part by recessions and weaknesses in these economies from time to time. The economic recession nationally and in these states has negatively impacted the Company's Aggregates business.

The Company's Aggregates business is also highly seasonal, due primarily to the effect of weather conditions on construction activity within its markets. The operations of the Aggregates business that are concentrated in the northern United States and Canada typically experience more severe winter weather conditions than operations in the southeastern and southwestern regions of the United States. Furthermore, mild winter weather conditions typically do not result in increased first-quarter shipments as contractors cannot cost-effectively mobilize and demobilize equipment and manpower during the winter months. The recent acquisitions of operations in the Denver, Colorado market increased the Company's exposure to winter weather and risk of losses in the first and fourth quarters. Excessive rainfall or severe drought, however, can jeopardize shipments, production, and profitability in all of the Company's markets. For example, in 2011, several Midwest states, including Iowa, Indiana, and Ohio, recorded the wettest April in more than a century. These record levels of rainfall led to the flooding of the Mississippi River in April and May, restricting production and shipments in several of the Company's south central operations. Near the end of 2011, however, we divested most of these south central operations to Lafarge as part of the River District Operations. Additionally, in 2011, record snowfall in the Rocky Mountains and near-record spring rainfall triggered flooding of the Missouri River, interrupting the Company's operations in Iowa, Nebraska, Missouri, and Kansas. Due to these factors, the Company's second and third quarters are typically the strongest, with the first quarter generally reflecting the weakest results. Results in any quarter are not necessarily indicative of the Company's annual results. Similarly, the operations of the Aggregates business in the southeastern and Gulf Coast regions of the United States and the Bahamas are at risk for hurricane activity, most notably in August, September, and October, and have experienced weather-related losses in recent years.

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

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A growing percentage of the Company's aggregates shipments are being moved by rail or water through a distribution yard network. In 1994, 93% of the Company's aggregates shipments were moved by truck, the rest by rail. In contrast, in 2011, the originating mode of transportation for the Company's aggregates shipments was 70% by truck, 20% by rail, and 10% by water. Excluding the aggregates shipments from the River District Operations, which were divested in 2011, the originating mode of transportation for the Company's aggregates shipments in 2011 was 72% by truck, 21% by rail and 7% by water. Although the Company divested its River District Operations in 2011 as part of the asset exchange with Lafarge, the development of water and rail distribution yards continues to be a key component of the Company's strategic growth plan. While the River District Operations were being serviced as part of the Company's barge long-haul distribution network, those divested operations were not in high-growth states. The majority of the rail and water movements occur in the Southeast Group and the West Group, areas which generally lack a long-term indigenous supply of coarse aggregates but exhibit above-average growth characteristics driven by long-term population trends. The Company has an extensive network of aggregate quarries and distribution centers throughout the southern United States and in the Bahamas and Canada, as well as distribution centers along the Gulf of Mexico and Atlantic coasts.

During the recent economic recession, the Company set a priority of preserving capital while maintaining safe, environmentally-sound operations. As the Company returns to a more normalized operating environment, management expects to focus a significant part of its capital growth spending program on expanding key Southeast and Southwest operations. In 2010, the Company acquired a deep-water port operation in Port Canaveral, Florida that serves the greater Orlando market. In 2011, the Company opened an aggregates sales yard near Tampa, Florida, adding to its rail-distribution network and serving the Tampa and Lakeland, Florida, markets. In addition to capital projects for the Aggregates business, in 2011, the Company initiated construction of a \$53 million dolomitic lime kiln at its Specialty Products location in Woodville, Ohio, which is expected to add over 275,000 additional tons of capacity per year. This project is expected to be completed in late 2012.

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

The water and rail distribution network initially resulted in the Company increasing its market share in certain areas. However, recent consolidation in the aggregates industry has made it more competitive for the Company in various parts of the country. The Company believes that as shipment volumes recover, the Company will increase its market share in those areas.

As the Company continues to move more aggregates by rail and water, internal freight costs have consequently reduced gross margins. This typically occurs where the Company transports

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

The Company's long-term shipping contracts are generally take-or-pay contracts with minimum and maximum shipping requirements. If the Company fails to ship the annual minimum tonnages under the agreement, it must still pay the shipping company the contractually-stated minimum amount for that year. In 2011, the Company incurred a \$0.3 million expense due to not shipping the minimum tonnages. Similar charges are possible in 2012 if shipment volumes do not increase.

From time to time the Company has experienced rail transportation shortages, particularly in the Southwest and Southeast. These shortages were caused by the downsizing in personnel and equipment by certain railroads during economic downturns. Further, in response to these issues, rail transportation providers focused on increasing the number of cars per unit train under transportation contracts and are generally requiring customers, through the freight rate structure, to accommodate larger unit train movements. A unit train is a freight train moving large tonnages of a single bulk product between two points without intermediate yarding and switching. Certain of the Company's sales yards have the system capabilities to meet the unit train requirements. Over the last few years, the Company has made capital improvements to a number of its sales yards in order to better accommodate unit train unloadings. Rail availability is seasonal and can impact aggregates shipments depending on competing movements.

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

The construction aggregates industry has been consolidating, and the Company has actively participated in the consolidation of the industry. When acquired, new locations sometimes do not satisfy the Company's internal safety, maintenance, and pit development standards, and may require additional resources before benefits of the acquisitions are fully realized. Industry consolidation has slowed in the last several years as the number of suitable small to mid-sized acquisition targets in high-growth markets declines. During the recent period of fewer acquisition opportunities, the Company has focused on investing in internal expansion projects in high-growth markets. Management anticipates the number of acquisition opportunities to increase as a result of the protracted recession. Opportunities include public and larger private, family-owned businesses, as well as asset divestitures

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from companies rationalizing non-core assets and repairing financially-constrained balanced sheets. The Company's Board of Directors and management continue to review and monitor the Company's strategic long-term plans, which include assessing business combinations and arrangements with other companies engaged in similar businesses, increasing market share in the Company's core businesses, investing in internal expansion projects in high-growth markets, and pursuing new opportunities related to the Company's existing markets.

The Company became more vertically integrated with an acquisition in 1998 and subsequent acquisitions, particularly in the West Group, pursuant to which the Company acquired asphalt, ready mixed concrete, paving construction, trucking, and other businesses, which complement the Company's aggregates business. These vertically integrated operations accounted for approximately 8% of revenues of the Aggregates business in 2011. These operations have lower gross margins than aggregates products, and are affected by volatile factors, including fuel costs, operating efficiencies, and weather, to an even greater extent than the Company's aggregates operations. The road paving and trucking businesses were acquired as supplemental operations that were part of larger acquisitions. As such, in the past they have not represented core businesses of the Company. The results of these operations have traditionally been insignificant to the Company as a whole. Over the last few years, the Company has disposed of some of these operations. The Company has continued to review carefully each of the acquired vertically integrated operations to determine if they represent opportunities to divest underperforming assets in an effort to redeploy capital for other opportunities. The Company has also reviewed other independent vertically integrated operations to determine if they might present attractive acquisition opportunities in the best interest of the Company, either as part of their own vertically integrated operations or operations that might be vertically integrated with other operations owned by the Company. Based on these assessments, in 2011 the Company completed the acquisitions described under *General* above, which included vertically integrated operations, including asphalt, ready mixed concrete, and road paving businesses in the Denver, Colorado, and San Antonio, Texas markets. Vertically integrated operations are expected to have a more significant impact on the results of the Company in future periods.

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

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

backlog. The Company generally maintains inventories of aggregate products in sufficient quantities to meet the requirements of customers.

Less than 2% of the revenues from the Aggregates business are from foreign jurisdictions, principally Canada and the Bahamas, with revenues from customers in foreign countries totaling \$17.5 million, \$17.0 million, and \$19.8 million during 2011, 2010, and 2009, respectively.

### ***Specialty Products Business***

The Company manufactures and markets, through its Specialty Products business, magnesia-based chemical products for industrial, agricultural, and environmental applications, and dolomitic lime for use primarily in the steel industry. These chemical products have varying uses, including flame retardants, wastewater treatment, pulp and paper production, and other environmental applications. In 2011, 71% of Specialty Products' net sales were attributable to chemical products, 28% to lime, and 1% to stone. Overall net sales in the Specialty Products business increased in 2011 reflecting growth in both magnesia chemicals sales and dolomitic lime shipments to the steel industry.

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

In 2011, approximately 72% of the lime produced was sold to third-party customers, while the remaining 28% was used internally as a raw material in making the business' chemical products. Dolomitic lime products sold to external customers are used primarily by the steel industry. Products used in the steel industry accounted for approximately 46% of the Specialty Products' net sales in 2011, attributable primarily to the sale of dolomitic lime products. Accordingly, a portion of the profitability of the Specialty Products business is dependent on steel production capacity utilization and the related marketplace. These trends are guided by the rate of consumer consumption, the flow of offshore imports, and other economic factors. In 2011, steelmaking rates in the United States improved 8% over 2010, driven by growth from the auto, energy and heavy equipment manufacturing segments. Production rates for steel were approximately 75% in 2011, up from 70% in 2010, of domestic steelmaking capacity. According to Fitch Ratings, steel demand is expected to continue to grow, but not reach full recovery until 2013 at the earliest. Additionally, average capacity utilization is expected to rise but not reach 80% on average in 2012.

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

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

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

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

Approximately 11% of the revenues of the Specialty Products business in 2011 were from foreign jurisdictions, principally Canada, Mexico, Europe, South America, and the Pacific Rim, so no single foreign country accounted for 10% or more of the revenues of the business. Revenues from customers in foreign countries totaled \$24.2 million, \$17.1 million, and \$16.2 million, in 2011, 2010, and 2009, respectively. As a result of these foreign market sales, the financial results of the Specialty Products business could be affected by foreign currency exchange rates or weak economic conditions in the foreign markets. To mitigate the short-term effects of currency exchange rates, the Specialty Products business principally uses the U.S. dollar as the functional currency in foreign transactions.

The Company is currently constructing a new dolomitic lime kiln for its Specialty Products business at Woodville, Ohio. The new dolomitic lime capacity is committed under a long-term contract and is expected to add over 275,000 tons of capacity and \$22 million to \$25 million of annual net sales to the Specialty Products segment at comparable current margins when completed in late 2012.

### ***Patents and Trademarks***

As of February 29, 2012, the Company owns, has the right to use, or has pending applications for approximately 98 patents pending or granted by the United States and various countries and approximately 107 trademarks related to business. The Company believes that its rights under its existing patents, patent applications, and trademarks are of value to its operations, but no one patent or trademark or group of patents or trademarks is material to the conduct of the Company’s business as a whole.

### ***Customers***

No material part of the business of any segment of the Company is dependent upon a single customer or upon a few customers, the loss of any one of which would have a material adverse effect on the segment. The Company’s products are sold principally to commercial customers in private

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industry. Although large amounts of construction materials are used in public works projects, relatively insignificant sales are made directly to federal, state, county, or municipal governments, or agencies thereof.

### **Competition**

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

There are over 5,500 companies in the United States that produce construction aggregates. These include active crushed stone companies and active sand and gravel companies. The largest ten producers account for approximately 35% of the total market. The Company, in its Aggregates business, competes with a number of other large and small producers. The Company believes that its ability to transport materials by ocean vessels, rail, and river barges have enhanced the Company's ability to compete in the aggregates business. Some of the Company's competitors in the aggregates industry have greater financial resources than the Company.

The Company's Specialty Products business competes with various companies in different geographic and product areas principally on the basis of quality, price, technological advances, and technical support for its products. The Specialty Products business also competes for sales to customers located outside the United States, with revenues from foreign jurisdictions accounting for approximately 11% of revenues for the Specialty Products business in 2011, principally in Canada, Mexico, Europe, South America, and the Pacific Rim. Certain of the Company's competitors in the Specialty Products business have greater financial resources than the Company.

### **Research and Development**

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

### **Environmental and Governmental Regulations**

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

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

The Company regularly monitors and reviews its operations, procedures, and policies for compliance with existing laws and regulations, changes in interpretations of existing laws and enforcement policies, new laws that are adopted, and new laws that the Company anticipates will be adopted that could affect its operations. The Company has a full time staff of environmental engineers and managers that perform these responsibilities. The direct costs of ongoing environmental compliance were approximately \$10.5 million in 2011 and approximately \$9.1 million in 2010 and are related to the Company's environmental staff, ongoing monitoring costs for various matters (including those matters disclosed in this Annual Report on Form 10-K), and asset retirement costs. Capitalized costs related to environmental control facilities were approximately \$1.4 million in 2011 and are expected to be approximately \$1.0 million in 2012 and 2013. The Company's capital expenditures for environmental matters were not material to its results of operations or financial condition in 2011 and 2010. However, our expenditures for environmental matters generally have increased over time and are likely to increase in the future. Despite our compliance efforts, risk of environmental liability is inherent in the operation of the Company's businesses, as it is with other companies engaged in similar businesses, and there can be no assurance that environmental liabilities will not have a material adverse effect on the Company in the future.

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

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

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

Future reclamation costs are estimated using statutory reclamation requirements and management's experience and knowledge in the industry, and are discounted to their present value using a credit-adjusted, risk-free rate of interest. The future reclamation costs are not offset by potential recoveries. For additional information regarding compliance with legal requirements, see "Note N: Commitments and Contingencies" of the "Notes to Financial Statements" of the 2011 Financial Statements and the 2011 Annual Report. The Company is generally required by state or local laws or pursuant to the terms of an applicable lease to reclaim quarry sites after use. The Company performs activities on an ongoing basis that may reduce the ultimate reclamation obligation. These activities are performed as an integral part of the normal quarrying process. For example, the perimeter and interior walls of an open pit quarry are sloped and benched as they are developed to prevent erosion and provide stabilization. This sloping and benching meets dual objectives — safety regulations required by the Mine Safety and Health Administration for ongoing operations and final reclamation requirements. Therefore, these types of activities are included in normal operating costs and are not a part of the asset retirement obligation. Historically, the Company has not incurred substantial reclamation costs in connection with the closing of quarries. Reclaimed quarry sites owned by the Company are available for sale, typically for commercial development or use as reservoirs.

The Company believes that its operations and facilities, both owned or leased, are in substantial compliance with applicable laws and regulations and that any noncompliance is not likely to have a material adverse effect on the Company's operations or financial condition. See "Legal Proceedings" under Item 3 of this Form 10-K, "Note N: Commitments and Contingencies" of the "Notes to Financial Statements" of the 2011 Financial Statements included under Item 8 of this Form 10-K and the 2011 Annual Report, and "Management's Discussion and Analysis of Financial Condition and Results of Operations - Environmental Regulation and Litigation" included under Item 7 of this Form 10-K and the 2011 Annual Report. However, future events, such as changes in or modified interpretations of existing laws and regulations or enforcement policies, or further investigation or evaluation of the potential health hazards of certain products or business activities, may give rise to additional compliance and other costs that could have a material adverse effect on the Company.

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

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

In 2010, the United States Environmental Protection Agency ("USEPA") included the lime industry as a national enforcement priority under the federal Clean Air Act ("CAA"). As part of the industry wide effort, the USEPA issued Notices of Violation/Findings of Violation ("NOVs") to the Company in 2010 and 2011 regarding the Company's compliance with the CAA New Source Review ("NSR") program at the Specialty Products dolomitic lime manufacturing plant in Woodville, Ohio. The Company has been providing information to the USEPA in response to these NOVs and has had several meetings with the USEPA. The Company believes it is in substantial compliance with the NSR program. Because the enforcement proceeding is in its initial stage, at this time the Company cannot reasonably estimate what reasonable likely penalties or required upgrades to equipment might ultimately be required. The Company believes that any costs related to any required upgrades will be spread over time and will not have a material adverse effect on the Company's operations or its financial condition, but can give no assurance that the ultimate resolution of this matter will not have a material adverse effect on the financial condition or results of operations of the Specialty Products segment of the business.

In the vicinity of and beneath the Specialty Products facility in Manistee, Michigan, there is an underground plume of material originating from adjacent property which formerly was used by Packaging Corporation of America ("PCA") as a part of its operations. The Company believes the plume consists of paper mill waste. On September 8, 1983, the PCA plume and property were listed on the National Priorities List ("NPL") under the authority of the Comprehensive Environmental Response, Compensation and Liability Act (the "Superfund" statute). The PCA plume is subject to a Record of Decision issued by the USEPA on May 2, 1994, pursuant to which PCA's successor, Pactiv Corporation ("Pactiv"), is required to conduct annual monitoring. The USEPA has not required remediation of the groundwater contamination. On January 10, 2002, the Michigan Department of Environmental Quality ("MDEQ") issued Notice of Demand letters to the Company's wholly-owned subsidiary, Martin Marietta Magnesia Specialties ("Magnesia Specialties"), PCA and Pactiv indicating that it believes that Magnesia Specialties' chloride contamination is commingling with the PCA plume which originates upgradient from the Magnesia Specialties property. The MDEQ is concerned about possible effects of these plumes, and designated Magnesia Specialties, PCA and Pactiv as parties responsible for investigation and remediation under Michigan state law. The MDEQ held separate meetings with Magnesia Specialties, PCA, and Pactiv to discuss remediation and reimbursement for past investigation costs totaling approximately \$700,000. Magnesia Specialties entered into an

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Administrative Order with the MDEQ to pay for a portion of MDEQ's past investigation costs and thereby limit its liability for past costs in the amount of \$20,000. Michigan law provides that responsible parties are jointly and severally liable, and, therefore, Magnesia Specialties is potentially liable for the full cost of funding future investigative activities and any necessary remediation. Michigan law also provides a procedure whereby liability may be apportioned among responsible parties if it is capable of division. The Company believes that the liability most likely will be apportioned and that any such costs attributed to Magnesia Specialties' brine contamination will not have a material adverse effect on the Company's operations or its financial condition, but can give no assurance that the liability will be apportioned or that the compliance costs will not have a material adverse effect on the financial condition or results of the operations of the Specialty Products business.

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

The Company has been reviewing its operations with respect to climate change matters and its sources of greenhouse gas emissions. On December 7, 2009, the USEPA made an endangerment finding under the Clean Air Act that the current and projected concentrations of the six key greenhouse gases (sometimes referred to as "GHG" or GHGs") in the atmosphere threaten the public health and welfare of current and future generations. The six GHGs are carbon dioxide, methane, nitrous oxide, hydrofluorocarbons, perfluorocarbons, and sulfur hexafluoride. As of 2010, facilities that emitted 25,000 metric tons or more per year of GHGs are required to annually report GHG generation to comply with the USEPA's Mandatory Greenhouse Gas Reporting Rule. On May 13, 2010, the USEPA issued a final rule to impose additional permitting requirements on existing GHG sources emitting greater than 25,000 metric tons per year of GHGs. Permitting requirements will be phased in over several years and apply to both new sources and modifications to existing facilities where GHGs increase and exceed certain specified thresholds. The regulated facilities will be required to determine the best available control technology to control GHG emissions. In Congress, both the House and Senate had considered climate change legislation, including the "cap-and-trade" approach. Cap and trade is an environmental policy tool that delivers results with a mandatory cap on emissions while providing sources flexibility in how they comply by trading credits with other sources whose emissions are below the cap. Another approach that had been proposed was a tax on emissions. The Company believes that climate change legislation is not a priority item in Congress in the near future and that the primary method that greenhouse gases will be regulated is through the USEPA using its rule-making authority. Various states where the Company has operations are also considering climate change initiatives, and the Company may be subject to state regulations in addition to any federal laws and rules that are passed.

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The operations of the Company's Aggregates business are not major sources of GHG emissions. Most of the GHG emissions from aggregate operations are tailpipe emissions from mobile sources such as heavy construction and earth-moving equipment. The manufacturing operations of the Company's Specialty Products business in Woodville, Ohio releases carbon dioxide, methane and nitrous oxide during the production of lime. The Specialty Products operation in Manistee, Michigan releases carbon dioxide, methane, and nitrous oxides in the manufacture of magnesium oxide and hydroxide products. Both of these operations are filing annual reports of their GHG emissions in accordance with the USEPA's Mandatory Greenhouse Gas Reporting Rule. If and when Congress passes legislation on GHGs, the Woodville and Manistee operations will likely be subject to the new program. The Company believes that the USEPA may impose additional regulatory restrictions on emissions of GHGs that will impact the Company's Woodville and Manistee operations. The Company anticipates that any increased operating costs or taxes relating to GHG emission limitations at the Woodville operation or for magnesium hydroxide produced at the Manistee operation would be passed on to its customers. The magnesium oxide products produced at the Manistee operation compete against other products that emit a lower level of GHGs in their production. Therefore, the Manistee facility may be required to absorb additional costs due to the regulation of GHG emissions in order to remain competitive in pricing in that market. The Company is also analyzing the obligations of our Manistee facility's global customer base with regards to climate change treaties and accords. The Company at this time cannot reasonably predict what the costs of compliance will be but does not believe it will have a material adverse effect on the financial condition or results of the operations of the Specialty Products business.

### **Employees**

As of January 31, 2012, the Company has approximately 4,993 employees, of which 3,709 are hourly employees and 1,284 are salaried employees. Included among these employees are 768 hourly employees represented by labor unions (15.0% of the Company's employees). Of such amount, 15.2% of the Company's Aggregates business's hourly employees are members of a labor union, while 100% of the Specialty Products segment's hourly employees are represented by labor unions. The Company's principal union contracts cover employees of the Specialty Products business at the Manistee, Michigan, magnesia-based chemicals plant and the Woodville, Ohio, lime plant. The Manistee collective bargaining agreement expires in August 2015. The Woodville collective bargaining agreement expires in June 2014. While the Company's management does not expect significant difficulties in renewing these labor contracts, there can be no assurance that a successor agreement will be reached at either location. The Company added a net increase of approximately 463 employees directly related to the acquisitions it completed in 2011.

### **Available Information**

The Company maintains an Internet address at [www.martinmarietta.com](http://www.martinmarietta.com). The Company makes available free of charge through its Internet web site its Annual Report on Form 10-K, Quarterly Reports on Form 10-Q, Current Reports on Form 8-K, and amendments to those reports, if any, filed or furnished pursuant to Section 13(a) or 15(d) of the Exchange Act. These reports and any amendments are accessed via the Company's web site through a link with the Electronic Data Gathering, Analysis, and Retrieval ("EDGAR") system maintained by the Securities and Exchange Commission (the "SEC") at [www.sec.gov](http://www.sec.gov). Accordingly, the Company's referenced reports and any amendments are

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made available as soon as reasonably practicable after the Company electronically files such material with, or furnishes it to, the SEC, once EDGAR places such material in its database.

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

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

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

The Company maintains an internet address at [www.aggregatesleader.com](http://www.aggregatesleader.com) to provide additional information about the proposed business combination with Vulcan.

## **ITEM 1A. RISK FACTORS**

### ***General Risk Factors***

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

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

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10-K and in other publications may turn out to be wrong.

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

Factors that the Company currently believes could cause its actual results to differ materially from those in the forward-looking statements include, but are not limited to, those set out below. In addition to the risk factors described below, we urge you to read our Management's Discussion and Analysis of Financial Condition and Results of Operations.

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

The current market environment has hurt the economy, and we have considered the impact on our business. The overall United States economy remains weak, with national debt at a record high and commercial and consumer credit availability remaining tight. While we were encouraged by an increase in our aggregates shipments in 2010, the first year of volume growth since 2005, 2011 saw volume drop off again, as our overall aggregates shipments declined 3.8% over 2010 levels (with heritage aggregates shipments declining 3.5% over 2010 levels, as discussed in more detail below). Demand for our products, particularly in the nonresidential and residential construction markets, could continue to fall if companies and consumers are unable to get credit for construction projects or if the economic slowdown causes delays or cancellations of capital projects. State and federal budget issues may continue to hurt the funding available for infrastructure spending. The lack of available credit has limited the ability of states to issue bonds to finance construction projects. Several of our top sales states have stopped or slowed bidding projects in their transportation departments.

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

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

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The historic economic recession resulted in large declines in shipments of aggregate products in our industry. For the last three years our aggregates shipments ranged from 123 million tons to 130 million tons, reflecting a certain degree of volume stability. Our aggregates volumes decreased 3.8% in 2011 after a 5.4% increase in 2010 in shipments over 2009 levels representing our first year of volume growth since 2005. Our heritage aggregates shipments decreased 3.5% in 2011 over 2010. We determine our heritage aggregates volume by excluding tonnage from operations we acquired during the year that were not included in previous year operations and operations we divested during the year. Prior to 2010, use of aggregate products in the United States had declined almost 40% from the highest volume in 2006. While historical spending on public infrastructure projects has been comparatively more stable as governmental appropriations and expenditures are typically less interest rate-sensitive than private sector spending, the current uncertainty created by the lack of a successor federal highway bill has negatively affected spending on public infrastructure projects. There has been a reduction in many states' investment in highway maintenance.

In February 2009, President Obama signed into law an economic stimulus plan, which was designed to stimulate the economy by providing over \$29 billion in new funding for transportation infrastructure. However, the lack of shovel-ready projects and the substitution of stimulus funds for other projects delayed and limited the impact of this stimulus spending on the aggregates industry. At the end of 2011, only about 15% of these infrastructure funds remained, which by law must be spent in 2012. We cannot be assured of the remaining impact of the stimulus plan.

Weakness in the United States economy and uncertainty in long-term federal infrastructure spending hurt infrastructure spending in 2011. The federal stimulus plan is also winding down as all stimulus projects must be completed by the end of 2012. Our heritage aggregates shipments to the infrastructure construction market decreased 5% in 2011. We remain optimistic that the demand and need for infrastructure projects support consistent growth in this market once long-term federal funding is resolved. Approximately 54% of our heritage aggregates shipments in 2011 were to the infrastructure construction market.

Within the construction industry, we sell our aggregates products for use in both nonresidential construction and residential construction. Nonresidential and residential construction levels generally move with economic cycles; when the economy is strong, construction levels rise, and when the economy is weak, construction levels fall. The overall economy has been hurt by the changes in the financial services sector, including failures of several large financial institutions, historical merger and acquisition activity within that industry, and the resulting lack of credit availability.

We experienced a 3% decrease in heritage aggregates shipments to the nonresidential construction market in 2011, with shipments to the energy sector to support natural gas drilling and exploration projects reduced in part because of lower natural gas prices. These reductions were offset in part by growth in heritage aggregates shipments to the commercial part of nonresidential construction, namely office and retail, which generally follows the residential construction market with a 12-to-18 month lag. We expect this component of the nonresidential construction market to experience modest volume recovery in 2012. Approximately 26% of our heritage aggregates shipments in 2011 were to the nonresidential construction market.

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Our heritage aggregates shipments to the residential construction market increased 4% in 2011. While the Federal Reserve kept the federal funds rate at 0% throughout the year, overall weakness in the U.S. economy and reduced consumer lending by banks limited the impact of this low rate. The excess supply of developed lots also stifled new housing starts and limited the more aggregates-intensive subdivision development typically seen in a residential volume recovery. Although we expect moderate improvement in the residential construction market in 2012, housing starts are not expected to achieve a normalized level, estimated at 1.5 million starts nationally, until 2016, according to McGraw Hill Construction. Approximately 8% of our heritage aggregates shipments in 2011 were to the residential construction market.

Consummation of the proposed business combination with Vulcan would increase our exposure to unfavorable conditions in the residential construction market. Vulcan's sales and volumes in Arizona, Florida, and California have been negatively impacted by foreclosures and a decline in residential construction. Vulcan's sales volumes and earnings could continue to be depressed and negatively impacted by this segment of the market until there is a recovery in residential construction.

Shipments of chemical rock (comprised primarily of material used for agricultural lime and flue gas desulfurization) and ballast product sales ("ChemRock/Rail") accounted for approximately 12% of our heritage aggregates shipments and decreased slightly in 2011. Three of our top ten customers in 2011 were Class I railroads. We expect our ChemRock/Rail shipments to be relatively flat in 2012 compared to 2011.

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

Our aggregates products are used in public infrastructure projects, which include the construction, maintenance, and improvement of highways, bridges, schools, prisons, and similar projects. So our business is dependent on the level of federal, state, and local spending on these projects. We cannot be assured of the existence, amount, and timing of appropriations for spending on future projects.

The federal highway bill provides annual highway funding for public-sector construction projects. The most recent federal highway bill passed in 2005 provided funding of \$286.4 billion for highway, transit, and highway safety programs, but ended September 30, 2009. While a multi-year successor federal highway bill has not been approved, Congress has extended the provisions of the current law under eight continuing resolutions through March 31, 2012. Given the record level of national debt and the resulting pressure on all government spending, we cannot be assured that Congress will pass a multi-year successor federal highway bill or will continue to extend the provisions of the most recent law at the same levels. Historically, states have been reluctant to commit to long-term projects while under continuing resolutions. In fact, obligations for federal highway funds are at a five-year low through the first three months of the federal fiscal year ending September 30, 2012 and \$1.06 billion less than were obligated during the first three months of fiscal 2011, when the highway bill was also operating under continuing resolutions.

Federal highway bills provide spending authorizations that represent maximum amounts. Each year, an appropriation act is passed establishing the amount that can actually be used for particular

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programs. The annual funding level is generally tied to receipts of highway user taxes placed in the Highway Trust Fund. Once the annual appropriation is passed, funds are distributed to each state based on formulas (apportionments) or other procedures (allocations). Apportioned and allocated funds generally must be spent on specific programs as outlined in the federal legislation. The Highway Trust Fund has experienced shortfalls in recent years, due to high gas prices, fewer miles driven and improved automobile fuel efficiency. These shortfalls created a significant decline in federal highway funding levels. In response to the projected shortfalls, money has been transferred from the General Fund into the Highway Trust Fund over the past three years. Presently, the Congressional Budget Office projects that the highway account, one of the two components of the Highway Trust Fund, will be unable to meet its obligations in a timely manner sometime during fiscal 2012 or 2013. We cannot be assured of the existence, timing or amount of federal highway funding levels in the future.

At the state level, each state funds its infrastructure spending from specially allocated amounts collected from various taxes, typically gasoline taxes and vehicle fees, along with voter-approved bond programs. Shortages in state tax revenues can reduce the amounts spent on state infrastructure projects, even below amounts awarded under legislative bills. Delays in state infrastructure spending can hurt our business. Nearly all states are now experiencing state-level funding pressures caused by lower tax revenues and an inability to finance approved projects. North Carolina and Texas are among the states experiencing these pressures, and these states disproportionately affect our revenues and profits.

### ***Our aggregates business is seasonal and subject to the weather.***

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

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

Our challenge is to find aggregate deposits that we can mine economically, with appropriate permits, near either growing markets or long-haul transportation corridors that economically serve growing markets. As communities have grown, they have taken up attractive quarrying locations and have imposed restrictions on mining. We try to meet this challenge by identifying and permitting sites prior to economic expansion, buying more land around our existing quarries to increase our mineral

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reserves, developing underground mines, and developing a distribution network that transports aggregates products by various transportation methods, including rail and water, that allows us to transport our products longer distances than would normally be considered economical, but we can give no assurances that we will be successful.

### ***Our aggregates business is a capital-intensive business.***

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

### ***Our businesses face many competitors.***

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

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

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

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

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We have acquired many companies since 1995. Some of these acquisitions were more easily integrated into our existing operations and have performed as well or better than we expected, while others have not. We have sold underperforming and other non-strategic assets, particularly lower margin businesses like our asphalt plants in Houston, Texas, and our road paving businesses in Shreveport, Louisiana, and Texarkana, Arkansas.

We have provided under the initial heading “*Recent Developments*” under Item I of this Annual Report on Form 10-K a description of our proposed business combination with Vulcan. As presently proposed, we would pay the entire purchase price of the proposed business combination with Vulcan with shares of our common stock, which would dilute the ownership interests of our shareholders. We believe, however, the proposed business combination with Vulcan would maximize long-term shareholder value. See “Risk Factors Relating to the Proposed Business Combination with Vulcan.”

### ***Short supplies and high costs of fuel and energy affect our businesses.***

Our businesses require a continued supply of diesel fuel, natural gas, coal, petroleum coke and other energy. The financial results of these businesses have been affected by the short supply or high costs of these fuels and energy. While we can contract for some fuels and sources of energy, such as fixed-price supply contracts for coal and petroleum coke, significant increases in costs or reduced availability of these items have and may in the future reduce our financial results. Moreover, fluctuations in the supply and costs of these fuels and energy can make planning our businesses more difficult. For example, in 2011, increases in energy costs when compared with 2010 lowered net earnings for our businesses by \$0.27 per diluted share. We do not hedge our diesel fuel price risk, but instead focus on volume-related price reductions, fuel efficiency, consumption, and the natural hedge created by the ability to increase aggregates prices.

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

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

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

Our operations are subject to manufacturing, operating, and handling risks associated with the products we produce and the products we use in our operations, including the related storage and transportation of raw materials, products, hazardous substances, and wastes. We are exposed to

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hazards including storage tank leaks, explosions, discharges or releases of hazardous substances, exposure to dust, and the operation of mobile equipment and manufacturing machinery.

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

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

### ***Labor disputes could disrupt operations of our businesses.***

Labor unions represent 15.2% of the hourly employees of our aggregates business and 100% of the hourly employees of our specialty products business. Our collective bargaining agreements for employees of our magnesia specialties business at the Manistee, Michigan magnesia chemicals plant and the Woodville, Ohio lime plant expire in August 2015 and June 2014, respectively.

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

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

Transportation logistics play an important role in allowing us to supply products to our customers, whether by truck, rail, ship, or barge. Any significant delays, disruptions, or the non-availability of our transportation support system could negatively affect our operations.

Water levels can also affect our ability to transport our products. High water levels limit the number of barges we can transport and can require that we use additional horsepower to tow barges. Low water levels can reduce the amount of material we can transport in each barge.

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

We have long-term agreements with shipping companies to provide ships to transport our aggregate products from our Bahamas and Nova Scotia operations to various coastal ports. These contracts have varying expiration dates ranging from 2012 to 2017 and generally contain renewal

options. Our inability to renew these agreements or enter into new ones with other shipping companies could affect our ability to transport our products.

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

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

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

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

The accounting standards we apply in preparing our financial statements are reviewed by regulatory bodies and are changed from time to time. New or revised accounting standards could change our financial results either positively or negatively. For example, beginning in 2009, we were required under new accounting standards to determine whether instruments granted in stock-based payment transactions under our employee benefit plans were considered "participating securities" and included in determining our earnings per share. This resulted in a reduction of our previously-reported net earnings and decreased our previously-reported earnings per share amounts. We urge you to read about our accounting policies and changes in our accounting policies in Note A of our 2011 financial statements. The federal regulatory body overseeing our accounting standards is now implementing a convergence project, which would conform the accounting in the United States for various topics to the requirements under international accounting standards. Proposed changes are being issued one topic at a time. We have not looked at how all of these topics might impact us. New or revised accounting standards could change our financial results either positively or negatively.

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

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

***Disruptions in the credit markets could affect our business.***

The current credit environment has negatively affected the economy, and we have considered how it might affect our business. Demand for our products, particularly in the commercial and residential construction markets, could decline if companies and consumers are unable to finance construction projects or if the economic slowdown continues to cause delays or cancellations to capital projects. State and federal budget issues may continue to negatively affect the funding available for infrastructure spending without continued economic stimulus at the federal level.

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

During this economic downturn we have been forced to temporarily idle some of our facilities. In 2011, the Company's Aggregates business operated at a level significantly below capacity, which restricted the Company's ability to capitalize \$55.9 million of costs that could have been inventoried under normal operating conditions. If demand does not improve, such temporary idling could become longer-term, impairing the value of some of the assets at those locations. The timing of increased demand will determine when these locations will be reopened. During the idling period, the plant and equipment will continue to be depreciated. If practicable, we will transfer the mobile equipment and use it elsewhere. Because we continue to have long-term access to the aggregate reserves, these sites are not considered impaired during temporary idlings. Nevertheless, there is a risk of long-term asset impairment at sites that are temporarily idled if the economic downturn does not improve in the near term.

The credit environment could impact the Company's ability to borrow money in the future. Additional financing or refinancing might not be available and, if available, may not be at economically favorable terms. Further, an increase in leverage could lead to deterioration in our credit ratings. A reduction in our credit ratings, regardless of the cause, could also limit our ability to obtain additional financing and/or increase our cost of obtaining financing. In 2011, the Company entered into a new multi-year credit facility and amended its accounts credit facility with its banks. It used the proceeds from the new credit facility to repay maturing obligations, prepay other obligations, fund working capital, and other general corporate purposes. In addition in 2012 it amended its leverage ratio covenant under such new credit facility and accounts credit facility to ensure that the impact of business development costs for the proposed business combination with Vulcan and the seasonal working capital requirements for the newly-acquired Colorado operations do not impair liquidity available under such credit facilities. There is no guarantee we will be able to access the capital markets at financially economical interest rates, which could negatively affect our business.

We may be required to obtain financing in order to complete the proposed business combination with Vulcan or to fund certain strategic acquisitions, if they arise, or to refinance our outstanding debt. Any large strategic acquisition would require that we issue both newly issued equity and debt securities in order to maintain our investment grade credit rating and could result in a ratings

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downgrade notwithstanding our issuance of equity securities to fund the transaction. We are also exposed to risks from tightening credit markets, through the interest payable on our outstanding debt and the interest cost on our commercial paper program, to the extent it is available to us. While management believes our credit ratings will remain at an investment-grade level, we cannot be assured these ratings will remain at those levels. While management believes the Company will continue to have credit available to it adequate to meet its needs, there can be no assurance of that.

### ***Our specialty products business depends in part on the steel industry and the supply of reasonably priced fuels.***

Our specialty products business sells some of its products to companies in the steel industry. While we have reduced this risk over the last few years, this business is still dependent, in part, on the strength of the highly-cyclical steel industry. The economic downturn has caused a significant decline in steel manufacturing. While steelmaking increased in 2011, it is still far below levels of the past. We anticipate this weakness to continue in 2012. The specialty products business also requires significant amounts of natural gas, coal, and petroleum coke, and financial results are negatively affected by increases in fuel prices or shortages.

### ***Our acquisitions could harm our results of operations.***

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

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

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

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

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interest. These provisions are intended to encourage any person interested in acquiring us to negotiate with and obtain the approval of our board of directors in connection with the transaction. Provisions that could delay, deter, or inhibit a future acquisition include the following:

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

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

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

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

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

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

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

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

### ***Risk Factors Relating to Proposed Business Combination with Vulcan***

We have provided under the initial heading “Recent Developments” under Item I of this Annual Report on Form 10-K a description of our proposed business combination with Vulcan. Under the terms of the exchange offer, if consummated, each outstanding share of Vulcan common stock will be exchanged for 0.50 of a share of the Company’s common stock (together with the associated preferred stock purchase rights). Consummation of the proposed business combination with Vulcan presents risks that should be considered by someone purchasing or considering the purchase of our securities. Some of these risks have been described in connection with the discussion of various general risks described above. Other risk factors relating to our proposed business combination with Vulcan are discussed below. The following discussion is not intended as a substitute for the discussion of the proposed transaction contained in our prospectus/offer to exchange used in connection with our proposed business combination with Vulcan. For further information regarding the proposed business combination with Vulcan, please review the prospectus/offer to exchange included in the Company’s Registration Statement on Form S-4 filed on December 12, 2011 with the SEC (as may be amended from time to time), as well as the Company’s other disclosures relating to the proposed business combination with Vulcan. See also “Important Additional Information” under Item 9B of this Form 10-K below.

### ***The exchange ratio of the proposed business combination with Vulcan is fixed and will not be adjusted.***

Each outstanding share of Vulcan common stock will be exchanged for the right to receive 0.50 shares of our common stock (together with the associated preferred stock purchase rights) upon consummation of the proposed business combination with Vulcan. This exchange ratio is fixed and will not be adjusted, including in the event of any increase in the price of our common stock or a decrease in the price of Vulcan common stock. In certain circumstances, Vulcan shareholders could receive more value for their shares in the proposed business combination than the value calculated pursuant to the exchange ratio on the date the offer was announced. Because the proposed business combination with Vulcan may not be completed until certain conditions have been satisfied or waived, a significant period of time may pass between the commencement of the offer and the time that we accept shares of Vulcan common stock for exchange.

***We have not negotiated the price or terms of the proposed business combination with Vulcan with Vulcan's board of directors.***

We have not negotiated the price or terms of the proposed business combination with Vulcan or its board of directors. Neither Vulcan nor its board of directors has approved the proposed business combination with Vulcan. In response to the commencement of our offer on December 12, 2011, Vulcan filed with the SEC on December 22, 2011 its Schedule 14D-9 reporting that Vulcan's board of directors had determined to recommend that Vulcan shareholders reject our exchange offer and not tender their shares of Vulcan common stock to us.

***In connection with the proposed business combination with Vulcan, we have only conducted a review of Vulcan's publicly available information and have not had access to Vulcan's non-public information. Therefore, we may be subject to unknown liabilities of Vulcan which may have a material adverse effect on our profitability, financial condition and results of operations if the proposed business combination with Vulcan is completed.***

While we are in the same industry with Vulcan, to date, we have only conducted a due diligence review of Vulcan's publicly available information in connection with the proposed business combination with Vulcan. The consummation of the offer may constitute a default, or an event that, with or without notice or lapse of time or both, would constitute a default, or result in the termination, cancellation, acceleration or other change of any right or obligation (including, without limitation, any payment obligation) under agreements of Vulcan that are not publicly available. As a result, after the consummation of the offer, we may be subject to unknown liabilities of Vulcan, which may have a material adverse effect on our profitability, financial condition and results of operations.

***Uncertainties exist in integrating our business and operations with that of Vulcan, and there can be no assurance that the anticipated benefits of the business combination will be realized.***

We intend, to the extent possible, to integrate Vulcan's operations with our operations. Although we believe that the integration of our operations with that of Vulcan (and the resulting benefits and synergies) will be achievable, there can be no assurance that we will not encounter difficulties integrating Vulcan's operations with our operations, which could result in our achieving less than the anticipated benefits and synergies of the combination and, therefore, less than the expected cost savings. Additionally, there can be no assurance that the timing for realizing these benefits and synergies will be consistent with the timing we anticipate. The difficulties of combining the operations of the companies include, among other things:

- possible inconsistencies in standards, controls, procedures and policies, and compensation structures between Vulcan and us;
- the complexities of integrating the business and operations of Vulcan with those of our company;
- the retention of existing customers and attraction of new customers;
- the retention of key employees, and attraction of new employees, if necessary;
- the consolidation of corporate and administrative infrastructures;
- the minimization of the diversion of management's attention from ongoing business concerns; and

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- the possibility of tax costs or inefficiencies associated with the integration of the operations of the combined company.

Also, our proposal is not dependent upon the retention or cooperation of Vulcan's senior management. There can be no assurance that there will not be some lack of cooperation on the part of Vulcan's senior executive management and/or its other employees which could adversely affect the integration process.

***The payment of cash dividends by the combined company in the future may be subject to certain limitations. The failure of the combined company to maintain or pay dividends may adversely affect its share price.***

We intend for the combined company to pay regular dividends to shareholders at our current rate of \$1.60 per share annually (equivalent to \$0.80 per Vulcan share annually, based on the 0.50 exchange ratio). The ability of the combined company to pay dividends is subject to, among other things, its financial condition, compliance with covenants and financial ratios related to existing or future indebtedness (including Vulcan's indebtedness) and applicable law. In addition, if Vulcan is required to offer to repurchase outstanding senior unsecured notes, its financial condition may be adversely affected and as a result the combined company could be required to reduce or eliminate its dividend. Please see "Following consummation of the proposed business combination with Vulcan, the credit rating of Vulcan's indebtedness could be downgraded, which in certain circumstances could give rise to an obligation to redeem Vulcan's existing indebtedness." If the combined company reduces or eliminates its dividend, the combined company's share price may be adversely affected.

***We must obtain governmental and regulatory consents to consummate the proposed business combination with Vulcan, which, if delayed, not granted or granted with unacceptable conditions, may jeopardize or delay the offer, result in additional expenditures of money and resources and/or reduce the anticipated benefits of the proposed business combination with Vulcan.***

The proposed business combination with Vulcan is conditioned on the receipt of all necessary or advisable (at our sole discretion) governmental and regulatory authorizations, consents, orders and approvals or the termination of any necessary or advisable (at our sole discretion) waiting periods, including the expiration or termination of the applicable waiting periods under the federal antitrust laws. If we do not receive these approvals, or do not receive them on terms that satisfy the conditions set forth in our proposed offer, then we will not be obligated to accept shares of Vulcan common stock for exchange in the offer.

The governmental agencies from which we are seeking these approvals, or which may otherwise review the transaction, including, in particular, the FTC and the United States Department of Justice, have broad discretion in administering the governing regulations. As a condition to their approval of the proposed transaction, agencies may impose requirements, limitations or costs or require divestitures or place restrictions on the conduct of the combined company's business. These requirements, limitations, costs, divestitures or restrictions could jeopardize or delay the consummation of the proposed business combination with Vulcan or may reduce the anticipated benefits of the combination contemplated by the proposed combination. Further, no assurance can be given that the required consents and approvals will be obtained or that the required conditions to the offer will be satisfied, and, if all required consents and approvals are obtained and the conditions to the consummation of the offer are satisfied, no assurance can be given as to the terms, conditions and

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timing of the approvals. If we agree to any material requirements, limitations, costs, divestitures or restrictions in order to obtain any approvals required to consummate the offer, these requirements, limitations, additional costs or restrictions could adversely affect our ability to integrate the operations of the two companies or reduce the anticipated benefits of the proposed combination. This could result in a failure to complete the proposed business combination with Vulcan or have a material adverse effect on the business and results of operations of the combined company.

Although there is some overlap in some regions served by Vulcan and us, we believe that such overlap is limited and that there would be numerous parties interested in purchasing any assets required to be divested. We expect that any asset divestitures that may be required in connection with the proposed business combination with Vulcan would not present significant hurdles to completion of a transaction.

***The market for our common stock may be adversely affected by the issuance of shares pursuant to the proposed business combination with Vulcan.***

In connection with the completion of the proposed business combination with Vulcan, we estimate we will issue approximately 64,905,000 shares of our common stock. The increase in the number of shares of our common stock may lead to sales of such stock or the perception that such sales may occur, either of which may adversely affect the market for, and the market price of, our common stock.

If all shares of Vulcan common stock are exchanged pursuant to the offer, former Vulcan shareholders would own, in the aggregate, approximately 58% of the outstanding shares of the Company's common stock, based on the proposed exchange ratio.

***Following consummation of the proposed business combination with Vulcan, the credit rating of Vulcan's indebtedness could be downgraded, which in certain circumstances could give rise to an obligation to redeem Vulcan's existing indebtedness.***

Vulcan had approximately \$2.8 billion aggregate principal amount of outstanding senior unsecured notes as of September 30, 2011. We do not presently intend to redeem or refinance any of Vulcan's senior unsecured notes in connection with the proposed business combination with Vulcan.

Completion of the proposed business combination with Vulcan may constitute a "change of control" under the terms of each series of Vulcan's senior unsecured notes. If completion of the offer constitutes a change of control and if there is a downgrade of the credit rating of any series of Vulcan's senior unsecured notes by both S&P and Moody's to a rating that, in the case of S&P, is below BBB- and, in the case of Moody's Investors Service, Inc., is below Baa3 (in each case, regardless of the credit rating prior to the downgrade), during the period commencing 60 days prior to the first public announcement by Vulcan of any change of control (or pending change of control) continuing until 60 days following consummation of such change of control (which period will be extended following consummation of a change of control for up to an additional 60 days for so long as either of these rating agencies has publicly announced that it is considering a possible ratings change), this would constitute a "change of control repurchase event" under the terms of the applicable notes. In the event of a change of control repurchase event with respect to any series of Vulcan's senior unsecured notes, Vulcan would be required to offer to repurchase each holder's notes of such series at a purchase price in cash equal to 101% of the aggregate principal amount of the notes repurchased, plus accrued and unpaid interest.

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We may elect to implement alternative structures to effect the proposed business combination with Vulcan taking into account, among other things, any implications of the proposed transaction under Vulcan's senior unsecured notes. Pursuant to the terms of the form merger agreement delivered to Vulcan concurrently with Martin Marietta's business combination proposal, we would have the right to require that, prior to the closing of the transaction, Vulcan cooperate with us (and, as applicable, amend the merger agreement) to implement the transactions through an alternative transaction structure. Under the terms of the form merger agreement, we can request that Vulcan implement the transaction either (i) through a new holding company we form or (ii) as may otherwise be requested by us (so long as Vulcan's shareholders receive the substantially equivalent economic benefit compared to the economic benefit Vulcan's shareholders would have received upon consummation of the transactions under the structure contemplated by the form merger agreement).

We are not currently considering any alternative structures other than a transaction through a newly formed holding company. This holding company structure would not constitute a change of control of Vulcan's senior unsecured notes. However, it is possible that a holding company structure may have other implications with respect to Vulcan, us, and/or the combined company, including in certain circumstances potentially requiring an offer to repurchase certain of the Company's existing debt. As of December 31, 2011, we had approximately \$550 million aggregate principal amount of senior unsecured notes, under the terms of which a holding company or other alternative transaction structure may constitute a "change of control." If completion of the offer constitutes a change of control and if there is a downgrade of the credit rating of any series of the Company's senior unsecured notes by S&P and Moody's (or, in the case of the 6.60% senior notes due 2018, by at least two of Fitch Inc., S&P and Moody's) to a rating below "investment grade" (regardless of whether the rating prior to such downgrade was investment grade or below investment grade) prior to 60 days following consummation of the change of control (which period may be extended for so long as the rating of the notes is under publicly announced consideration for possible downgrade), and, in the case of the 6.25% senior notes due 2037, if either S&P or Moody's publicly announces or informs the trustee in writing that such downgrade was the result, in whole or in part, of any event or circumstance relating to the change of control, we would be required to offer to repurchase each holder's notes of such series at a purchase price in cash equal to 101% of the aggregate principal amount of the notes repurchased, plus accrued and unpaid interest. Although no assurance can be given as to the terms or availability of refinancing capital, and no new financing commitments have been entered into as of the date of this annual report, we currently expect that any repurchase or refinancing of the Company's senior unsecured notes, if required, could be funded through a combination of cash on hand and borrowings under new and/or existing financing arrangements. Except as described above, we do not expect that the consummation of the transactions through a newly formed holding company structure will result in any material adverse consequences relative to the transaction structure described above.

If following the completion of the proposed business combination with Vulcan, Vulcan is obligated to offer to repurchase Vulcan's outstanding senior unsecured notes, we may not be able to obtain sufficient capital to repurchase or refinance Vulcan's outstanding senior unsecured notes in these circumstances. Failure to repurchase the notes as required would result in an event of default under the terms of the notes, which could put Vulcan in default under agreements governing its other indebtedness, including the acceleration of the payment of any borrowings thereunder, and may have an adverse effect on the value of our stock and the ability of the combined company to maintain the dividend we expect it to pay. Since August 2010, the credit rating of Vulcan's senior unsecured notes

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has been downgraded three times by Moody's and two times by S&P. Prior to our December 12, 2011 announcement of the proposed business combination with Vulcan, both Moody's and S&P had a "negative" credit outlook for Vulcan. Since the announcement of our proposal, Moody's has placed Vulcan's rating "under review, direction uncertain" and S&P has placed Vulcan on "CreditWatch Positive." Our offer is not conditioned on our having adequate funding to repurchase notes of Vulcan or our notes in the event such repurchase obligations are triggered by the consummation of the offer or any alternative transaction structure.

On December 15, 2011, Vulcan entered into a new five-year credit agreement providing for a \$600 million asset based lending credit facility with SunTrust Bank, as administrative agent, and the lenders and other parties thereto. Consummation of the proposed business combination with Vulcan may result in a default under Vulcan's new \$600 million Credit Agreement unless the requisite lenders thereunder consent to such transaction. In connection with the consummation of the proposed business combination with Vulcan, we expect to replace Vulcan's \$600 million Credit Agreement, as well as our existing \$600 million credit agreement dated March 31, 2011 and our existing \$100 million accounts receivable facility dated April 21, 2009, and refinance any amounts outstanding under such credit facilities. As of December 31, 2011, approximately \$385 million was outstanding under our credit facilities. No assurance can be given as to the terms or availability of refinancing capital.

***The combination of Vulcan's business with our business may result in one or more ratings organizations taking actions which may adversely affect the combined company's business, financial condition and operating results, as well as the market price of our common shares.***

Ratings with respect to financial strength are important factors in maintaining customer confidence in our company and our ability to market our products and compete with other construction materials companies. Rating organizations regularly analyze the financial performance and condition of companies and will likely reevaluate our ratings following the consummation of the proposed business combination with Vulcan. Although S&P or Moody's may not take any formal action with respect to modifying our ratings or Vulcan's ratings following the announcement of the proposed transaction, following the closing of the transaction, any ratings downgrades, or the potential for ratings downgrades, could adversely affect our ability to market and distribute products and services and successfully compete in the marketplace, which could have a material adverse effect on the business, financial condition and results of operations of the combined company and the market value of shares of our common stock after the combination of our business with that of Vulcan.

Additionally, if a ratings downgrade were to occur in connection with the proposed transaction, or we fail to maintain an investment grade rating, we could experience higher borrowing costs in the future and more restrictive covenants which would reduce profitability and diminish operational flexibility.

***The proposed business combination with Vulcan will trigger certain provisions contained in our employee benefit plans or agreements that will require us to make change of control payments or permit a counter-party to an agreement with us to terminate that agreement. In addition, the proposed business combination with Vulcan could trigger certain provisions contained in Vulcan's employee benefit plans or agreements that could require Vulcan to make change in control payments or permit a counter-party to an agreement with Vulcan to terminate that agreement.***

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Certain of our employee benefit plans and agreements have change of control provisions that will be triggered with respect to our executive officers in connection with the proposed business combination with Vulcan. Following consummation of the second-step merger with Vulcan following the offer, any vesting conditions applicable to any restricted stock units and any incentive stock plan units payable in shares of our common stock granted pursuant to our stock plans will lapse, and any unvested options to acquire our common stock will become vested. This will impact awards previously granted to our executive officers. Our non-employee directors do not hold any unvested equity awards. We have entered into Employment Protection Agreements with each of the executive officers, pursuant to which each executive officer would receive certain severance payments and an enhanced benefit under the Martin Marietta Supplemental Benefit Plan (“SERP”) upon certain terminations of employment following a “change of control” (as defined in the agreements and the SERP). Pursuant to the agreements, as originally executed, the executive would be entitled to receive the payments and benefits described below if, within the two-year period following a change of control, the executive was terminated other than for “cause” (as defined in the agreements) or “disability” (as defined in the agreements), or the executive terminated his or her employment with “good reason” (as defined in the agreements) or if the executive terminated his or her employment for any reason during the 30-day period following the second anniversary of a change of control. However, on December 15, 2011, we entered into a letter agreement with each such executive pursuant to which the executive agreed to waive his or her right to receive any compensation or benefits to which he or she would be entitled under the agreements, and any enhanced change of control benefits under the SERP, if the executive officer terminates his or her employment without “good reason” during the 30-day period following the second anniversary of the consummation of the proposed business combination with Vulcan (including as such proposed transaction may be modified). Except with respect to the waiver of such rights, the executive officers remain entitled to their rights under the Employment Protection Agreements and the SERP in circumstances involving a change of control.

If a qualifying termination occurs within two years following a change of control, we are obligated to pay the executive, in a lump sum, an amount equal to three times the sum of the executive’s base salary, annual bonus, and perquisites. The executive will also receive a prorated portion of his or her target annual bonus (as defined in the agreements). In addition, for three years following termination of employment, we must provide the executive with welfare benefits that are generally as favorable as those the executive enjoyed prior to the change of control. We must also pay to the executive a lump sum equal to the sum of (i) the matching contributions that we would have made to the Martin Marietta Performance Sharing Plan on behalf of the executive had the executive remained an employee for three years following termination of employment assuming the executive contributed the maximum amount of elective deferrals permissible and (ii) the additional amount the executive would have received as a benefit under the Martin Marietta Pension Plan for Salaried Employees (the “Retirement Plan”) had the executive remained an employee for three years following termination of employment. We must also provide the executive with the same retiree medical benefits that were in effect for retirees immediately prior to the change of control and the executive shall be treated as if he or she had attained age 55 prior to termination of employment. Furthermore, the agreements provide for “gross up” payments to compensate the executives for any golden parachute excise taxes imposed under the Internal Revenue Code if the total payments or distributions to be made to the executive exceed the maximum dollar amount that would be payable to the executive without any excise tax by more than \$50,000. Each executive officer also participates in the SERP which provides that upon a termination of the executive’s employment that qualifies for severance benefits

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under the executive's Employment Protection Agreement, for purposes of determining the SERP benefit, the benefit that would have been paid under the Retirement Plan (but for the limitations of Sections 401(a)(17) and 415 of the Internal Revenue Code) shall be determined by taking into account (i) the amount of the executive's lump sum payment under such executive's Employment Protection Agreement, and (ii) three additional years of credited service. Such additional years of credited service shall be taken into account for vesting purposes under the SERP. In addition, there shall be no reduction for benefit commencement prior to age 65 and as early as age 55 on the net benefit (after reduction for the payment under the Retirement Plan) payable under the SERP. The lump sum payment under the Employment Protection Agreement shall be taken into account by dividing the amount of the lump sum payment by three and by treating the participant as having additional pensionable earnings, for the purpose of determining the participant's final-average pensionable earnings, equal to such amount for a number of three additional calendar years. Moreover, such additional calendar years shall extend the number of calendar years taken into account in determining final-average pensionable earnings. The executive shall receive a cash lump sum payment as of his or her earliest retirement date (age 55 or current age if older) based on the mortality table determined as of the executive's date of termination of employment and based on an interest rate of 0.0%.

Certain of Vulcan's employee benefit plans or agreements contain change in control clauses providing for compensation to be granted to certain members of Vulcan senior management either upon a change in control, or if following a change in control, Vulcan terminates the employment relationship between Vulcan and these employees, or if these employees terminate the employment relationship for good reason (as defined in the applicable plan or agreement). If successful, the proposed business combination with Vulcan could constitute a change in control of Vulcan, thereby giving rise to potential change in control payments. Because we have not had the opportunity to review Vulcan's non-public information in connection with the offer, there may be other agreements that require payments or permit a counter-party to terminate an agreement because the proposed business combination with Vulcan would cause a default or violate an anti-assignment, change in control or similar clause. If this happens, we may have to seek to replace that agreement with a new agreement. We cannot assure you that we will be able to replace a terminated agreement on comparable terms or at all. Depending on the importance of a terminated agreement to Vulcan's business, failure to replace that agreement on similar terms or at all may increase the costs to us of operating Vulcan's business or prevent us from operating part or all of Vulcan's business.

***The impact of the proposed business combination with Vulcan is not reflected in our financial statements and could affect our results of operations and financial condition in the future.***

Our financial statements, Management's Discussion and Analysis of Financial Conditions and Results of Operations and our 2012 outlook included in the 2011 Annual Report assume the Company on a stand-alone basis and do not give effect to the potential impact of the proposed business combination with Vulcan. Our future performance could be affected by the proposed business combination with Vulcan, including as a result of the business development costs that may be incurred in connection therewith (regardless of whether we are successful in completing the proposed transaction). If the proposed business combination with Vulcan is completed, our future financial statements are expected to be significantly different from the financial statements included in the 2011 Annual Report.

\* \* \* \* \*

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

For a discussion identifying some important factors that could cause actual results to vary materially from those anticipated in the forward-looking statements, see the Company’s SEC filings, including, but not limited to, the discussion under the heading “Risk Factors and Forward-Looking Statements” under Item 1A of this Form 10-K, the discussion of “Competition” under Item 1 on Form 10-K, “Management’s Discussion and Analysis of Financial Condition and Results of Operations” under Item 7 of this Form 10-K and the 2011 Annual Report, and “Note A: Accounting Policies” and “Note N: Commitments and Contingencies” of the “Notes to Financial Statements” of the 2011 Financial Statements included under Item 8 of this Form 10-K and the 2011 Annual Report. The Company also encourages investors to review its disclosures with respect to its proposed business combination with Vulcan, including the risks and other factors described under the headings “Risk Factors” and “Forward-Looking Statements” in the prospectus/offer to exchange included in the Company’s Registration Statement on Form S-4 filed with the SEC on December 12, 2011 (as may be amended from time to time).

**ITEM 1B. UNRESOLVED STAFF COMMENTS**

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

**ITEM 2. PROPERTIES**

***Aggregates Business***

As of December 31, 2011, the Company processed or shipped aggregates from 264 quarries, underground mines, and distribution yards in 28 states and in Canada and the Bahamas, of which 97 are located on land owned by the Company free of major encumbrances, 57 are on land owned in part and leased in part, 105 are on leased land, and 5 are on facilities neither owned nor leased, where raw materials are removed under an agreement. The Company’s aggregates reserves on the average exceed 60 years based on normalized levels of production, and exceed 101 years at current production rates. However, certain locations may be subject to more limited reserves and may not be able to expand. In addition, as of December 31, 2011, the Company processed and shipped ready mixed concrete and/or

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asphalt products from 40 properties in 5 states, of which 26 are located on land owned by the Company free of major encumbrances, 1 is on land owned in part and leased in part, and 13 are on leased land.

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

The Company estimates proven and probable reserves based on the results of drilling. Proven reserves are reserves of deposits designated using closely spaced drill data, and based on that data the reserves are believed to be relatively homogenous. Proven reserves have a certainty of 85% to 90%. Probable reserves are reserves that are inferred utilizing fewer drill holes and/or assumptions about the economically mineable reserves based on local geology or drill results from adjacent properties. The degree of certainty for probable reserves is 70% to 75%. In determining the amount of reserves, the Company's policy is to not include calculations that exceed certain depths, so for deposits, such as granite, that typically continue to depths well below the ground, there may be additional deposits that are not included in the reserve calculations. The Company also deducts reserves not available due to property boundaries, set-backs, and plant configurations, as deemed appropriate when estimating reserves. For additional information on the Company's assessment of reserves, see "Management's Discussion and Analysis of Financial Condition and Results of Operations – Other Financial Information - Critical Accounting Policies and Estimates- Property, Plant and Equipment" under Item 7 of this Form 10-K and the 2011 Annual Report for discussion of reserves evaluation by the Company.

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

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State	Number of Producing Quarries	Tonnage of Reserves for each general type of aggregate at 12/31/10 (Add 000)		Tonnage of Reserves for each general type of aggregate at 12/31/11 (Add 000)		Change in Tonnage from 2010 (Add 000)		Percentage of aggregate reserves located at an existing quarry, and reserves not located at an existing quarry.		Percentage of aggregate reserves on land that has not been zoned for quarrying.* **	Percent of reserves owned and percent leased		
		2011	Hard Rock	S & G	Hard Rock	S & G	Hard Rock	S & G	At Quarry		Not at Quarry	Owned	Leased
Alabama	5	104,161	12,087	105,048	12,113	887	26	100%	0%	0%	24%	76%	
Arkansas	3	231,853	0	225,831	0	(6,022)	0	96%	4%	0%	58%	42%	
Colorado	6	0	0	118,851	105,413	118,851	105,413	87%	13%	0%	74%	26%	
Florida	2	211,627	0	254,322	0	42,695	0	100%	0%	0%	0%	100%	
Georgia	13	1,249,337	0	1,275,506	0	26,169	0	94%	8%	0%	70%	30%	
Illinois	2	676,733	0	0	0	(676,733)	0						
Indiana	10	474,514	35,650	466,974	35,903	(7,540)	253	100%	0%	0%	38%	62%	
Iowa	23	621,136	53,976	703,777	38,145	82,641	(15,831)	99%	1%	0%	11%	89%	
Kansas	4	112,162	0	104,151	0	(8,011)	0	100%	0%	0%	41%	59%	
Kentucky	1	550,460	30,970	0	30,770	(550,460)	(200)	100%	0%	0%	0%	100%	
Maryland	2	94,630	0	98,123	0	3,493	0	100%	0%	0%	100%	0%	
Minnesota	2	442,524	0	440,112	0	(2,412)	0	76%	24%	0%	69%	31%	
Mississippi	1	0	83,457	0	83,284	0	(173)	100%	0%	0%	100%	0%	
Missouri	4	425,614	0	386,666	0	(38,948)	0	88%	12%	0%	19%	81%	
Montana	0	50,000	0	50,000	0	0	0	100%	0%	0%	100%	0%	
Nebraska	3	181,821	0	179,271	0	(2,550)	0	100%	0%	0%	51%	49%	
Nevada	1	156,038	0	140,481	0	(15,557)	0	100%	0%	0%	82%	18%	
North													
Carolina	38	3,414,099	0	3,383,314	0	(30,785)	0	79%	21%	0%	65%	35%	
Ohio	13	180,646	191,301	179,697	186,551	(949)	(4,750)	100%	0%	0%	92%	8%	
Oklahoma	8	742,625	37,169	765,125	36,712	22,500	(457)	100%	0%	0%	85%	15%	
South													
Carolina	7	454,235	32,340	382,113	31,825	(72,122)	(515)	94%	6%	0%	21%	79%	
Tennessee	1	36,741	0	37,723	0	982	0	100%	0%	0%	100%	0%	
Texas	12	1,164,108	107,978	1,141,947	84,926	(22,161)	(23,052)	66%	34%	0%	12%	88%	
Utah	1	15,250	0	26,524	0	11,274	0	100%	0%	0%	0%	100%	
Virginia	4	379,557	0	358,819	0	(20,738)	0	85%	15%	0%	75%	25%	
Washington	3	27,179	0	23,143	0	(4,036)	0	46%	54%	0%	72%	28%	
West Virginia	1	58,825	0	58,137	0	(688)	0	30%	70%	0%	90%	10%	
Wyoming	2	115,614	0	156,284	0	40,670	0	100%	0%	0%	0%	100%	
<b>U. S. Total</b>	<b>172</b>	<b>12,171,489</b>	<b>584,928</b>	<b>11,061,939</b>	<b>645,642</b>	<b>(1,109,550)</b>	<b>60,714</b>	<b>90%</b>	<b>10%</b>	<b>0%</b>	<b>54%</b>	<b>46%</b>	
Non-U. S.	2	815,111	0	860,192	0	45,081	0	100%	0%	0%	100%	0%	
<b>Grand Total</b>	<b>174</b>	<b>12,986,600</b>	<b>584,928</b>	<b>11,922,131</b>	<b>645,642</b>	<b>(1,064,469)</b>	<b>60,714</b>						

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

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

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<u>Reportable Segment</u>	<u>Total Annual Production (in tons)</u> <u>(add 000) For year ended</u> <u>December 31</u>			<u>Number of</u> <u>years of</u> <u>production</u> <u>available at</u> <u>December 31,</u> <u>2011</u>
	<u>2011</u>	<u>2010</u>	<u>2009</u>	
Mideast Group	36,653	36,596	35,310	141.4
Southeast Group	23,453	29,295	31,095	113.4
West Group	63,930	60,646	56,837	73.9
<b>Total Aggregates Business</b>	<b><u>124,036</u></b>	<b><u>126,537</u></b>	<b><u>123,242</u></b>	<b>101.3</b>

**Specialty Products Business**

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

**Other Properties**

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

The Company's principal properties, which are of varying ages and are of different construction types, are believed to be generally in good condition, are generally well maintained, and are generally suitable and adequate for the purposes for which they are used. During 2011, the principal properties were believed to be utilized at average productive capacities of approximately 50% and were capable of supporting a higher level of market demand. However, due to the current economic recession, the Company has adjusted its production schedules to meet reduced demand for its products. For example, the Company has reduced operating hours at a number of its facilities, closed some of its facilities, and temporarily idled some of its facilities. In 2011, the Company's Aggregates business operated at a level significantly below capacity, which restricted the Company's ability to capitalize \$55.9 million of costs that could have been inventoried under normal operating conditions. If demand does not improve over the near term, such reductions and temporary idlings could continue. The Company expects, however, as the economy recovers, it will be able to resume production at its normalized levels and increase production again as demand for its products increases.

**ITEM 3. LEGAL PROCEEDINGS**

From time to time claims of various types are asserted against the Company arising out of its operations in the normal course of business, including claims relating to land use and permits, safety, health, and environmental matters (such as noise abatement, blasting, vibrations, air emissions, and water discharges). Such matters are subject to many uncertainties, and it is not possible to determine the probable outcome of, or the amount of liability, if any, from, these matters. In the opinion of

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management of the Company (which opinion is based in part upon consideration of the opinion of counsel), it is unlikely that the outcome of these claims will have a material adverse effect on the Company's operations or its financial condition. However, there can be no assurance that an adverse outcome in any of such litigation would not have a material adverse effect on the Company or its operating segments.

The Company was not required to pay any penalties in 2011 for failure to disclose certain "reportable transactions" under Section 6707A of the Internal Revenue Code.

See also "Note N: Commitments and Contingencies" of the "Notes to Financial Statements" of the 2011 Financial Statements included under Item 8 of this Form 10-K and the 2011 Annual Report and "Management's Discussion and Analysis of Financial Condition and Results of Operations - Environmental Regulation and Litigation" under Item 7 of this Form 10-K and the 2011 Annual Report.

In connection with the proposed business combination with Vulcan, the Company is a party to the following pending legal proceedings:

### **Delaware Litigation**

*Martin Marietta Materials, Inc. v. Vulcan Materials Co.* On December 12, 2011, the Company commenced litigation in the Delaware Court of Chancery against Vulcan in connection with the proposed business combination with Vulcan alleging that a non-disclosure agreement previously entered into by the Company and Vulcan on May 3, 2010 (the "NDA") does not prohibit the Company's offer to purchase all issued and outstanding shares of Vulcan common stock in exchange for the Company common stock; and the NDA also does not preclude the Company from proposing five director nominees for election at Vulcan's 2012 annual meeting of shareholders. In the complaint, the Company seeks, among other things, declaratory judgment that the NDA does not prohibit the Company's offer and nominations, and an injunction enjoining Vulcan from commencing any legal action or proceeding with respect to the NDA in any jurisdiction other than the Delaware Court of Chancery.

On December 20, 2011, Vulcan filed an answer and counterclaims in the Delaware Court of Chancery, denying allegations in the Company's complaint and claiming that the Company breached the NDA. Vulcan seeks declaratory judgment that the Company is prohibited from disclosing confidential information, and an injunction preventing the future disclosure of such information. Vulcan further seeks withdrawal of the Company's Offer and all public filings made in connection with the offer. On January 18, 2012, Vulcan filed an amended answer and amended counterclaims in the Delaware Court of Chancery alleging violations of both the NDA and a separate JDA described below under the *Alabama Litigation*. The amended counterclaim again seeks declaratory judgment that the Company is prohibited from disclosing confidential information and an injunction preventing the future disclosure of this information and again seeks withdrawal of the Company's offer and proposed proxy contest. The Delaware Court of Chancery has agreed to an expedited schedule to decide the issues presented in the case with a trial set to take place in late February 2012.

### ***New Jersey Litigation***

*Martin Marietta Materials, Inc. v. Vulcan Materials Co.* On December 12, 2011, the Company commenced litigation in the Superior Court of New Jersey against Vulcan in furtherance of an effort to ensure that Vulcan shareholders have a fair opportunity to assess directly the merits of the Company's proposed business combination with Vulcan and encourage the Vulcan board of directors, consistent with its fiduciary duties, to give due consideration to the proposal on behalf of Vulcan's shareholders. In the complaint, the Company seeks, among other things, an injunction against Vulcan from improperly applying the New Jersey Shareholder Protection Act and Vulcan's charter to impede or frustrate the consummation of the proposed business combination with Vulcan. The Company also seeks an injunction against Vulcan from taking any action that would have the effect of delaying or hindering the Company's nominees from standing for election at the annual meeting. The complaint also seeks declaratory judgment that: (1) the New Jersey Shareholder Protection Act is not applicable to the proposed business combination with Vulcan; (2) under Vulcan's Restated Articles of Incorporation, the proposed combination requires a simple majority shareholder vote, if approved by a majority of continuing directors or if the fair price provisions set forth in the charter are satisfied; (3) the Company's registration statement filed in connection with the Company's Offer complies with the disclosure requirements under the Securities Act; and (4) Vulcan may not use its by-laws to impede or frustrate the Company's ability to propose nominees for election at Vulcan's 2012 annual meeting of shareholders.

After submission of papers and oral argument, on December 20, 2011, the Superior Court of New Jersey granted the Company's request to expedite the resolution of the claims asserted in the New Jersey action. On January 6, 2012, Vulcan filed an answer denying the Company's claims and moving to dismiss those the Company claims that seek to prevent Vulcan from frustrating the Company's ability to propose nominees for election at Vulcan's 2012 annual meeting of shareholders. On January 23, 2012, the Superior Court of New Jersey, after hearing argument, denied Vulcan's motion to dismiss.

### ***Alabama Litigation***

*Vulcan Materials Co. v. Martin Marietta Materials, Inc.* On December 19, 2011, Vulcan commenced litigation in the United States District Court for the Northern District of Alabama against the Company alleging that the Company's offer constituted a breach of a Joint Defense & Confidentiality Agreement dated as of May 18, 2010 (the "JDA") entered into by Vulcan and the Company. The complaint also asserts claims under Section 14(d) and 14(e) of the Securities Exchange Act alleging that the Company failed to disclose material non-public information obtained from Vulcan, and also made materially false and misleading statements in its offering documents. Vulcan seeks an injunction to prevent the Company from pursuing its offer and declaratory judgment that: (1) the Company violated the JDA in bringing its offer, (2) the Company breached the JDA when it made required securities disclosures; (3) the Company violated the Exchange Act in not disclosing all non-public information in its possession; and (4) the Company violated the Securities Exchange Act in disclosing materially false and misleading information.

On January 4, 2012, Vulcan filed a motion for immediate discovery, which the Company opposed on January 11, 2012. The Company also moved to dismiss on January 11, 2012 Vulcan's Alabama complaint. During a conference with the Delaware Court of Chancery on January 10, 2012, Vulcan agreed to dismiss its claims relating to the JDA pending in the United States District Court for the

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Northern District of Alabama in favor of deciding them with the claims based on the NDA in Delaware. At a court conference in Alabama held on January 13, 2012, a revised schedule was set. On January 18, 2012, the Company and Vulcan agreed to a stipulation in the United States District Court for the Northern District of Alabama, in which the parties agreed to the dismissal of Vulcan's claims that the Company breached the JDA, in favor of deciding them in Delaware.

On February 1, 2012, Vulcan amended its complaint against the Company in the United States District Court for the Northern District of Alabama asserting claims under Sections 14(d) and 14(e) of the Securities Exchange Act of 1934. The complaint alleges that the Company violated the securities laws by omitting non-public information in its possession and by making materially false and misleading statements in its public filings in connection with the exchange offer. Among other relief, the complaint seeks an injunction preventing the exchange offer and a declaratory judgment that the Company violated the federal securities laws. On February 15, 2012, the Company filed a motion to dismiss Vulcan's claims arguing that venue was improper and that the claims failed to assert a cause of action.

#### **ITEM 4. MINE SAFETY DISCLOSURES**

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

#### **EXECUTIVE OFFICERS OF THE REGISTRANT**

The following sets forth certain information regarding the executive officers of Martin Marietta Materials, Inc. as of February 29, 2012:

<u>Name</u>	<u>Age</u>	<u>Present Position</u>	<u>Year Assumed Present Position</u>	<u>Other Positions and Other Business Experience Within the Last Five Years</u>
C. Howard Nye	49	Chief Executive Officer; President; President of Aggregates Business Chairman of Magnesia Specialties Business	2010 2006 2010 2007	Chief Operating Officer (2006-2009)
Anne H. Lloyd	50	Executive Vice President; Treasurer; Chief Financial Officer	2009 2006 2005	Senior Vice President (2005-2009)
Bruce A. Vaio	51	President – Martin Marietta Materials West; Executive Vice President	2006 2005	
Roselyn R. Bar	53	Senior Vice President; General Counsel; Corporate Secretary	2005 2001 1997	
Dana F. Guzzo	46	Senior Vice President;	2011	

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		Chief Information Officer;	2011	
		Chief Accounting Officer;	2006	
		Controller	2005	
Donald A. McCunniff	54	Senior Vice President, Human Resources	2011	Senior Vice President, Human Resources, CenturyLink Inc. (2009-2010); Senior Vice President, Human Resources, Armstrong World Industries (2006-2009)

## **PART II**

### **ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES**

#### ***Market Information, Holders, and Dividends***

The Company's Common Stock, \$.01 par value, is traded on the New York Stock Exchange ("NYSE") (Symbol: MLM). Information concerning stock prices and dividends paid is included under the caption "Quarterly Performance (Unaudited)" of the 2011 Annual Report, and that information is incorporated herein by reference. There were 742 holders of record of the Company's Common Stock as of February 15, 2012.

#### ***Recent Sales of Unregistered Securities***

None.

#### ***Issuer Purchases of Equity Securities***

<u>Period</u>	<u>Total Number of Shares Purchased</u>	<u>Average Price Paid per Share</u>	<u>Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs<sup>(1)</sup></u>	<u>Maximum Number of Shares that May Yet be Purchased Under the Plans or Programs</u>
October 1, 2011 – October 31, 2011	0	\$ —	0	5,041,871
November 1, 2011 – November 30, 2011	0	\$ —	0	5,041,871
December 1, 2011 – December 31, 2011	0	\$ —	0	5,041,871
Total	0	\$ —	0	5,041,871

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

### **ITEM 6. SELECTED FINANCIAL DATA**

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The information required in response to this Item 6 is included under the caption “Five Year Summary” of the 2011 Annual Report, and that information is incorporated herein by reference.

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

The information required in response to this Item 7 is included under the caption “Management’s Discussion and Analysis of Financial Condition and Results of Operations” in the 2011 Annual Report, and that information is incorporated herein by reference, except that the information contained under the caption “Management’s Discussion and Analysis of Financial Condition and Results of Operations—Outlook 2012” in the 2011 Annual Report is not incorporated herein by reference.

**ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK**

The information required in response to this Item 7A is included under the caption “Management’s Discussion and Analysis of Financial Condition and Results of Operations-Quantitative and Qualitative Disclosures About Market Risk” of the 2011 Annual Report, and that information is incorporated herein by reference.

**ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA**

The information required in response to this Item 8 is included under the caption “Consolidated Statements of Earnings,” “Consolidated Balance Sheets,” “Consolidated Statements of Cash Flows,” “Consolidated Statements of Total Equity,” “Notes to Financial Statements,” “Management’s Discussion and Analysis of Financial Condition and Results of Operations,” and “Quarterly Performance (Unaudited)” of the 2011 Annual Report, and that information is incorporated herein by reference.

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

None.

**ITEM 9A. CONTROLS AND PROCEDURES**

As of December 31, 2011, an evaluation was performed under the supervision and with the participation of the Company's management, including the Chief Executive Officer ("CEO") and Chief Financial Officer ("CFO"), of the effectiveness of the design and operation of the Company's disclosure controls and procedures and the Company's internal control over financial reporting. As permitted by the SEC, the Company's management excluded its newly-acquired Denver operations from its assessment of the Company's internal control over financial reporting as of December 31, 2011. These Denver operations accounted for approximately 7% of the Company's consolidated total assets at December 31, 2011. Based on that evaluation, the Company's management, including the CEO and CFO, concluded that the Company's disclosure controls and procedures were effective in ensuring that all material information required to be disclosed is made known to them in a timely manner as of December 31, 2011 and further concluded that the Company's internal control over financial reporting was effective in providing reasonable assurance regarding the reliability of financial reporting and the preparation of the Company's financial statements for external purposes in accordance with generally accepted accounting principles as of December 31, 2011. There were no changes in the Company's internal control over financial reporting during the most recently completed fiscal quarter that materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

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

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

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succeed in achieving its stated goals under all potential future conditions. Over time, control may become inadequate because of changes in conditions, or the degree of compliance with the policies or procedures may deteriorate. Because of the inherent limitations in a cost-effective control system, misstatements due to error or fraud may occur and not be detected.

The Company's management has issued its annual report on the Company's internal control over financial reporting, which included management's assessment that the Company's internal control over financial reporting was effective at December 31, 2011. The Company's independent registered public accounting firm has issued an attestation report that the Company's internal control over financial reporting was effective at December 31, 2011. Management's report on the Company's internal controls and the attestation report of the Company's independent registered public accounting firm are included in the 2011 Financial Statements, included under Item 8 of this Form 10-K and the 2011 Annual Report. See also "Management's Discussion and Analysis of Financial Condition and Results of Operations - Internal Control and Accounting and Reporting Risk" under Item 7 of this Form 10-K and the 2011 Annual Report.

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

### **ITEM 9B. OTHER INFORMATION**

#### **Important Additional Information**

Certain sections of this Form 10-K, including the Company's audited consolidated financial statements and Management's Discussion and Analysis of Financial Conditions and Results of Operations included in the 2011 Annual Report, and included as Items 8 and 7, respectively, of this Form 10-K, refer, in part, to the exchange offer by the Company to exchange each issued and outstanding share of common stock of Vulcan for 0.50 of a share of the Company's common stock. In connection with the proposed business combination with Vulcan, the 2011 Annual Report, and this Form 10-K, do not constitute an offer to exchange, or a solicitation of an offer to exchange, shares of Vulcan common stock, nor are they a substitute for the Tender Offer Statement on Schedule TO or the preliminary prospectus/offer to exchange included in the Registration Statement on Form S-4 (the "Registration Statement") (including the letter of transmittal and related documents and as amended and supplemented from time to time, the "Exchange Offer Documents") initially filed by the Company on December 12, 2011 with the SEC. The Registration Statement has not yet become effective. The exchange offer will be made only through the Exchange Offer Documents. INVESTORS AND SECURITY HOLDERS ARE URGED TO READ THE EXCHANGE OFFER DOCUMENTS AND ALL OTHER RELEVANT DOCUMENTS THAT THE COMPANY HAS FILED OR MAY FILE WITH THE SEC WHEN THEY BECOME AVAILABLE BECAUSE THEY CONTAIN OR WILL CONTAIN IMPORTANT INFORMATION.

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In connection with the solicitation of proxies for Vulcan's 2012 annual meeting of shareholders (the "Vulcan Meeting"), the Company filed a preliminary proxy statement on January 24, 2012 (as amended, the "Vulcan Meeting Preliminary Proxy Statement") with the SEC and intends to file a definitive proxy statement in connection therewith (the "Vulcan Meeting Definitive Proxy Statement"). When completed, the Vulcan Meeting Definitive Proxy Statement and accompanying proxy card will be mailed to the shareholders of Vulcan. The Company also intends to file a proxy statement on Schedule 14A and other relevant documents with the SEC in connection with its solicitation of proxies for a meeting of the Company's shareholders (the "Martin Marietta Meeting") to approve, among other things, the issuance of shares of the Company's common stock pursuant to the exchange offer (the "Martin Marietta Meeting Proxy Statement"). INVESTORS AND SECURITY HOLDERS ARE URGED TO READ THE VULCAN MEETING PRELIMINARY PROXY STATEMENT, THE VULCAN MEETING DEFINITIVE PROXY STATEMENT, THE MARTIN MARIETTA MEETING PROXY STATEMENT AND OTHER RELEVANT MATERIALS AS THEY BECOME AVAILABLE BECAUSE THEY WILL CONTAIN IMPORTANT INFORMATION.

All documents referred to above, if filed, will be available free of charge at the SEC's website ([www.sec.gov](http://www.sec.gov)) or by directing a request to Morrow & Co., LLC at (877) 757-5404 (banks and brokers may call (800) 662-5200).

The Company, its directors and executive officers and the individuals nominated by the Company for election to Vulcan's Board of Directors are participants in any solicitation of proxies from Vulcan shareholders for the Vulcan Meeting or any adjournment or postponement thereof. The Company, its directors and executive officers are participants in any solicitation of proxies from the Company's shareholders for the Martin Marietta Meeting or any adjournment or postponement thereof. Information about the participants, including a description of their direct and indirect interests, by security holdings or otherwise, is available in the Registration Statement, the proxy statement for the Company's 2011 annual meeting of shareholders, filed with the SEC on April 8, 2011, and the Vulcan Meeting Preliminary Proxy Statement, or will be available in the Vulcan Meeting Definitive Proxy Statement or the Martin Marietta Meeting Proxy Statement, as applicable.

### **PART III**

#### **ITEM 10. DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE**

The information concerning directors of the Company, the Audit Committee of the Board of Directors, and the Audit Committee financial expert serving on the Audit Committee, all as required in response to this Item 10, is included under the captions "Corporate Governance Matters" and "Section 16(a) Beneficial Ownership Reporting Compliance" in the Company's definitive proxy statement to be filed with the SEC pursuant to Regulation 14A within 120 days after the close of the Company's fiscal year ended December 31, 2011 (the "2012 Proxy Statement"), and that information is hereby incorporated by reference in this Form 10-K. Information concerning executive officers of the Company required in response to this Item 10 is included in Part I, under the heading "Executive Officers of the Registrant," of this Form 10-K. The information concerning the Company's code of ethics required in response to this Item 10 is included in Part I, under the heading "Available Information," of this Form 10-K.

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**ITEM 11. EXECUTIVE COMPENSATION**

The information required in response to this Item 11 is included under the captions “Executive Compensation,” “Compensation Discussion and Analysis,” “Corporate Governance Matters,” “Management Development and Compensation Committee Report,” and “Compensation Committee Interlocks and Insider Participation” in the Company’s 2012 Proxy Statement, and that information is hereby incorporated by reference in this Form 10-K.

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

The information required in response to this Item 12 is included under the captions “General Information,” “Security Ownership of Certain Beneficial Owners and Management,” and “Securities Authorized for Issuance Under Equity Compensation Plans” in the Company’s 2012 Proxy Statement, and that information is hereby incorporated by reference in this Form 10-K.

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

The information required in response to this Item 13 is included under the captions “Compensation Committee Interlocks and Insider Participation in Compensation Decisions” and “Corporate Governance Matters” in the Company’s 2012 Proxy Statement, and that information is hereby incorporated by reference in this Form 10-K.

**ITEM 14. PRINCIPAL ACCOUNTANT FEES AND SERVICES**

The information required in response to this Item 14 is included under the caption “Independent Auditors” in the Company’s 2012 Proxy Statement, and that information is hereby incorporated by reference in this Form 10-K.

**PART IV**

**ITEM 15. EXHIBITS AND FINANCIAL STATEMENT SCHEDULES**

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

The following consolidated financial statements of Martin Marietta Materials, Inc. and consolidated subsidiaries, included in the 2011 Annual Report and incorporated by reference under Item 8 of this Form 10-K:

Consolidated Statements of Earnings—  
for years ended December 31, 2011, 2010, and 2009

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Consolidated Balance Sheets—  
at December 31, 2011 and 2010

Consolidated Statements of Cash Flows—  
for years ended December 31, 2011, 2010, and 2009

Consolidated Statements of Total Equity—  
Balance at December 31, 2011, 2010, and 2009

Notes to Financial Statements

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

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

Schedule II - Valuation and Qualifying Accounts

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

The report of the Company's independent registered public accounting firm with respect to the above-referenced financial statements is included in the 2011 Annual Report, and that report is hereby incorporated by reference in this Form 10-K. The report on the financial statement schedule and the consent of the Company's independent registered public accounting firm are attached as Exhibit 23.01 to this Form 10-K.

### **(3) Exhibits**

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

#### **(b) Index of Exhibits**

Exhibit No.

- |      |  |
|------|--|
| 3.01 | —Restated Articles of Incorporation of the Company, as amended (incorporated by reference to Exhibits 3.1 and 3.2 to the Martin Marietta Materials, Inc. Current Report on Form 8-K, filed on October 25, 1996) (Commission File No. 1-12744)  |
| 3.02 | —Articles of Amendment with Respect to the Junior Participating Class B Preferred Stock of the Company, dated as of October 19, 2006 (incorporated by reference to Exhibit 3.1 to the Martin Marietta Materials, Inc. Current Report on Form 8-K, filed on October 19, 2006) (Commission File No. 1-12744) |
| 3.03 | —Restated Bylaws of the Company, as amended (incorporated by reference to Exhibit 3.01 to the Martin Marietta Materials, Inc. Current Report on Form 8-K, filed on November 10, 2011) (Commission File No. 1-12744)  |

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- 4.01 —Specimen Common Stock Certificate (incorporated by reference to Exhibit 4.01 to the Martin Marietta Materials, Inc. Annual Report on Form 10-K for the fiscal year ended December 31, 2003) (Commission File No. 1-12744)
- 4.02 —Articles 2 and 8 of the Company’s Restated Articles of Incorporation, as amended (incorporated by reference to Exhibit 4.02 to the Martin Marietta Materials, Inc. Annual Report on Form 10-K for the fiscal year ended December 31, 1996) (Commission File No. 1-12744)
- 4.03 —Article I of the Company’s Restated Bylaws, as amended (incorporated by reference to Exhibit 3.01 to the Martin Marietta Materials, Inc. Current Report on Form 8-K, filed on November 10, 2011) (Commission File No. 1-12744)
- 4.04 —Indenture dated as of December 1, 1995 between Martin Marietta Materials, Inc. and First Union National Bank of North Carolina (incorporated by reference to Exhibit 4(a) to the Martin Marietta Materials, Inc. registration statement on Form S-3 (SEC Registration No. 33-99082))
- 4.05 —Form of Martin Marietta Materials, Inc. 7% Debenture due 2025 (incorporated by reference to Exhibit 4(a)(i) to the Martin Marietta Materials, Inc. registration statement on Form S-3 (SEC Registration No. 33-99082))
- 4.06 —Indenture dated as of April 30, 2007 between Martin Marietta Materials, Inc. and Branch Banking and Trust Company, Inc., as trustee (incorporated by reference to Exhibit 4.1 to the Martin Marietta Materials, Inc. Current Report on Form 8-K, filed on April 30, 2007 (Commission File No. 1-12744)
- 4.07 —Second Supplemental Indenture, dated as of April 30, 2007, between Martin Marietta Materials, Inc. and Branch Banking and Trust Company, Inc., as trustee, to that certain Indenture dated as of April 30, 2007 between Martin Marietta Materials, Inc. and Branch Banking and Trust Company, Inc., as trustee, pursuant to which were issued \$250,000,000 aggregate principal amount of 6 ¼% Senior Notes due 2037 of Martin Marietta Materials, Inc. (incorporated by reference to Exhibit 4.3 to the Martin Marietta Materials, Inc. Current Report on Form 8-K, filed on April 30, 2007 (Commission File No. 1-12744)
- 4.08 —Third Supplemental Indenture, dated as of April 21, 2008, between Martin Marietta Materials, Inc. and Branch Banking and Trust Company, Inc., as trustee, to that certain Indenture dated as of April 30, 2007 between Martin Marietta Materials, Inc. and Branch Banking and Trust Company, Inc., as trustee, pursuant to which were issued \$300,000,000 aggregate principal amount of 6.60% Senior Notes due 2018 of Martin Marietta Materials, Inc. (incorporated by reference to Exhibit 4.1 to the Martin Marietta Materials, Inc. Current Report on Form 8-K, filed on April 21, 2008 (Commission File No. 1-12744)
- 4.09 —Rights Agreement, dated as of September 27, 2006, by and between Martin Marietta Materials, Inc. and American Stock Transfer & Trust Company, as Rights Agent, which includes the Form of Articles of Amendment With Respect to the Junior Participating Class B Preferred Stock of Martin Marietta Materials, Inc., as Exhibit A, and the Form of Rights Certificate, as Exhibit B (incorporated by reference to Exhibit 4.1 of the Company’s Current Report on Form 8-K, filed on September 28, 2006) (Commission File No. 1-12744)
- 4.10 —Form of Indenture for Senior Debt Securities (incorporated by reference to Exhibit 4.5 to the Martin Marietta Materials, Inc. registration statement on Form S-3) (SEC Registration No. 333-157731)
- 4.11 —Form of Indenture for Subordinated Debt Securities (incorporated by reference to Exhibit 4.6 to the Martin Marietta Materials, Inc. registration statement on Form S-3) (SEC Registration No. 333-157731)
- 4.12 —Form of Senior Note (included in Exhibit 4.13) (incorporated by reference to Exhibit 4.5 to the Martin Marietta Materials, Inc. registration statement on Form S-3) (SEC Registration No. 333-157731)

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- 4.13 —Form of Subordinated Note (included in Exhibit 4.14) (incorporated by reference to Exhibit 4.6 to the Martin Marietta Materials, Inc. registration statement on Form S-3) (SEC Registration No. 333-157731)
- 10.01 —\$600,000,000 Credit Agreement dated as of March 31, 2011 among Martin Marietta Materials, Inc. and JPMorgan Chase Bank, N.A., as Administrative Agent, and Wells Fargo Bank, N.A., Branch Banking and Trust Company, SunTrust Bank, and Bank of America, N.A., as Co-Syndication Agents (incorporated by reference to Exhibit 10.01 to the Martin Marietta Materials, Inc., Current Report on Form 8-K filed on April 6, 2011) (Commission File No. 1-12744)
- \*10.02 — Amendment No. 1 to Credit Agreement dated as of February 24, 2012 to Credit Agreement dated as of March 31, 2011 among Martin Marietta Materials, Inc., the Lenders listed on the signatures pages thereof and JPMorgan Chase Bank, N.A., as Administrative Agent, and Wells Fargo Bank, N.A., Branch Banking and Trust Company, SunTrust Bank, and Bank of America, N.A., as Co-Syndication Agents
- 10.03 —\$100,000,000 Account Purchase Agreement dated as of April 21, 2009 between Martin Marietta Materials, Inc. and Wells Fargo Bank, N.A. (incorporated by reference to Exhibit 10.01 to the Martin Marietta Materials, Inc., Current Report on Form 8-K filed on April 27, 2009) (Commission File No. 1-12744)
- 10.04 —First Amendment dated as of December 23, 2009 to \$100,000,000 Account Purchase Agreement dated as of April 21, 2009 between Martin Marietta Materials, Inc. and Wells Fargo Bank, N.A. (incorporated by reference to Exhibit 10.03 to the Martin Marietta Materials, Inc. Current Report on Form 8-K, filed on December 23, 2009) (Commission File No. 1-12744)
- 10.05 —Second Amendment to Account Purchase Agreement between Martin Marietta Materials, Inc. and Wells Fargo Bank, National Association dated as of March 31, 2011 (incorporated by reference to Exhibit 10.02 to the Martin Marietta Materials, Inc., Current Report on Form 8-K filed on April 6, 2011) (Commission File No. 1-12744)
- 10.06 —Distribution Agreement dated March 5, 2009 between Martin Marietta Materials, Inc. and J.P. Morgan Securities Inc. (incorporated by reference to Exhibit 99.1 to the Martin Marietta Materials, Inc. Current Report on Form 8-K, filed on March 6, 2009) (Commission File No. 1-12744)
- 10.07 —Distribution Agreement dated November 18, 2009 between Martin Marietta Materials, Inc. and Wells Fargo Securities, LLC (incorporated by reference to Exhibit 99.1 to the Martin Marietta Materials, Inc. Current Report on Form 8-K, filed on November 18, 2009) (Commission File No. 1-12744)
- 10.08 —Form of Martin Marietta Materials, Inc. Third Amended and Restated Employment Protection Agreement (incorporated by reference to Exhibit 10.01 to the Martin Marietta Materials, Inc. Current Report on Form 8-K, filed on August 19, 2008) (Commission File No. 1-12744)\*\*
- 10.09 —Amended and Restated Martin Marietta Materials, Inc. Common Stock Purchase Plan for Directors (incorporated by reference to Exhibit 10.04 to the Martin Marietta Materials, Inc. Annual Report on Form 10-K for the fiscal year ended December 31, 2008) (Commission File No. 1-12744)\*\*
- 10.10 —Martin Marietta Materials, Inc. Amended and Restated Executive Incentive Plan (incorporated by reference to Exhibit 10.05 to the Martin Marietta Materials, Inc. Annual Report on Form 10-K for the fiscal year ended December 31, 2008) (Commission File No. 1-12744)\*\*
- 10.11 —Martin Marietta Materials, Inc. Incentive Stock Plan, as Amended (incorporated by reference to Exhibit 10.06 to the Martin Marietta Materials, Inc. Annual Report on Form 10-K for the fiscal year ended December 31, 2008) (Commission File No. 1-12744)\*\*
- 10.12 —Martin Marietta Materials, Inc. Amended and Restated Stock-Based Award Plan dated April 3, 2006 (incorporated by reference to Exhibit 10.01 to the Martin Marietta Materials, Inc.

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Quarterly Report on Form 10-Q for the quarter ended June 30, 2006) (Commission File No. 1-12744)\*\*

- 10.13 —Martin Marietta Materials, Inc. Amended Omnibus Securities Award Plan (incorporated by reference to Exhibit 10.16 to the Martin Marietta Materials, Inc. Annual Report on Form 10-K for the fiscal year ended December 31, 2000) (Commission File No. 1-12744)\*\*
- 10.14 —Martin Marietta Materials, Inc. Amended and Restated Supplemental Excess Retirement Plan (incorporated by reference to Exhibit 10.2 to the Martin Marietta Materials, Inc. Current Report on Form 8-K, filed on August 19, 2008) (Commission File No. 1-12744)\*\*
- 10.15 —Form of Option Award Agreement under the Martin Marietta Materials, Inc. Amended and Restated Stock-Based Award Plan (incorporated by reference to Exhibit 10.11 to the Martin Marietta Materials, Inc. Annual Report on Form 10-K for the fiscal year ended December 31, 2008) (Commission File No. 1-12744)\*\*
- 10.16 —Form of Restricted Stock Unit Agreement under the Martin Marietta Materials, Inc. Amended and Restated Stock-Based Award Plan (incorporated by reference to Exhibit 10.01 to the Martin Marietta Materials, Inc. Quarter Report on Form 10-Q for the quarter ended June 30, 2009) (Commission File No. 1-12744)\*\*
- 10.17 —Form of Amendment to the Stock Unit Agreement under the Martin Marietta Materials, Inc. Amended and Restated Stock-Based Award Plan (incorporated by reference to Exhibit 10.13 to the Martin Marietta Materials, Inc. Annual Report on Form 10-K for the fiscal year ended December 31, 2008) (Commission File No. 1-12744)\*\*
- 10.18 —Form of Letter Agreement between Martin Marietta Materials, Inc. and certain of its executive officers and other employees with respect to certain waivers of compensation and benefits under certain circumstances as provided therein under each employee’s Employee Protection Agreement with the Company and under the Martin Marietta Amended and Restated Supplemental Excess Retirement Plan (incorporated by reference to Exhibit 10.1 to the Martin Marietta Materials, Inc. Current Report on Form 8-K, filed on December 15, 2011) (Commission File No. 1-12744)\*\*
- \*12.01 —Computation of ratio of earnings to fixed charges for the year ended December 31, 2011
- \*13.01 —Excerpts from Martin Marietta Materials, Inc. 2011 Annual Report to Shareholders, portions of which are incorporated by reference in this Form 10-K. Those portions of the 2011 Annual Report to Shareholders that are not incorporated by reference shall not be deemed to be “filed” as part of this report.
- \*21.01 —List of subsidiaries of Martin Marietta Materials, Inc.
- \*23.01 —Consent of Ernst & Young LLP, Independent Registered Public Accounting Firm for Martin Marietta Materials, Inc. and consolidated subsidiaries
- \*24.01 —Powers of Attorney (included in this Form 10-K immediately following Signatures)
- \*31.01 —Certification dated February 29, 2012 of Chief Executive Officer pursuant to Securities and Exchange Act of 1934, rule 13a-14, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
- \*31.02 —Certification dated February 29, 2012 of Chief Financial Officer pursuant to Securities and Exchange Act of 1934, rule 13a-14, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
- \*32.01 —Certification dated February 29, 2012 of Chief Executive Officer required by 18 U.S.C. 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
- \*32.02 —Certification dated February 29, 2012 of Chief Financial Officer required by 18 U.S.C. 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
- \*95 —Mine Safety Disclosure Exhibit

Other material incorporated by reference:

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Martin Marietta Materials, Inc.'s 2012 Proxy Statement filed pursuant to Regulation 14A, portions of which are incorporated by reference in this Form 10-K. Those portions of the 2012 Proxy Statement which are not incorporated by reference shall not be deemed to be "filed" as part of this report.

\* Filed herewith

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

(c) Financial Statement Schedule

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

<u>Col A</u>	<u>Col B</u>	<u>Col C</u>		<u>Col D</u>	<u>Col E</u>
Description	Balance at beginning of period	Additions		Deductions—describe	Balance at end of period
		(1) Charged to costs and expenses	(2) Charged to other accounts—describe		
		(Amounts in Thousands)			
<b>Year ended December 31, 2011</b>					
Allowance for doubtful accounts	\$ 3,578	\$ 1,717	\$ —	\$ —	\$ 5,295
Allowance for uncollectible notes receivable	179	116	—	—	295
Inventory valuation allowance	87,044	7,882	2,154 <sup>(a)</sup>	4,599 <sup>(b)</sup>	92,481
Accumulated amortization of intangible assets				984 <sup>(c)</sup>	
	14,322	1,812	—	2,328 <sup>(b)</sup>	12,822
<b>Year ended December 31, 2010</b>					
Allowance for doubtful accounts	\$ 4,622	\$ —	\$ —	\$ 1,044 <sup>(d)</sup>	\$ 3,578
Allowance for uncollectible notes receivable	151	28	—	—	179
Inventory valuation allowance	82,674	4,370	—		87,044
Accumulated amortization of intangible assets	13,155	1,453	—	286 <sup>(c)</sup>	14,322
<b>Year ended December 31, 2009</b>					
Allowance for doubtful accounts	\$ 4,696	\$ —	\$ —	\$ 74 <sup>(d)</sup>	\$ 4,622
Allowance for uncollectible notes receivable	—	151	—	—	151
Inventory valuation allowance	80,854	1,820	—	—	82,674
Accumulated amortization of intangible assets	12,644	1,711	—	1,200 <sup>(c)</sup>	13,155

- (a) Acquisitions.  
(b) Divestitures.  
(c) Write off of fully amortized intangible assets.  
(d) To adjust allowance for change in estimates.

**SIGNATURES**

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

MARTIN MARIETTA MATERIALS, INC.

By: /s/ Roselyn R. Bar  
Roselyn R. Bar  
Senior Vice President, General Counsel  
and Corporate Secretary

Dated: February 29, 2012

**POWER OF ATTORNEY**

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

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

<u>Signature</u>	<u>Title</u>	<u>Date</u>
<u>/s/ Stephen P. Zelnak, Jr.</u> Stephen P. Zelnak, Jr.	Chairman of the Board	February 29, 2012
<u>/s/ C. Howard Nye</u> C. Howard Nye	President and Chief Executive Officer	February 29, 2012
<u>/s/ Anne H. Lloyd</u> Anne H. Lloyd	Executive Vice President, Chief Financial Officer, and Treasurer	February 29, 2012
<u>/s/ Dana F. Guzzo</u> Dana F. Guzzo	Senior Vice President, Chief Information Officer, Chief Accounting Officer, and Controller	February 29, 2012
<u>/s/ Sue W. Cole</u> Sue W. Cole	Director	February 29, 2012
<u>/s/ David G. Maffucci</u> David G. Maffucci	Director	February 29, 2012
<u>/s/ William E. McDonald</u> William E. McDonald	Director	February 29, 2012
<u>/s/ Frank H. Menaker, Jr.</u> Frank H. Menaker, Jr.	Director	February 29, 2012
<u>/s/ Laree E. Perez</u> Laree E. Perez	Director	February 29, 2012

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<u>/s/ Michael J. Quillen</u> Michael J. Quillen	Director	February 29, 2012
<u>/s/ Dennis L. Rediker</u> Dennis L. Rediker	Director	February 29, 2012
<u>/s/ Richard A. Vinroot</u> Richard A. Vinroot	Director	February 29, 2012

**EXHIBITS**

<u>Exhibit No.</u>	
3.01	—Restated Articles of Incorporation of the Company, as amended (incorporated by reference to Exhibits 3.1 and 3.2 to the Martin Marietta Materials, Inc. Current Report on Form 8-K, filed on October 25, 1996) (Commission File No. 1-12744)
3.02	—Articles of Amendment with Respect to the Junior Participating Class B Preferred Stock of the Company, dated as of October 19, 2006 (incorporated by reference to Exhibit 3.1 to the Martin Marietta Materials, Inc. Current Report on Form 8-K, filed on October 19, 2006) (Commission File No. 1-12744)
3.03	—Restated Bylaws of the Company, as amended (incorporated by reference to Exhibit 3.01 to the Martin Marietta Materials, Inc. Current Report on Form 8-K, filed on November 10, 2011) (Commission File No. 1-12744)
4.01	—Specimen Common Stock Certificate (incorporated by reference to Exhibit 4.01 to the Martin Marietta Materials, Inc. Annual Report on Form 10-K for the fiscal year ended December 31, 2003) (Commission File No. 1-12744)
4.02	—Articles 2 and 8 of the Company’s Restated Articles of Incorporation, as amended (incorporated by reference to Exhibit 4.02 to the Martin Marietta Materials, Inc. Annual Report on Form 10-K for the fiscal year ended December 31, 1996) (Commission File No. 1-12744)
4.03	—Article I of the Company’s Restated Bylaws, as amended (incorporated by reference to Exhibit 3.01 to the Martin Marietta Materials, Inc. Current Report on Form 8-K, filed on November 10, 2011) (Commission File No. 1-12744)
4.04	—Indenture dated as of December 1, 1995 between Martin Marietta Materials, Inc. and First Union National Bank of North Carolina (incorporated by reference to Exhibit 4(a) to the Martin Marietta Materials, Inc. registration statement on Form S-3 (SEC Registration No. 33- 99082))
4.05	—Form of Martin Marietta Materials, Inc. 7% Debenture due 2025 (incorporated by reference to Exhibit 4(a)(i) to the Martin Marietta Materials, Inc. registration statement on Form S-3 (SEC Registration No. 33-99082))
4.06	—Indenture dated as of April 30, 2007 between Martin Marietta Materials, Inc. and Branch Banking and Trust Company, Inc., as trustee (incorporated by reference to Exhibit 4.1 to the Martin Marietta Materials, Inc. Current Report on Form 8-K, filed on April 30, 2007 (Commission File No. 1-12744)
4.07	—Second Supplemental Indenture, dated as of April 30, 2007, between Martin Marietta Materials, Inc. and Branch Banking and Trust Company, Inc., as trustee, to that certain Indenture dated as of April 30, 2007 between Martin Marietta Materials, Inc. and Branch Banking and Trust Company, Inc., as trustee, pursuant to which were issued \$250,000,000 aggregate principal amount of 6 ¼% Senior Notes due 2037 of Martin Marietta Materials, Inc. (incorporated by reference to Exhibit 4.3 to the Martin Marietta Materials, Inc. Current Report on Form 8-K, filed on April 30, 2007 (Commission File No. 1-12744)
4.08	—Third Supplemental Indenture, dated as of April 21, 2008, between Martin Marietta Materials, Inc. and Branch Banking and Trust Company, Inc., as trustee, to that certain Indenture dated as of April 30, 2007 between Martin Marietta Materials, Inc. and Branch Banking and Trust Company, Inc., as trustee, pursuant to which were issued \$300,000,000 aggregate principal amount of 6.60% Senior Notes due 2018 of Martin Marietta Materials, Inc. (incorporated by reference to Exhibit 4.1 to the Martin Marietta Materials, Inc. Current Report on Form 8- K, filed on April 21, 2008 (Commission File No. 1-12744)

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- 4.09 —Rights Agreement, dated as of September 27, 2006, by and between Martin Marietta Materials, Inc. and American Stock Transfer & Trust Company, as Rights Agent, which includes the Form of Articles of Amendment With Respect to the Junior Participating Class B Preferred Stock of Martin Marietta Materials, Inc., as Exhibit A, and the Form of Rights Certificate, as Exhibit B (incorporated by reference to Exhibit 4.1 of the Company's Current Report on Form 8-K, filed on September 28, 2006) (Commission File No. 1-12744)
- 4.10 —Form of Indenture for Senior Debt Securities (incorporated by reference to Exhibit 4.5 to the Martin Marietta Materials, Inc. registration statement on Form S-3) (SEC Registration No. 333-157731)
- 4.11 —Form of Indenture for Subordinated Debt Securities (incorporated by reference to Exhibit 4.6 to the Martin Marietta Materials, Inc. registration statement on Form S-3) (SEC Registration No. 333-157731)
- 4.12 —Form of Senior Note (included in Exhibit 4.13) (incorporated by reference to Exhibit 4.5 to the Martin Marietta Materials, Inc. registration statement on Form S-3) (SEC Registration No. 333-157731)
- 4.13 —Form of Subordinated Note (included in Exhibit 4.14) (incorporated by reference to Exhibit 4.6 to the Martin Marietta Materials, Inc. registration statement on Form S-3) (SEC Registration No. 333-157731)
- 10.01 —\$600,000,000 Credit Agreement dated as of March 31, 2011 among Martin Marietta Materials, Inc. and JPMorgan Chase Bank, N.A., as Administrative Agent, and Wells Fargo Bank, N.A., Branch Banking and Trust Company, SunTrust Bank, and Bank of America, N.A., as Co-Syndication Agents (incorporated by reference to Exhibit 10.01 to the Martin Marietta Materials, Inc., Current Report on Form 8-K filed on April 6, 2011) (Commission File No. 1-12744)
- \*10.02 —Amendment No. 1 to Credit Agreement dated as of February 24, 2012 to Credit Agreement dated as of March 31, 2011 among Martin Marietta Materials, Inc., the Lenders listed on the signatures pages thereof and JPMorgan Chase Bank, N.A., as Administrative Agent, and Wells Fargo Bank, N.A., Branch Banking and Trust Company, SunTrust Bank, and Bank of America, N.A., as Co-Syndication Agents
- 10.03 —\$100,000,000 Account Purchase Agreement dated as of April 21, 2009 between Martin Marietta Materials, Inc. and Wells Fargo Bank, N.A. (incorporated by reference to Exhibit 10.01 to the Martin Marietta Materials, Inc., Current Report on Form 8-K filed on April 27, 2009) (Commission File No. 1-12744)
- 10.04 —First Amendment dated as of December 23, 2009 to \$100,000,000 Account Purchase Agreement dated as of April 21, 2009 between Martin Marietta Materials, Inc. and Wells Fargo Bank, N.A. (incorporated by reference to Exhibit 10.03 to the Martin Marietta Materials, Inc. Current Report on Form 8-K, filed on December 23, 2009) (Commission File No. 1-12744)
- 10.05 —Second Amendment to Account Purchase Agreement between Martin Marietta Materials, Inc. and Wells Fargo Bank, National Association dated as of March 31, 2011 (incorporated by reference to Exhibit 10.02 to the Martin Marietta Materials, Inc., Current Report on Form 8-K filed on April 6, 2011) (Commission File No. 1-12744)
- 10.06 —Distribution Agreement dated March 5, 2009 between Martin Marietta Materials, Inc. and J.P. Morgan Securities Inc. (incorporated by reference to Exhibit 99.1 to the Martin Marietta Materials, Inc. Current Report on Form 8-K, filed on March 6, 2009) (Commission File No. 1-12744)
- 10.07 —Distribution Agreement dated November 18, 2009 between Martin Marietta Materials, Inc. and Wells Fargo Securities, LLC (incorporated by reference to Exhibit 99.1 to the Martin Marietta Materials, Inc. Current Report on Form 8-K, filed on November 18, 2009) (Commission File No. 1-12744)

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- 10.08 —Form of Martin Marietta Materials, Inc. Third Amended and Restated Employment Protection Agreement (incorporated by reference to Exhibit 10.01 to the Martin Marietta Materials, Inc. Current Report on Form 8-K, filed on August 19, 2008) (Commission File No. 1-12744)\*\*
- 10.09 —Amended and Restated Martin Marietta Materials, Inc. Common Stock Purchase Plan for Directors (incorporated by reference to Exhibit 10.04 to the Martin Marietta Materials, Inc. Annual Report on Form 10-K for the fiscal year ended December 31, 2008) (Commission File No. 1-12744)\*\*
- 10.10 —Martin Marietta Materials, Inc. Amended and Restated Executive Incentive Plan (incorporated by reference to Exhibit 10.05 to the Martin Marietta Materials, Inc. Annual Report on Form 10-K for the fiscal year ended December 31, 2008) (Commission File No. 1-12744)\*\*
- 10.11 —Martin Marietta Materials, Inc. Incentive Stock Plan, as Amended (incorporated by reference to Exhibit 10.06 to the Martin Marietta Materials, Inc. Annual Report on Form 10-K for the fiscal year ended December 31, 2008) (Commission File No. 1-12744)\*\*
- 10.12 —Martin Marietta Materials, Inc. Amended and Restated Stock-Based Award Plan dated April 3, 2006 (incorporated by reference to Exhibit 10.01 to the Martin Marietta Materials, Inc. Quarterly Report on Form 10-Q for the quarter ended June 30, 2006) (Commission File No. 1-12744)\*\*
- 10.13 —Martin Marietta Materials, Inc. Amended Omnibus Securities Award Plan (incorporated by reference to Exhibit 10.16 to the Martin Marietta Materials, Inc. Annual Report on Form 10-K for the fiscal year ended December 31, 2000) (Commission File No. 1-12744)\*\*
- 10.14 —Martin Marietta Materials, Inc. Amended and Restated Supplemental Excess Retirement Plan (incorporated by reference to Exhibit 10.2 to the Martin Marietta Materials, Inc. Current Report on Form 8-K, filed on August 19, 2008) (Commission File No. 1-12744)\*\*
- 10.15 —Form of Option Award Agreement under the Martin Marietta Materials, Inc. Amended and Restated Stock-Based Award Plan (incorporated by reference to Exhibit 10.11 to the Martin Marietta Materials, Inc. Annual Report on Form 10-K for the fiscal year ended December 31, 2008) (Commission File No. 1-12744)\*\*
- 10.16 —Form of Restricted Stock Unit Agreement under the Martin Marietta Materials, Inc. Amended and Restated Stock-Based Award Plan (incorporated by reference to Exhibit 10.01 to the Martin Marietta Materials, Inc. Quarter Report on Form 10-Q for the quarter ended June 30, 2009) (Commission File No. 1-12744)\*\*
- 10.17 —Form of Amendment to the Stock Unit Agreement under the Martin Marietta Materials, Inc. Amended and Restated Stock-Based Award Plan (incorporated by reference to Exhibit 10.13 to the Martin Marietta Materials, Inc. Annual Report on Form 10-K for the fiscal year ended December 31, 2008) (Commission File No. 1-12744)\*\*
- 10.18 —Form of Letter Agreement between Martin Marietta Materials, Inc. and certain of its executive officers and other employees with respect to certain waivers of compensation and benefits under certain circumstances as provided therein under each employee’s Employee Protection Agreement with the Company and under the Martin Marietta Amended and Restated Supplemental Excess Retirement Plan (incorporated by reference to Exhibit 10.1 to the Martin Marietta Materials, Inc. Current Report on Form 8-K, filed on December 15, 2011) (Commission File No. 1-12744)\*\*
- \*12.01 —Computation of ratio of earnings to fixed charges for the year ended December 31, 2011
- \*13.01 —Excerpts from Martin Marietta Materials, Inc. 2011 Annual Report to Shareholders, portions of which are incorporated by reference in this Form 10-K. Those portions of the 2011 Annual Report to Shareholders that are not incorporated by reference shall not be deemed to be “filed” as part of this report.
- \*21.01 —List of subsidiaries of Martin Marietta Materials, Inc.

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- \*23.01 —Consent of Ernst & Young LLP, Independent Registered Public Accounting Firm for Martin Marietta Materials, Inc. and consolidated subsidiaries
- \*24.01 —Powers of Attorney (included in this Form 10-K immediately following Signatures)
- \*31.01 —Certification dated February 29, 2012 of Chief Executive Officer pursuant to Securities and Exchange Act of 1934, rule 13a-14, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
- \*31.02 —Certification dated February 29, 2012 of Chief Financial Officer pursuant to Securities and Exchange Act of 1934, rule 13a-14, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
- \*32.01 —Certification dated February 29, 2012 of Chief Executive Officer required by 18 U.S.C. 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
- \*32.02 —Certification dated February 29, 2012 of Chief Financial Officer required by 18 U.S.C. 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
- \*95 —Mine Safety Disclosure Exhibit

### Other material incorporated by reference:

Martin Marietta Materials, Inc.'s 2012 Proxy Statement filed pursuant to Regulation 14A, portions of which are incorporated by reference in this Form 10-K. Those portions of the 2012 Proxy Statement which are not incorporated by reference shall not be deemed to be "filed" as part of this report.

\* Filed herewith

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

## AMENDMENT NO. 1 TO CREDIT AGREEMENT

AMENDMENT dated as of February 24, 2012 to the Credit Agreement dated as of March 31, 2011 (the "**Credit Agreement**") among MARTIN MARIETTA MATERIALS, INC., the LENDERS listed on the signature pages thereof and JPMORGAN CHASE BANK, N.A., as Administrative Agent, and WELLS FARGO BANK, N.A., BRANCH BANKING AND TRUST COMPANY, SUNTRUST COMPANY and BANK OF AMERICA, N.A., as Co-Syndication Agents.

The parties hereto agree to amend the Credit Agreement as follows:

SECTION 1. *Defined Terms; References.* Unless otherwise specifically defined herein, each term used herein that is defined in the Credit Agreement has the meaning assigned to such term in the Credit Agreement. Each reference to "hereof", "hereunder", "herein" and "hereby" and each other similar reference and each reference to "this Agreement" and each other similar reference contained in the Credit Agreement shall, after this Amendment becomes effective, refer to the Credit Agreement as amended hereby.

SECTION 2. *Amendment to Leverage Ratio.* The first paragraph of Section 5.09 is amended to read in its entirety as follows:

Section 5.09. *Leverage Ratio.* The Leverage Ratio shall not exceed (i) 3.95 to 1.00 as of the end of any fiscal quarter ending on or prior to June 30, 2012, (ii) 3.75 to 1.00 as of September 30, 2012 and (iii) 3.50 to 1.00 as of the end of any fiscal quarter ending on or after September 30, 2012; *provided* that if (i) Consolidated Debt has increased in connection with a Specified Acquisition, (ii) as a consequence of such Specified Acquisition, the rating of long-term unsecured debt of the Borrower has not been suspended, withdrawn or fallen below BBB by Standard & Poor's (a division of The McGraw-Hill Companies, Inc.) or Baa2 by Moody's Investors Service, Inc. and (iii) the Administrative Agent has received a Specified Acquisition Notice within 10 days of consummation of such Specified Acquisition, then, for a period of 210 consecutive days following the consummation of such Specified Acquisition, the additional Consolidated Debt in connection with such Specified Acquisition shall be excluded from Consolidated Debt for purposes of calculating the Leverage Ratio, but only if the Leverage Ratio calculated without such exclusion at no time during such 210-day period exceeds the otherwise applicable maximum ratio set forth above modified to increase the numerator by 0.25.

SECTION 3. *Representations of Borrower.* The Borrower represents and warrants that (i) the representations and warranties of the Borrower set forth in Article 4 of the Credit Agreement will be true on and as of the Amendment Effective Date and (ii) no Default will have occurred and be continuing on such date.

SECTION 4. *Governing Law.* This Amendment shall be governed by and construed in accordance with the laws of the State of New York.

SECTION 5. *Counterparts.* This Amendment may be signed in any number of counterparts, each of which shall be an original, with the same effect as if the signatures thereto and hereto were upon the same instrument.

SECTION 6. *Effectiveness.* This Amendment shall become effective as of the date hereof on the date when the following conditions are met (the “**Amendment Effective Date**”):

(a) the Administrative Agent shall have received from each of the Borrower and the Required Lenders a counterpart hereof signed by such party or facsimile or other written confirmation (in form satisfactory to the Administrative Agent) that such party has signed a counterpart hereof; and

(b) the Administrative Agent shall have received an amendment fee for the account of each Lender that shall have submitted an executed counterpart hereof to the Administrative Agent on or prior to the Amendment Effective Date as contemplated by clause (a) above in an amount equal to 0.05% of the Commitment of such Lender.

IN WITNESS WHEREOF, the parties hereto have caused this Amendment to be duly executed as of the date first above written.

MARTIN MARIETTA MATERIALS, INC.

By: \_\_\_\_\_

Name:

Title:

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be duly executed by their respective authorized officers as of the day and year first above written.

JPMORGAN CHASE BANK, N.A.

By: \_\_\_\_\_  
Name:  
Title:

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be duly executed by their respective authorized officers as of the day and year first above written.

WELLS FARGO BANK, N.A.

By: \_\_\_\_\_  
Name:  
Title:

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be duly executed by their respective authorized officers as of the day and year first above written.

BANK OF AMERICA, N.A.

By: \_\_\_\_\_  
Name:  
Title:

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be duly executed by their respective authorized officers as of the day and year first above written.

SUNTRUST BANK

By: \_\_\_\_\_  
Name:  
Title:

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be duly executed by their respective authorized officers as of the day and year first above written.

BRANCH BANKING AND TRUST COMPANY

By: \_\_\_\_\_  
Name:  
Title:

## MARTIN MARIETTA MATERIALS, INC. AND CONSOLIDATED SUBSIDIARIES

## COMPUTATION OF RATIO OF EARNINGS TO FIXED CHARGES

For the Year Ended December 31, 2011

(add 000, except ratio)

<b>EARNINGS:</b>	
Earnings before income taxes	\$ 99,408**
Loss from less than 50%-owned associated companies, net	1,666
Interest expense*	58,586*
Portion of rents representative of an interest factor	<u>15,419</u>
<b>Adjusted Earnings and Fixed Charges</b>	<b>\$175,079</b>
<b>FIXED CHARGES:</b>	
Interest expense*	\$ 58,586
Capitalized interest	1,816
Portion of rents representative of an interest factor	<u>15,419</u>
<b>Total Fixed Charges</b>	<b>\$ 75,821</b>
<b>Ratio of Earnings to Fixed Charges</b>	<b>2.31</b>

\* Interest expense excluded \$81 accrued for the interest component associated with uncertain tax provisions.

\*\* Represents earnings from continuing operations less net earnings attributable to noncontrolling interests.

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

The management of Martin Marietta Materials, Inc., is responsible for the consolidated financial statements, the related financial information contained in this 2011 Annual Report and the establishment and maintenance of adequate internal control over financial reporting. The consolidated balance sheets for Martin Marietta Materials, Inc., at December 31, 2011 and 2010, and the related consolidated statements of earnings, total equity and cash flows for each of the three years in the period ended December 31, 2011, include amounts based on estimates and judgments and have been prepared in accordance with accounting principles generally accepted in the United States applied on a consistent basis.

A system of internal control over financial reporting is designed to provide reasonable assurance, in a cost-effective manner, that assets are safeguarded, transactions are executed and recorded in accordance with management's authorization, accountability for assets is maintained and financial statements are prepared and presented fairly in accordance with accounting principles generally accepted in the United States. Internal control systems over financial reporting have inherent limitations and may not prevent or detect misstatements. Therefore, even those systems determined to be effective can provide only reasonable assurance with respect to financial statement preparation and presentation. As permitted by the Securities and Exchange Commission, management's assessment of and conclusion on the effectiveness of internal control over financial reporting did not include the internal controls of its newly-acquired Denver operations, which are included in the 2011 consolidated financial statements and constituted 7% of consolidated total assets as of December 31, 2011.

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

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

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

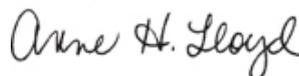
Management of Martin Marietta Materials, Inc., assessed the effectiveness of the Corporation's internal control over financial reporting as of December 31, 2011. In making this assessment, management used the criteria set forth in *Internal Control — Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). Based on management's assessment under the framework in *Internal Control — Integrated Framework*, management concluded that the Corporation's internal control over financial reporting was effective as of December 31, 2011.

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



C. Howard Nye  
President and Chief Executive Officer

February 29, 2012



Anne H. Lloyd  
Executive Vice President,  
Chief Financial Officer and Treasurer

## REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

### Board of Directors and Shareholders

#### *Martin Marietta Materials, Inc.*

We have audited Martin Marietta Materials, Inc.'s internal control over financial reporting as of December 31, 2011, based on criteria established in *Internal Control — Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission (the COSO criteria). Martin Marietta Materials, Inc.'s management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting included in the accompanying Statement of Financial Responsibility and Report of Management on Internal Control over Financial Reporting. Our responsibility is to express an opinion on the Corporation's internal control over financial reporting based on our audit.

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

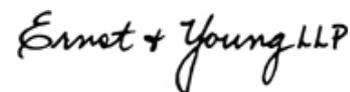
A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal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

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

As indicated in the accompanying Report of Management on Internal Control over Financial Reporting, management's assessment of and conclusion on the effectiveness of internal control over financial reporting did not include the internal controls of its newly-acquired Denver operations, which are included in the 2011 consolidated financial statements of Martin Marietta Materials, Inc. and constituted approximately 7% of consolidated total assets as of December 31, 2011. Our audit of internal control over financial reporting of Martin Marietta Materials, Inc. also did not include an evaluation of the internal control over financial reporting of these newly-acquired Denver operations.

In our opinion, Martin Marietta Materials, Inc. maintained, in all material respects, effective internal control over financial reporting as of December 31, 2011, based on the COSO criteria.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated balance sheets of Martin Marietta Materials, Inc. as of December 31, 2011 and 2010, and the related consolidated statements of earnings, total equity and cash flows for each of the three years in the period ended December 31, 2011, of Martin Marietta Materials, Inc. and our report dated February 29, 2012, expressed an unqualified opinion thereon.



Raleigh, North Carolina

February 29, 2012

*Martin Marietta Materials, Inc. and Consolidated Subsidiaries* page 7

**REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM**

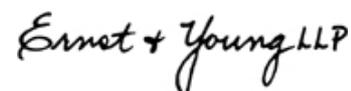
***Board of Directors and Shareholders***

***Martin Marietta Materials, Inc.***

We have audited the accompanying consolidated balance sheets of Martin Marietta Materials, Inc., as of December 31, 2011 and 2010, and the related consolidated statements of earnings, total equity and cash flows for each of the three years in the period ended December 31, 2011. These financial statements are the responsibility of the Corporation's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of Martin Marietta Materials, Inc., at December 31, 2011 and 2010, and the consolidated results of its operations and its cash flows for each of the three years in the period ended December 31, 2011, in conformity with U.S. generally accepted accounting principles. We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), Martin Marietta Materials, Inc.'s internal control over financial reporting as of December 31, 2011, based on criteria established in *Internal Control — Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission and our report dated February 29, 2012, expressed an unqualified opinion thereon.

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

Raleigh, North Carolina

February 29, 2012

***Martin Marietta Materials, Inc. and Consolidated Subsidiaries***      **page 8**

**CONSOLIDATED STATEMENTS OF EARNINGS** for years ended December 31

(add 000, except per share)

	2011	2010	2009
<b>Net Sales</b>	<b>\$1,519,961</b>	\$1,475,717	\$1,419,668
Freight and delivery revenues	<b>193,862</b>	177,168	153,648
<b>Total revenues</b>	<b>1,713,823</b>	1,652,885	1,573,316
Cost of sales	<b>1,217,946</b>	1,153,991	1,088,101
Freight and delivery costs	<b>193,862</b>	177,168	153,648
<b>Total cost of revenues</b>	<b>1,411,808</b>	1,331,159	1,241,749
<b>Gross Profit</b>	<b>302,015</b>	321,726	331,567
Selling, general and administrative expenses	<b>124,138</b>	130,422	135,881
Business development costs	<b>18,575</b>	1,220	2,199
Other operating (income) and expenses, net	<b>(1,720)</b>	(8,298)	10,575
<b>Earnings from Operations</b>	<b>161,022</b>	198,382	182,912
Interest expense	<b>58,586</b>	68,440	73,455
Other nonoperating expenses and (income), net	<b>1,834</b>	198	(1,165)
Earnings from continuing operations before taxes on income	<b>100,602</b>	129,744	110,622
Taxes on income	<b>20,986</b>	30,918	25,974
<b>Earnings from Continuing Operations</b>	<b>79,616</b>	98,826	84,648
Gain (Loss) on discontinued operations, net of related tax expense (benefit) of \$2,208, (\$1,575) and \$1,593, respectively	<b>3,957</b>	(162)	3,516
Consolidated net earnings	<b>83,573</b>	98,664	88,164
Less: Net earnings attributable to noncontrolling interests	<b>1,194</b>	1,652	2,705
<b>Net Earnings Attributable to Martin Marietta Materials, Inc.</b>	<b>\$ 82,379</b>	\$ 97,012	\$ 85,459
<b>Net Earnings (Loss) Attributable to Martin Marietta Materials, Inc.</b>			
Earnings from continuing operations	<b>\$ 78,422</b>	\$ 97,174	\$ 81,943
Discontinued operations	<b>3,957</b>	(162)	3,516
	<b>\$ 82,379</b>	\$ 97,012	\$ 85,459
<b>Net Earnings Attributable to Martin Marietta Materials, Inc. Per Common Share (See Note A)</b>			
— Basic from continuing operations available to common shareholders	<b>\$ 1.70</b>	\$ 2.11	\$ 1.84
— Discontinued operations available to common shareholders	<b>0.09</b>	—	0.08
	<b>\$ 1.79</b>	\$ 2.11	\$ 1.92
— Diluted from continuing operations available to common shareholders	<b>\$ 1.69</b>	\$ 2.10	\$ 1.83
— Discontinued operations available to common shareholders	<b>0.09</b>	—	0.08
	<b>\$ 1.78</b>	\$ 2.10	\$ 1.91
<b>Weighted-Average Common Shares Outstanding</b>			
— Basic	<b>45,652</b>	45,485	44,000
— Diluted	<b>45,793</b>	45,659	44,190

The notes on pages 13 to 36 are an integral part of these financial statements.

**CONSOLIDATED BALANCE SHEETS** at December 31

Assets (add 000)	2011	2010
<b>Current Assets:</b>		
Cash and cash equivalents	\$ 26,022	\$ 70,323
Accounts receivable, net	203,748	183,361
Inventories, net	322,607	331,894
Current deferred income tax benefits	80,674	83,380
Other current assets	24,799	27,253
<b>Total Current Assets</b>	<b>657,850</b>	<b>696,211</b>
Property, plant and equipment, net	1,774,291	1,687,830
Goodwill	616,671	626,527
Other intangibles, net	54,133	17,548
Other noncurrent assets	44,877	46,627
<b>Total Assets</b>	<b>\$3,147,822</b>	<b>\$3,074,743</b>
<b>Liabilities and Equity</b> (add 000, except parenthetical share data)		
<b>Current Liabilities:</b>		
Bank overdraft	\$ —	\$ 2,123
Accounts payable	92,210	60,333
Accrued salaries, benefits and payroll taxes	16,732	17,506
Pension and postretirement benefits	5,250	6,034
Accrued insurance and other taxes	26,408	23,535
Current maturities of long-term debt and short-term facilities	7,182	248,714
Other current liabilities	25,930	27,248
<b>Total Current Liabilities</b>	<b>173,712</b>	<b>385,493</b>
Long-term debt	1,052,902	782,045
Pension, postretirement and postemployment benefits	158,101	127,671
Noncurrent deferred income taxes	222,064	228,698
Other noncurrent liabilities	92,179	82,577
<b>Total Liabilities</b>	<b>1,698,958</b>	<b>1,606,484</b>
<b>Equity:</b>		
Common stock (\$0.01 par value; 100,000,000 shares authorized; 45,726,000 and 45,579,000 shares outstanding at December 31, 2011 and 2010, respectively)	456	455
Preferred stock (\$0.01 par value; 10,000,000 shares authorized; no shares outstanding)	—	—
Additional paid-in capital	401,864	396,485
Accumulated other comprehensive loss	(83,890)	(53,660)
Retained earnings	1,090,891	1,082,160
<b>Total Shareholders' Equity</b>	<b>1,409,321</b>	<b>1,425,440</b>
Noncontrolling interests	39,543	42,819
<b>Total Equity</b>	<b>1,448,864</b>	<b>1,468,259</b>
<b>Total Liabilities and Equity</b>	<b>\$3,147,822</b>	<b>\$3,074,743</b>

The notes on pages 13 to 36 are an integral part of these financial statements.

**CONSOLIDATED STATEMENTS OF CASH FLOWS** for years ended December 31

(add 000)

	2011	2010	2009
<b>Cash Flows from Operating Activities:</b>			
Consolidated net earnings	\$ 83,573	\$ 98,664	\$ 88,164
Adjustments to reconcile consolidated net earnings to net cash provided by operating activities:			
Depreciation, depletion and amortization	173,407	181,537	179,391
Stock-based compensation expense	11,522	14,675	20,552
(Gains) Losses on divestitures and sales of assets	(15,494)	(4,492)	2,121
Deferred income taxes	11,324	935	8,685
Excess tax benefits from stock-based compensation transactions	—	(1,291)	(555)
Other items, net	1,598	4,629	(1,018)
Changes in operating assets and liabilities, net of effects of acquisitions and divestitures:			
Accounts receivable, net	(19,375)	(20,546)	48,521
Inventories, net	(5,107)	1,241	(12,525)
Accounts payable	30,387	8,223	(10,452)
Other assets and liabilities, net	(12,741)	(13,767)	(4,516)
<b>Net Cash Provided by Operating Activities</b>	<b>259,094</b>	<b>269,808</b>	<b>318,368</b>
<b>Cash Flows from Investing Activities:</b>			
Additions to property, plant and equipment	(155,363)	(135,916)	(139,230)
Acquisitions, net	(91,569)	(43,299)	(49,593)
Proceeds from divestitures and sales of assets	8,008	5,033	7,792
Loan to affiliate	—	—	(4,000)
Railcar construction advances	—	(8,997)	(8,743)
Repayments of railcar construction advances	—	8,997	8,743
<b>Net Cash Used for Investing Activities</b>	<b>(238,924)</b>	<b>(174,182)</b>	<b>(185,031)</b>
<b>Cash Flows from Financing Activities:</b>			
Borrowings of long-term debt	495,000	200,000	330,000
Repayments of long-term debt	(470,450)	(419,680)	(236,006)
Repayments on short-term facilities, net	—	—	(200,000)
Debt issuance costs	(3,329)	(80)	(2,389)
Change in bank overdraft	(2,123)	386	(2,940)
Payments on capital lease obligations	—	(308)	(137)
Dividends paid	(73,648)	(73,550)	(71,178)
Distributions to owners of noncontrolling interests	(1,000)	—	(2,562)
Purchase of remaining interest in existing subsidiaries	(10,394)	—	(17,060)
Issuances of common stock	1,473	3,047	294,177
Excess tax benefits from stock-based compensation transactions	—	1,291	555
<b>Net Cash (Used for) Provided by Financing Activities</b>	<b>(64,471)</b>	<b>(288,894)</b>	<b>92,460</b>
<b>Net (Decrease) Increase in Cash and Cash Equivalents</b>	<b>(44,301)</b>	<b>(193,268)</b>	<b>225,797</b>
<b>Cash and Cash Equivalents, beginning of year</b>	<b>70,323</b>	<b>263,591</b>	<b>37,794</b>
<b>Cash and Cash Equivalents, end of year</b>	<b>\$ 26,022</b>	<b>\$ 70,323</b>	<b>\$ 263,591</b>
<b>Supplemental Disclosures of Cash Flow Information:</b>			
Cash paid for interest	\$ 60,740	\$ 68,135	\$ 72,027
Cash paid for income taxes	\$ 13,889	\$ 19,661	\$ 17,087

The notes on pages 13 to 36 are an integral part of these financial statements.

**CONSOLIDATED STATEMENTS OF TOTAL EQUITY**

(add 000, except per share data)	Shares of Common Stock	Common Stock	Additional Paid-In Capital	Accumulated Other Comprehensive Earnings/(Loss)	Retained Earnings	Total Shareholders' Equity	Non- controlling Interests	Total Equity
Balance at December 31, 2008	41,462	\$ 414	\$ 78,545	\$ (101,672)	\$1,044,417	\$ 1,021,704	\$ 45,556	\$1,067,260
Consolidated net earnings	—	—	—	—	85,459	85,459	2,705	88,164
Adjustment for funded status of pension and postretirement benefit plans, net of tax of \$15,315	—	—	—	23,409	—	23,409	(2)	23,407
Foreign currency translation gain	—	—	—	2,673	—	2,673	—	2,673
Amortization of terminated value of forward starting interest rate swap agreements into interest expense, net of tax of \$331	—	—	—	506	—	506	—	506
Consolidated comprehensive earnings						112,047	2,703	114,750
Dividends declared (\$1.60 per common share)	—	—	—	—	(71,178)	(71,178)	—	(71,178)
Issuances of common stock	3,778	38	293,404	—	—	293,442	—	293,442
Issuances of common stock for stock award plans	159	1	(3,727)	—	—	(3,726)	—	(3,726)
Stock-based compensation expense	—	—	20,552	—	—	20,552	—	20,552
Purchase of remaining interest in existing subsidiaries	—	—	(7,601)	—	—	(7,601)	(4,526)	(12,127)
Distributions to owners of noncontrolling interests	—	—	—	—	—	—	(2,562)	(2,562)
Balance at December 31, 2009	45,399	453	381,173	(75,084)	1,058,698	1,365,240	41,171	1,406,411
Consolidated net earnings	—	—	—	—	97,012	97,012	1,652	98,664
Adjustment for funded status of pension and postretirement benefit plans, net of tax of \$9,100	—	—	—	19,969	—	19,969	(4)	19,965
Foreign currency translation gain	—	—	—	912	—	912	—	912
Amortization of terminated value of forward starting interest rate swap agreements into interest expense, net of tax of \$355	—	—	—	543	—	543	—	543
Consolidated comprehensive earnings						118,436	1,648	120,084
Dividends declared (\$1.60 per common share)	—	—	—	—	(73,550)	(73,550)	—	(73,550)
Issuances of common stock for stock award plans	180	2	637	—	—	639	—	639
Stock-based compensation expense	—	—	14,675	—	—	14,675	—	14,675
Balance at December 31, 2010	45,579	455	396,485	(53,660)	1,082,160	1,425,440	42,819	1,468,259
Consolidated net earnings	—	—	—	—	82,379	82,379	1,194	83,573
Adjustment for funded status of pension and postretirement benefit plans, net of tax of \$15,660	—	—	—	(29,959)	—	(29,959)	(31)	(29,990)
Foreign currency translation loss	—	—	—	(853)	—	(853)	—	(853)
Amortization of terminated value of forward starting interest rate swap agreements into interest expense, net of tax of \$381	—	—	—	582	—	582	—	582
Consolidated comprehensive earnings						52,149	1,163	53,312
Dividends declared (\$1.60 per common share)	—	—	—	—	(73,648)	(73,648)	—	(73,648)
Issuances of common stock for stock award plans	147	1	(2,406)	—	—	(2,405)	—	(2,405)
Stock-based compensation expense	—	—	11,522	—	—	11,522	—	11,522
Distributions to owners of noncontrolling interests	—	—	—	—	—	—	(1,000)	(1,000)
Purchase of remaining interest in existing subsidiaries	—	—	(3,737)	—	—	(3,737)	(3,439)	(7,176)
Balance at December 31, 2011	45,726	\$ 456	\$ 401,864	\$ (83,890)	\$1,090,891	\$ 1,409,321	\$ 39,543	\$1,448,864

The notes on pages 13 to 36 are an integral part of these financial statements.

## NOTES TO FINANCIAL STATEMENTS

### Note A: Accounting Policies

**Organization.** Martin Marietta Materials, Inc., (the "Corporation") is engaged principally in the construction aggregates business. The Corporation's aggregates products, which include crushed stone, sand and gravel, are 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 asphalt products, ready mixed concrete and road paving materials, are sold and shipped from a network of 304 quarries, distribution facilities and plants to customers in 31 states, Canada, the Bahamas and the Caribbean Islands. The Aggregates business contains the following reportable segments: Mideast Group, Southeast Group and West Group. The Mideast Group operates in Indiana, Kentucky, Maryland, North Carolina, Ohio, South Carolina, Virginia and West Virginia. The Southeast Group has operations in Alabama, Florida, Georgia, Mississippi, Tennessee, Nova Scotia and the Bahamas. The West Group operates in Arkansas, Colorado, Iowa, Kansas, Louisiana, Minnesota, Missouri, Nebraska, Nevada, North Dakota, Oklahoma, Texas, Utah, Washington and Wyoming. The following states accounted for approximately 57% of the Aggregates business' 2011 net sales: Texas, North Carolina, Iowa, Georgia and South Carolina.

In addition to the Aggregates business, the Corporation 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.

**Use of Estimates.** The preparation of the Corporation's consolidated financial statements in conformity with accounting principles generally accepted in the United States requires management to make certain estimates and assumptions about future events. These estimates and the underlying assumptions affect the amounts of assets and liabilities reported, disclosures about contingent assets and liabilities, and reported amounts of revenues and expenses. Such estimates include the valuation of accounts receivable, inventories, goodwill, intangible assets, and other long-lived assets, and assumptions used in the calculation of income taxes, retirement and other postemployment benefits. These estimates and assumptions are based on management's best estimates and judgment. Management evaluates its estimates and assumptions on an ongoing basis using historical experience and other factors, including the current economic environment. Management adjusts such estimates and assumptions when facts and circumstances dictate. Changes in credit, equity and energy markets and declines in construction activity have combined to increase the uncertainty inherent in certain of these estimates and assumptions. As future events and their effects cannot be determined with precision, actual results could differ significantly from these estimates. Changes in estimates, including those resulting from continuing changes in the economic environment, will be reflected in the financial statements for the period in which the change in estimate occurs.

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

In 2010, the Corporation was a majority member of a limited liability company whereby the minority member was paid a preferred annual return. In May 2011, the Corporation redeemed the other member's interest in the limited liability company.

**Revenue Recognition.** Revenues for product sales are recognized when risks associated with ownership have passed to unaffiliated customers. Typically, this occurs when finished products are shipped. Revenues derived from the road paving business are recognized using the percentage completion method. Total revenues include sales of materials and services provided to customers, net of discounts or allowances, if any, and include freight and delivery costs billed to customers.

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

## NOTES TO FINANCIAL STATEMENTS (CONTINUED)

**Cash and Cash Equivalents.** Cash equivalents are comprised of highly-liquid instruments with original maturities of three months or less from the date of purchase. The Corporation manages its cash and cash equivalents to ensure that short-term operating cash needs are met and that excess funds are managed efficiently. The Corporation subsidizes shortages in operating cash through short-term borrowing facilities. The Corporation typically invests excess funds in money market funds, money market demand deposit accounts or Eurodollar time deposit accounts. Money market demand deposits and Eurodollar time deposit accounts are exposed to bank solvency risk. Money market demand deposit accounts are FDIC insured up to \$250,000. The Corporation's deposits in bank funds generally exceed the \$250,000 FDIC insurance limit. The Corporation's cash management policy prohibits cash and cash equivalents over \$100,000,000 to be maintained at any one bank.

At December 31, 2011, the Corporation had \$26,022,000 in cash and short-term investments that are considered cash equivalents, of which \$12,652,000 was deposited in bank time deposit accounts. At December 31, 2010, cash and cash equivalents were \$70,323,000, of which \$33,037,000 was deposited in bank time deposit accounts and \$30,185,000 was invested in money market mutual funds. The remaining balance of cash and cash equivalents represent deposits in transit to the Corporation's lockbox accounts and deposits held at local banks.

In connection with its guarantee of an affiliate (see Note N), the Corporation is required to maintain funds in depository accounts at Fifth Third Bank ("Fifth Third") in an amount greater than or equal to \$5,000,000. Of the Corporation's cash and cash equivalents at December 31, 2011, \$5,014,000 was on deposit at Fifth Third.

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

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

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

**Properties and Depreciation.** Property, plant and equipment are stated at cost. The estimated service lives for property, plant and equipment are as follows:

Class of Assets	Range of Service Lives
Buildings	4 to 50 years
Machinery & Equipment	2 to 35 years
Land Improvements	4 to 30 years

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

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

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

## NOTES TO FINANCIAL STATEMENTS (CONTINUED)

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

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

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

**Goodwill and Intangible Assets.** Goodwill represents the excess purchase price paid for acquired businesses over the estimated fair value of identifiable assets and liabilities. The carrying value of goodwill is reviewed annually, as of October 1, for impairment. An interim review is performed between annual tests if facts or circumstances indicate potential impairment. If an impairment review indicates that the carrying value is impaired, a charge is recorded.

The Corporation's reporting units, which represent the level at which goodwill is tested for impairment, are based on its geographic regions. Goodwill is allocated to the reporting units based on the location of acquisitions and divestitures at the time of consummation.

Other intangibles represent amounts assigned principally to contractual agreements and are amortized ratably over periods based on related contractual terms. The carrying value of other intangibles is reviewed if facts and circumstances indicate potential impairment. If this review determines that the carrying value is impaired, a charge is recorded.

**Derivatives.** From time to time, the Corporation holds derivative instruments to manage the exposure of interest rate risk on its long-term debt. When held, the Corporation records derivative instruments at fair value on its consolidated balance sheet. At December 31, 2011 and 2010, the Corporation did not hold any derivative instruments.

**Retirement Plans and Postretirement Benefits.** The Corporation sponsors defined benefit retirement plans and also provides other postretirement benefits. The Corporation recognizes the funded status, defined as the difference between the fair value of plan assets and the benefit obligation, of its pension plans and other postretirement benefits as an asset or liability on the consolidated balance sheets, with a corresponding adjustment to accumulated other comprehensive earnings or loss, net of tax. Actuarial gains or losses that arise during the year are not recognized as net periodic benefit cost in the same year, but rather are recognized as a component of accumulated other comprehensive earnings or loss. Those amounts are amortized over the participants' average remaining service period and recognized as a component of net periodic benefit cost.

**Stock-Based Compensation.** The Corporation has stock-based compensation plans for employees and directors. The Corporation recognizes all forms of stock-based payments to employees, including stock options, as compensation expense. The compensation expense is the fair value of the awards at the measurement date and is recognized over the requisite service period.

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

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

The Corporation uses the lattice valuation model to determine the fair value of stock option awards. The lattice valuation model takes into account employees' exercise patterns based on changes in the Corporation's stock price and other variables. The period of time for which options are expected to be outstanding, or expected term of the option, is a derived output of the lattice valuation model. The Corporation considers the following factors when estimating the expected term of options: vesting period of the award, expected volatility of the underlying stock, employees' ages and external data. Other key assumptions used in determining the fair value of the stock options awarded in 2011, 2010 and 2009 were:

	2011	2010	2009
Risk-free interest rate	2.82%	2.97%	3.31%
Dividend yield	1.90%	1.80%	1.70%
Volatility factor	36.70%	37.30%	36.90%
Expected term	7.2 years	7.2 years	7.1 years

## NOTES TO FINANCIAL STATEMENTS (CONTINUED)

Based on these assumptions, the weighted-average fair value of each stock option granted was \$29.94, \$33.95 and \$28.72 for 2011, 2010 and 2009, respectively.

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

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

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

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

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

**Uncertain Tax Positions.** The Corporation recognizes a tax benefit when it is more-likely-than-not, based on the technical merits, that the position would be sustained upon examination by a taxing authority. The amount to be recognized is measured as the largest amount of tax benefit that is greater than 50 percent likely of being realized upon ultimate settlement with a taxing authority that has full knowledge of all relevant information.

The Corporation records interest accrued in relation to unrecognized tax benefits as income tax expense. Penalties, if incurred, are recorded as operating expenses in the consolidated statements of earnings. At December 31, 2011 and 2010, total interest, net of tax, included in income tax expense in the consolidated statements of earnings was \$305,000 and \$1,327,000, respectively. At December 31, 2011, accrued interest of \$220,000, net of tax benefits of \$144,000, was recorded as a noncurrent liability on the Corporation's consolidated balance sheet; and accrued interest of \$54,000, net of tax benefits of \$35,000, was recorded as a current liability. At December 31, 2010, accrued interest of \$327,000, net of tax benefits of \$214,000, was recorded as a noncurrent liability on the Corporation's consolidated balance sheet.

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

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

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

**Consolidated Comprehensive Earnings and Accumulated Other Comprehensive Loss.** Consolidated comprehensive earnings for the Corporation consist of consolidated net earnings; adjustments for the funded status of pension and postretirement benefit plans; foreign currency translation adjustments; and the amortization of the value of terminated forward starting interest swap agreements into interest expense.

## NOTES TO FINANCIAL STATEMENTS (CONTINUED)

The components of accumulated other comprehensive loss are as follows:

<i>December 31</i> (add 000)	2011	2010	2009
Unrecognized actuarial losses, prior service costs and transition assets related to pension and postretirement benefits	\$(84,204)	\$(54,245)	\$(74,214)
Foreign currency translation gains	5,076	5,929	5,017
Unamortized value of terminated forward starting interest rate swap agreements	(4,762)	(5,344)	(5,887)
<b>Accumulated comprehensive other loss</b>	<b>\$(83,890)</b>	<b>\$(53,660)</b>	<b>\$(75,084)</b>

The components of accumulated other comprehensive loss are net of cumulative noncurrent deferred tax assets as follows:

<i>December 31</i> (add 000)	2011	2010	2009
Unrecognized actuarial losses, prior service costs and transition assets related to pension and postretirement benefits	\$55,161	\$39,501	\$48,601
Unamortized value of terminated forward starting interest rate swap agreements	3,116	3,497	3,852
<b>Cumulative noncurrent deferred tax assets</b>	<b>\$58,277</b>	<b>\$42,998</b>	<b>\$52,453</b>

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

The numerator for basic and diluted earnings per common share is net earnings attributable to Martin Marietta Materials, Inc., reduced by dividends and undistributed earnings attributable to the Corporation's unvested restricted stock awards and incentive stock awards. The denominator for basic earnings per common share is the weighted-average number of common shares outstanding during the period. Diluted earnings per common share are computed assuming that the weighted-average number of common shares is increased by the conversion, using the treasury stock method, of awards to be issued to employees and non-employee members of the Corporation's Board of Directors under certain stock-based compensation arrangements if the conversion is dilutive. The diluted per-share computations reflect a change in the number of common shares outstanding (the denominator) to include the number of additional shares that would have been outstanding if the potentially dilutive common shares had been issued.

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

<i>years ended December 31 (add 000)</i>	2011	2010	2009
Net earnings from continuing operations attributable to Martin Marietta Materials, Inc.	\$78,422	\$97,174	\$81,943
Less: Distributed and undistributed earnings attributable to unvested awards	(657)	(993)	(1,048)
Basic and diluted net earnings available to common shareholders from continuing operations attributable to Martin Marietta Materials, Inc.	77,765	96,181	80,895
Basic and diluted net earnings (loss) available to common shareholders from discontinued operations	3,957	(162)	3,516
<b>Basic and diluted net earnings available to common shareholders attributable to Martin Marietta Materials, Inc.</b>	<b>\$81,722</b>	<b>\$96,019</b>	<b>\$84,411</b>
Basic weighted-average common shares outstanding	45,652	45,485	44,000
Effect of dilutive employee and director awards	141	174	190
<b>Diluted weighted-average common shares outstanding</b>	<b>45,793</b>	<b>45,659</b>	<b>44,190</b>

**Accounting Changes.** Effective October 1, 2011, the Corporation early adopted, as permitted, accounting guidance related to annual goodwill impairment testing. The guidance gives the Corporation the option to perform a qualitative assessment to determine whether it is more-likely-than-not that the fair value of a reporting unit is less than its carrying amount. If the Corporation concludes that this is the case for a reporting unit, it would proceed to calculating the fair value for that reporting unit. Otherwise, the Corporation would not be required to perform any further goodwill impairment testing for that reporting unit.

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

Effective January 1, 2012, the Corporation will discontinue the presentation of consolidated comprehensive earnings in the consolidated statements of total equity and will present net earnings and consolidated comprehensive earnings in two separate consecutive financial statements. Reclassification adjustments may be required for items that are included in both net earnings and comprehensive earnings. The requirement for separate disclosure of these reclassifications in the statements of earnings has been deferred to a date not yet specified by the Financial Accounting Standards Board (the "FASB"). This accounting change will not affect the Corporation's financial position or results of operations.

**Note B: Goodwill and Intangible Assets**

The following table shows the changes in goodwill, all of which relate to the Aggregates business, by reportable segment and in total:

years ended December 31 (add 000)	Mideast Group	Southeast Group	West Group	Total
	2011			
Balance at beginning of period	\$122,052	\$105,870	\$398,605	\$626,527
Acquisitions	—	—	23,941	23,941
Amounts allocated to divestitures	—	(33,797)	—	(33,797)
Balance at end of period	\$122,052	\$72,073	\$422,546	\$616,671
	2010			
Balance at beginning of period	\$119,749	\$105,870	\$398,605	\$624,224
Acquisitions	2,303	—	—	2,303
Balance at end of period	\$122,052	\$105,870	\$398,605	\$626,527

In 2011, the Corporation closed three aggregates-related acquisitions for which it recognized \$23,941,000 of goodwill. Additionally, in 2011, the Corporation divested of its River District operations as part of an asset exchange. Goodwill of \$33,797,000 associated with this divestiture was written off.

Intangible assets subject to amortization consist of the following:

December 31 (add 000)	Gross Amount	Accumulated Amortization	Net Balance
	2011		
Noncompetition agreements	\$ 6,984	\$ (5,447)	\$ 1,537
Customer relationships	20,160	(2,070)	18,090
Use rights and other	15,865	(5,307)	10,558
Total	\$43,009	\$ (12,824)	\$30,185
	2010		
Noncompetition agreements	\$ 9,850	\$ (7,485)	\$ 2,365
Customer relationships	3,550	(1,347)	2,203
Use rights and other	9,105	(5,490)	3,615
Total	\$22,505	\$ (14,322)	\$ 8,183

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

December 31 (add 000)	Aggregates Business	Specialty Products	Total
	2011		
Use rights	\$ 21,383	\$ —	\$21,383
Trade name	—	2,565	2,565
Total	\$ 21,383	\$ 2,565	\$23,948
	2010		
Use rights	\$ 6,800	\$ —	\$ 6,800
Trade name	—	2,565	2,565
Total	\$ 6,800	\$ 2,565	\$ 9,365

During 2011 and 2010, the Corporation acquired \$38,783,000 and \$7,166,000, respectively, of other intangibles for its Aggregates business, consisting of the following:

(add 000)	Amount	Weighted-average amortization period
	2011	
Subject to amortization:		
Noncompetition agreements	\$ 180	7.0 years
Customer relationships	16,610	11.6 years
Use rights and other	7,410	19.5 years
	24,200	14.0 years
Not subject to amortization:		
Use rights	14,583	N/A
Total	\$38,783	
	2010	
Subject to amortization:		
Noncompetition agreements	\$ 566	9.2 years
Not subject to amortization:		
Use rights	6,600	N/A
Total	\$ 7,166	

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

Total amortization expense for intangible assets for the years ended December 31, 2011, 2010 and 2009 was \$1,812,000, \$1,453,000 and \$1,711,000, respectively. The estimated amortization expense for intangible assets for each of the next five years and thereafter is as follows:

(add 000)	
2012	\$ 3,623
2013	3,539
2014	3,245
2015	2,606
2016	2,370
Thereafter	14,802
<b>Total</b>	<b>\$30,185</b>

**Note C: Business Combinations and Discontinued Operations**

**Business Combinations.** The Corporation completed several acquisitions in 2011, 2010 and 2009 that are not financially material business combinations. In 2011, the Corporation paid \$91,569,000 for acquisitions in the metropolitan Denver, Colorado region and San Antonio, Texas. These acquisitions included aggregates quarry sites and downstream ready mixed concrete, asphalt and road paving businesses. In 2010, the Corporation paid \$43,299,000 for an aggregates distribution facility at Port Canaveral, Florida and a sand and gravel business near Charlotte, North Carolina. In 2009, the Corporation paid \$49,593,000 for acquisitions, including aggregates quarry sites in Nebraska, Wyoming and Utah.

**Divestitures and Permanent Closures.** Divestitures and permanent closures of underperforming operations of the Aggregates business 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. The results of operations for divestitures do not include Corporate overhead that was allocated during the periods the Corporation owned these operations.

Discontinued operations, which include the River District operations divested in 2011, consist of the following:

years ended December 31 (add 000)	2011	2010	2009
Net sales	\$64,567	\$75,414	\$78,741
Pretax (loss) gain on operations	\$ (3,821)	\$ (1,733)	\$ 5,126
Pretax gain (loss) on disposals	9,986	(4)	(17)
Pretax gain (loss)	6,165	(1,737)	5,109
Income tax expense (benefit)	2,208	(1,575)	1,593
Net earnings (loss)	\$ 3,957	\$ (162)	\$ 3,516

**Note D: Accounts Receivable, Net**

December 31 (add 000)	2011	2010
Customer receivables	\$ 197,611	\$ 184,857
Other current receivables	11,432	2,082
	209,043	186,939
Less allowances	(5,295)	(3,578)
<b>Total</b>	<b>\$203,748</b>	<b>\$183,361</b>

**Note E: Inventories, Net**

December 31 (add 000)	2011	2010
Finished products	\$ 350,685	\$ 358,138
Products in process and raw materials	11,116	13,842
Supplies and expendable parts	53,287	46,958
	415,088	418,938
Less allowances	(92,481)	(87,044)
<b>Total</b>	<b>\$322,607</b>	<b>\$331,894</b>

**Note F: Property, Plant and Equipment, Net**

December 31 (add 000)	2011	2010
Land and land improvements	\$ 620,940	\$ 594,866
Mineral reserves and interests	421,820	351,543
Buildings	111,796	108,266
Machinery and equipment	2,407,045	2,420,759
Construction in progress	127,091	92,841
	3,688,692	3,568,275
Less allowances for depreciation, depletion and amortization	(1,914,401)	(1,880,445)
<b>Total</b>	<b>\$ 1,774,291</b>	<b>\$ 1,687,830</b>

At December 31, 2011 and 2010, the net carrying value of mineral reserves and interests was \$353,819,000 and \$285,729,000, respectively.

Depreciation, depletion and amortization expense related to property, plant and equipment was \$169,974,000, \$178,426,000 and \$176,050,000 for the years ended December 31, 2011, 2010 and 2009, respectively.

Interest cost of \$1,816,000, \$2,129,000 and \$1,010,000 was capitalized during 2011, 2010 and 2009, respectively.

At December 31, 2011 and 2010, \$72,181,000 and \$73,883,000, respectively, of the Aggregate business' net fixed assets were located in foreign countries, namely the Bahamas and Canada.

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

**Note G: Long-Term Debt**

<i>December 31</i> (add 000)	2011	2010
6.875% Notes, due 2011	\$ —	\$ 242,129
6.6% Senior Notes, due 2018	298,476	298,288
7% Debentures, due 2025	124,417	124,393
6.25% Senior Notes, due 2037	247,915	247,882
Term Loan Facility, due 2015, interest rate of 2.20% at December 31, 2011	250,000	—
Term Loan, due 2012, interest rate of 3.29% at December 31, 2010	—	111,750
Revolving Facility, interest rate of 2.64% at December 31, 2011	35,000	—
AR Credit Facility, interest rate of 1.66% at December 31, 2011	100,000	—
Other notes	4,276	6,317
<b>Total</b>	<b>1,060,084</b>	<b>1,030,759</b>
Less current maturities	(7,182)	(248,714)
<b>Long-term debt</b>	<b>\$1,052,902</b>	<b>\$ 782,045</b>

On March 31, 2011, the Corporation entered into a Credit Agreement with JPMorgan Chase Bank, N.A., as Administrative Agent, Wells Fargo Bank, N.A., Branch Banking and Trust Company, SunTrust Bank, and Bank of America, N.A., as Co-Syndication Agents, and the lenders party thereto (the "Credit Agreement"), consisting of a \$250,000,000 senior unsecured term loan (the "Term Loan Facility") and a \$350,000,000 four-year senior unsecured revolving facility (the "Revolving Facility", and together with the Term Loan Facility, the "Senior Unsecured Credit Facilities"). The Senior Unsecured Credit Facilities are syndicated with the following banks:

<i>(add 000)</i> Lender	Revolving Facility Commitment	Term Loan Facility Commitment
JPMorgan Chase Bank, N.A.	\$ 46,667	\$ 33,333
Wells Fargo Bank, N.A.	46,667	33,333
SunTrust Bank	46,667	33,333
Branch Banking and Trust Company	46,667	33,333
Bank of America, N.A.	46,667	33,333
Citibank, N.A.	29,167	20,833
Deutsche Bank AG New York Branch	29,167	20,833
The Northern Trust Company	29,167	20,833
Comerica Bank	14,582	10,418
Regions Bank	14,582	10,418
<b>Total</b>	<b>\$ 350,000</b>	<b>\$ 250,000</b>

Borrowings under the Senior Unsecured Credit Facilities bear interest, at the Corporation's option, at rates based upon LIBOR or a base rate, plus, for each rate, a margin determined in accordance with a ratings-based pricing grid. The base rate is defined as the highest of (i) JPMorgan Chase Bank N.A.'s prime lending rate, (ii) the federal funds rate plus 0.5% and (iii) one-month LIBOR plus 1%.

The Revolving Facility expires on March 31, 2015, with any outstanding principal amounts, together with interest accrued thereon, due in full on that date.

On March 31, 2011, the Corporation borrowed \$250,000,000 under the Term Loan Facility, a portion of which was used to prepay the \$111,750,000 Term Loan due 2012. The Corporation is required to make annual principal payments of \$5,000,000, with the remaining outstanding principal, together with interest accrued thereon, due in full on March 31, 2015.

On March 31, 2011, the Corporation entered into the Second Amendment to Account Purchase Agreement with Wells Fargo Bank, N.A., which amended its \$100,000,000 secured accounts receivable credit facility (the "AR Credit Facility"). As amended, borrowings under the AR Credit Facility bear interest at a rate equal to the one-month LIBOR plus 1.35%. Borrowings under the AR Credit Facility are limited based on the balance of the Corporation's accounts receivable; however, this limitation is not expected to reduce the availability below the \$100,000,000 facility maximum. The AR Credit Facility matures on April 20, 2012.

On April 1, 2011, the Corporation borrowed \$100,000,000 under the AR Credit Facility, which in addition to proceeds from the Term Loan Facility, was used to repay \$242,140,000 of 6.875% Notes that matured on that date. At December 31, 2011, outstanding borrowings of \$100,000,000 were classified as long-term on the consolidated balance sheet as the Corporation has the ability and intent to refinance its AR Credit Facility with borrowings that mature in more than twelve months. Currently, the Corporation is in negotiations with its lender to renew the AR Credit Facility for successive one-year terms through 2015. Furthermore, the Corporation has capacity under its Revolving Facility to refinance this debt if the AR Credit Facility cannot be renewed.

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

On January 23, 2012, the Corporation repurchased \$20,000,000 par value of its outstanding 6.25% Senior Notes due 2037 at 90.75. This repurchase was financed with borrowings of \$18,200,000 under the Corporation’s Revolving Facility, which are due March 31, 2015.

In 2010, the Corporation repaid \$217,590,000 of floating rate senior notes through the use of cash.

The Corporation’s 6.6% Senior Notes due 2018 and 6.25% Senior Notes due 2037 (collectively, the “Senior Notes”) are senior unsecured obligations of the Corporation, ranking equal in right of payment with the Corporation’s existing and future unsubordinated indebtedness. Upon a change of control repurchase event and a below investment grade credit rating, the Corporation will be required to make an offer to repurchase all outstanding Senior Notes at a price in cash equal to 101% of the principal amount of the Senior Notes, plus any accrued and unpaid interest to, but not including, the purchase date.

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

	Principal Amount (add 000)	Effective Interest Rate	Maturity Date
6.6% Senior Notes	\$ 300,000	6.81%	April 15, 2018
7% Debentures	\$ 125,000	7.12%	December 1, 2025
6.25% Senior Notes	\$ 250,000	6.45%	May 1, 2037

The Corporation’s Credit Agreement and AR Credit Facility, as amended, require 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 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 both the Revolving Facility and the AR Credit 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 was in compliance with the Ratio at December 31, 2011.

Effective February 24, 2012, the Corporation amended the Ratio to ensure that the impact of business development costs for the proposed business combination with Vulcan Materials Company (“Vulcan”) (See Note R) and the seasonal working capital requirements for the newly-acquired Colorado operations do not impair liquidity available under the Corporation’s Credit Agreement and AR Credit Facility. The amendment temporarily increases the maximum Ratio to 3.95x at March 31, 2012 and June 30, 2012, stepping down to 3.75x at September 30, 2012. The Ratio returns to the pre-amendment maximum of 3.50x for the December 31, 2012 calculation date. The amendment also allows the Corporation to exclude from the Ratio at March 31, 2012 and June 30, 2012 debt associated with the newly-acquired Colorado operations, which was allowed only through the March 31, 2012 calculation date prior to the amendment.

Available borrowings under the Revolving Facility are reduced by any outstanding letters of credit issued by the Corporation under the Revolving Facility. At December 31, 2011 and 2010, the Corporation had \$1,963,000 of outstanding letters of credit issued under the Revolving Facility. The Corporation paid an upfront loan commitment fee to the bank group that is being amortized over the life of the Revolving Facility. Unused fees are paid on undrawn revolving balances.

The Corporation has a \$10,000,000 short-term line of credit. No amounts were outstanding under this line of credit at December 31, 2011 or 2010.

The Corporation’s long-term debt maturities for the five years following December 31, 2011, and thereafter are:

(add 000)	
2012	\$ 7,182
2013	6,181
2014	5,229
2015	370,207
2016	109
Thereafter	671,176
<b>Total</b>	<b>\$1,060,084</b>

## NOTES TO FINANCIAL STATEMENTS (CONTINUED)

Accumulated other comprehensive loss includes the unamortized value of terminated forward starting interest rate swap agreements. For the years ended December 31, 2011 and 2010, the Corporation recognized \$963,000 and \$898,000, 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.

### Note H: Financial Instruments

The Corporation's financial instruments include temporary cash investments, accounts receivable, notes receivable, bank overdraft, publicly registered long-term notes and 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: Bank of America, N.A., Branch Banking and Trust Company, JPMorgan Chase Bank, N.A., Regions Bank, Fifth Third 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 (see Note A). The estimated fair values of customer receivables approximate their carrying amounts.

Notes receivable are primarily related to divestitures and are not publicly traded. However, using current market interest rates, but excluding adjustments for credit worthiness, if any, management estimates that the fair value of notes receivable approximates its carrying amount.

The bank overdraft represents the float of outstanding checks. The estimated fair value of the bank overdraft approximates its carrying value.

The carrying values and fair values of the Corporation's long-term debt were \$1,060,084,000 and \$1,087,726,000, respectively, at December 31, 2011 and \$1,030,759,000 and \$1,051,704,000, respectively, at December 31, 2010. The estimated fair value of the Corporation's publicly registered long-term debt was estimated based on level 1 of the fair value hierarchy, quoted market prices. The estimated fair values of other borrowings approximate its carrying amounts.

### Note I: Income Taxes

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

<i>years ended December 31</i> <i>(add 000)</i>	2011	2010	2009
<b>Federal income taxes:</b>			
Current	\$15,967	\$10,539	\$15,879
Deferred	4,080	14,779	5,150
<b>Total federal income taxes</b>	<b>20,047</b>	<b>25,318</b>	<b>21,029</b>
<b>State income taxes:</b>			
Current	2,827	1,988	3,646
Deferred	(882)	3,429	1,079
<b>Total state income taxes</b>	<b>1,945</b>	<b>5,417</b>	<b>4,725</b>
<b>Foreign income taxes:</b>			
Current	(1,006)	(260)	528
Deferred	—	443	(308)
<b>Total foreign income taxes</b>	<b>(1,006)</b>	<b>183</b>	<b>220</b>
<b>Total taxes on income</b>	<b>\$20,986</b>	<b>\$30,918</b>	<b>\$25,974</b>

For the year ended December 31, 2011, the realized tax benefit for stock-based compensation transactions was less than the amounts estimated during the vesting periods. As a result, the Corporation reduced its pool of excess tax benefits by \$966,000. For the years ended December 31, 2010 and 2009, excess tax benefits attributable to stock-based compensation transactions that were recorded to shareholders' equity amounted to \$1,291,000 and \$555,000, respectively.

For the years ended December 31, 2011, 2010 and 2009, foreign pretax loss was \$12,897,000, \$2,410,000 and \$725,000, respectively. In 2011, the current foreign tax benefit included refunds for the double taxation resulting from the audit of the Corporation's wholly-owned Canadian subsidiary. Any tax effect of currency translations included in foreign taxes was immaterial.

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

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

<i>years ended December 31</i>	2011	2010	2009
Statutory tax rate	35.0%	35.0%	35.0%
Increase (reduction)resulting from:			
Effect of statutory depletion	(17.5)	(12.8)	(14.1)
State income taxes	1.3	2.7	2.8
Foreign taxes	3.4	0.6	0.2
Domestic production deduction	(1.6)	(1.6)	(0.8)
Medicare subsidy	0.2	1.8	(0.1)
Other items	0.1	(1.9)	0.5
Effective income tax rate	20.9%	23.8%	23.5%

For income tax purposes, the statutory depletion deduction is calculated as a percentage of sales, subject to certain limitations. Due to these limitations, changes in sales volumes and earnings may not proportionately affect the Corporation's effective income tax rate on continuing operations.

The increased impact of foreign taxes on the effective income tax rate was primarily due to foreign losses for which no tax benefit was recognized. The Corporation increased its valuation allowance attributable to net operating loss carryforwards of its wholly-owned Canadian subsidiary by \$2,680,000 in 2011. In addition, no deferred tax asset was recognized on the loss of the Corporation's wholly-owned Bahamas subsidiary since the tax benefit would result in a deferred tax asset that would not reverse in the foreseeable future.

The Corporation receives a tax deduction related to income from domestic (i.e., United States) production activities. The deduction was equal to 6 percent for 2009 and reached 9 percent, the fully phased in deduction amount, beginning in 2010. The production deduction benefit reduced income tax expense and increased net earnings by \$2,035,000, or \$0.04 per diluted share, in 2011, \$1,696,000, or \$0.04 per diluted share, in 2010 and \$611,000, or \$0.01 per diluted share, in 2009.

On March 23, 2010, the Patient Protection and Affordable Care Act ("PPACA") was signed into law. Among other things, PPACA reduces the tax benefits available to an employer that receives the Medicare Part D subsidy. Employers that receive the Medicare Part D subsidy recognize the deferred tax effects of the reduced deductibility of the postretirement prescription drug coverage in continuing operations as a discrete event in the period of enactment. The overall effective income tax rates for the years ended December 31, 2011 and 2010 include the effect to the Corporation of PPACA.

During 2011 and 2010, several states in which the Corporation operates enacted changes to tax rates which were determined to be immaterial to the overall effective income tax rate.

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

<i>December 31</i> <i>(add 000)</i>	Deferred Assets (Liabilities)	
	2011	2010
Deferred tax assets related to:		
Employee benefits	\$ 37,903	\$ 44,517
Inventories	60,462	59,612
Valuation and other reserves	14,882	8,636
Net operating loss carryforwards	10,835	6,970
Gross deferred tax assets	124,082	119,735
Valuation allowance on deferred tax assets	(9,402)	(7,119)
Total net deferred tax assets	114,680	112,616
Deferred tax liabilities related to:		
Property, plant and equipment	(258,433)	(235,674)
Goodwill and other intangibles	(54,782)	(61,318)
Other items, net	(1,132)	(3,940)
Total deferred tax liabilities	(314,347)	(300,932)
Net deferred tax liability	\$(199,667)	\$(188,316)

Additionally, the Corporation had net deferred tax assets of \$58,277,000 and \$42,998,000 for certain items recorded in accumulated other comprehensive loss at December 31, 2011 and 2010, respectively.

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

<i>December 31</i> <i>(add 000)</i>	2011	2010
Current deferred income tax benefits	\$ 80,674	\$ 83,380
Noncurrent deferred income taxes	(222,064)	(228,698)
Net deferred income taxes	\$(141,390)	\$(145,318)

Deferred tax assets for employee benefits result from the temporary differences between the deductions for pension and postretirement obligations and stock-based compensation transactions. For financial reporting purposes, such amounts are expensed based on authoritative accounting guidance. For income tax purposes, amounts related to pension and postretirement obligations are deductible as funded. Amounts related to stock-based compensation transactions are deductible for income tax purposes upon vesting or exercise of the underlying award. A deferred tax asset is carried on stock options that had exercise prices that exceeded the Corporation's stock price at December 31, 2011. Upon expiration of these options, the deferred tax assets reduce the pool of excess tax benefits to the extent available and any excess is expensed.

## NOTES TO FINANCIAL STATEMENTS (CONTINUED)

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

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

The Corporation had domestic and foreign net operating loss carryforwards of \$140,738,000 and \$126,738,000 at December 31, 2011 and 2010, respectively. These carryforwards have various expiration dates through 2031. At December 31, 2011 and 2010, respectively, the deferred tax assets associated with these carryforwards were \$10,835,000 and \$6,970,000, for which valuation allowances of \$8,846,000 and \$6,329,000, respectively, were recorded. The Corporation also had domestic and foreign tax credit carryforwards of \$3,761,000 and \$3,964,000 at December 31, 2011 and 2010, respectively, for which valuation allowances were recorded in the amount of \$556,000 and \$790,000 at December 31, 2011 and 2010, respectively. The domestic and foreign tax credits have various expiration dates through 2018 and 2030, respectively.

The Corporation provides deferred taxes, as required, on the undistributed net earnings of all non-U.S. subsidiaries for which the indefinite reversal criterion has not been met. The Corporation had a deferred tax liability of \$52,000 at December 31, 2010 related to its wholly-owned Bahamas subsidiary. The Corporation expects to reinvest permanently the earnings from its wholly-owned Canadian subsidiary and accordingly, has not provided deferred taxes on the subsidiary's undistributed net earnings. The determination of the unrecognized deferred tax liability for temporary differences related to the investment in the wholly-owned Canadian subsidiary is not practicable due to the complexities associated with the calculation of a hypothetical tax liability payable upon the repatriation of earnings.

The Corporation's unrecognized tax benefits are recorded in other current and other noncurrent liabilities, as appropriate, on the consolidated balance sheets. The following table summarizes the Corporation's unrecognized tax benefits, excluding interest and correlative effects:

years ended December 31  
(add 000)

	2011	2010	2009
Unrecognized tax benefits at beginning of year	\$ 11,011	\$ 16,722	\$ 15,482
Gross increases – tax positions in prior years	1,217	19,619	2,072
Gross decreases – tax positions in prior years	(1,510)	(3,258)	(1,694)
Gross increases – tax positions in current year	6,274	6,462	6,312
Gross decreases – tax positions in current year	(4,625)	(5,135)	(5,393)
Settlements with taxing authorities	(3,079)	(12,573)	(57)
Lapse of statute of limitations	—	(10,826)	—
Unrecognized tax benefits at end of year	\$ 9,288	\$ 11,011	\$ 16,722

At December 31, 2011 and 2010, unrecognized tax benefits of \$4,915,000 and \$4,892,000, respectively, net of federal tax benefits and related to interest accruals and permanent income tax differences, would have favorably affected the Corporation's effective income tax rate if recognized.

The Corporation's open tax years that are subject to federal examination are 2008 through 2011. The Corporation does not anticipate that its unrecognized tax benefits will significantly change during the twelve months ending December 31, 2012.

Unrecognized tax benefits are reversed as a discrete event if an examination of applicable tax returns is not begun by a federal or state tax authority within the statute of limitations or upon effective settlement with federal or state tax authorities. Management believes its accrual for unrecognized tax benefits is sufficient to cover uncertain tax positions reviewed during audits by taxing authorities. For the year ended December 31, 2011, \$3,010,000, or \$0.07 per diluted share, was reversed into income upon the favorable effective settlement of the Internal Revenue Service audit for the 2008 tax year. For the year ended December 31, 2010, \$5,571,000, or \$0.12 per diluted share, was reversed into income upon the effective settlement of issues related to the 2004 and 2005 tax years, the effective settlement of the Internal Revenue Service audit for the 2007 tax year and the expiration of the statute of limitations for federal examination of the 2006 tax year.

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

**Note J: Retirement Plans, Postretirement and Postemployment Benefits**

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

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

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

The Corporation sponsors a Supplemental Excess Retirement Plan ("SERP") that generally provides for the payment of retirement benefits in excess of allowable Internal Revenue Code limits. The SERP generally provides for a lump-sum payment of vested benefits. When these benefits payments exceed the sum of the service and interest costs for the SERP during a year, the Corporation recognizes a pro-rata portion of the SERP's unrecognized actuarial loss as settlement expense.

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

<i>years ended December 31</i> (add 000)	2011	2010	2009
<b>Components of net periodic benefit cost:</b>			
Service cost	\$ 11,270	\$ 11,056	\$ 11,169
Interest cost	23,178	22,588	22,282
Expected return on assets	(24,493)	(21,041)	(16,271)
<b>Amortization of:</b>			
Prior service cost	534	583	655
Actuarial loss	6,324	9,986	14,379
Transition asset	(1)	(1)	(1)
Settlement charge	375	3,455	—
<b>Net periodic benefit cost</b>	<b>\$ 17,187</b>	<b>\$ 26,626</b>	<b>\$ 32,213</b>

The Corporation recognized the following amounts in comprehensive earnings:

<i>years ended December 31</i> (add 000)	2011	2010	2009
Actuarial loss (gain)	\$ 65,334	\$ (10,915)	\$ (29,864)
<b>Amortization of:</b>			
Prior service cost	(534)	(583)	(655)
Actuarial loss	(6,324)	(9,986)	(14,379)
Transition asset	1	1	1
Settlement charge	(375)	(3,455)	—
<b>Total</b>	<b>\$ 58,102</b>	<b>\$ (24,938)</b>	<b>\$ (44,897)</b>

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

<i>December 31</i> (add 000)	2011		2010	
	Gross	Net of tax	Gross	Net of tax
Prior service cost	\$ 2,555	\$ 1,545	\$ 3,089	\$ 1,868
Actuarial loss	156,994	94,903	98,359	59,458
Transition asset	(12)	(7)	(11)	(7)
<b>Total</b>	<b>\$ 159,537</b>	<b>\$ 96,441</b>	<b>\$ 101,437</b>	<b>\$ 61,319</b>

The prior service cost, actuarial loss and transition asset expected to be recognized in net periodic benefit cost during 2012 are \$466,000 (net of a deferred tax asset of \$184,000), \$13,168,000 (net of a deferred tax asset of \$5,208,000) and \$1,000, respectively, and are included in accumulated other comprehensive loss at December 31, 2011.

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

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

<i>years ended December 31</i> (add 000)	2011	2010
<b>Change in projected benefit obligation:</b>		
Net projected benefit obligation at beginning of year	\$ 398,638	\$ 392,737
Service cost	11,270	11,056
Interest cost	23,178	22,588
Actuarial loss	41,971	2,017
Gross benefits paid	(17,882)	(29,760)
<b>Net projected benefit obligation at end of year</b>	<b>\$ 457,175</b>	<b>\$ 398,638</b>

The 2011 actuarial loss was primarily due to the 70-basis-point reduction in the discount rate assumption at December 31, 2011. Additionally, the Corporation updated its mortality table assumptions, which increased the projected benefit obligation at December 31, 2011. Gross benefits paid in 2011 decreased compared with 2010 due to lump-sum payments made to retired senior executives in 2010.

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

<i>years ended December 31</i> (add 000)	2011	2010
<b>Change in plan assets:</b>		
Fair value of plan assets at beginning of year	\$ 311,688	\$ 266,846
Actual return on plan assets, net	1,129	33,973
Employer contributions	30,215	40,629
Gross benefits paid	(17,882)	(29,760)
<b>Fair value of plan assets at end of year</b>	<b>\$ 325,150</b>	<b>\$ 311,688</b>

<i>December 31</i> (add 000)	2011	2010
<b>Funded status of the plan at end of year</b>	<b>\$ (132,025)</b>	<b>\$ (86,950)</b>
<b>Accrued benefit cost</b>	<b>\$ (132,025)</b>	<b>\$ (86,950)</b>

<i>December 31</i> (add 000)	2011	2010
<b>Amounts recognized on consolidated balance sheets consist of:</b>		
Current liability	\$ (2,320)	\$ (1,934)
Noncurrent liability	(129,705)	(85,016)
<b>Net amount recognized at end of year</b>	<b>\$ (132,025)</b>	<b>\$ (86,950)</b>

The accumulated benefit obligation for all defined benefit pension plans was \$417,771,000 and \$366,701,000 at December 31, 2011 and 2010, respectively.

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

<i>December 31</i> (add 000)	2011	2010
Projected benefit obligation	\$ 456,365	\$ 397,985
Accumulated benefit obligation	\$ 417,179	\$ 366,234
<b>Fair value of plan assets</b>	<b>\$ 324,485</b>	<b>\$ 311,061</b>

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

	2011	2010
Discount rate	5.14%	5.84%
Rate of increase in future compensation levels	5.00%	5.00%

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

	2011	2010	2009
Discount rate	5.84%	5.90%	6.11%
Rate of increase in future compensation levels	5.00%	5.00%	5.00%
Expected long-term rate of return on assets	7.75%	7.75%	7.75%

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

In 2011, the Corporation estimated the remaining lives of participants in the pension plans using the RP 2000 Mortality Table ("RP 2000 Mortality Table") projected to 2015 with no phased-out improvements. In 2010, the Corporation used the RP 2000 Mortality Table that included phased-out mortality improvements. The RP 2000 Mortality Table selected in 2011 includes three further years of mortality improvements compared with the 2010 table. The RP 2000 Mortality Table includes separate tables for blue-collar employees and white-collar employees. The Corporation used the blue-collar table for its hourly workforce and the white-collar table for its salaried employees.

The target allocation for 2011 and the actual pension plan asset allocation by asset class are as follows:

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

Asset Class	Percentage of Plan Assets		
	2011 Target Allocation	December 31	
		2011	2010
Equity securities	56%	57%	54%
Debt securities	34%	34%	41%
Hedge funds	5%	4%	4%
Real estate	5%	5%	—
Cash	—	—	1%
<b>Total</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>

The Corporation's investment strategy is for approximately 63% of the equity securities to be invested in mid-sized to large capitalization U.S. funds with the remaining to be invested in small capitalization, emerging markets and international funds. Approximately 85% of debt securities, or fixed income investments, are invested in funds with the objective of exceeding the return of the Barclays Capital Aggregate Bond Index, with the remaining invested in high-yield funds.

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

December 31 (add 000)	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total Fair Value
	2011			
<b>Equity securities:</b>				
Mid-sized to large cap	\$ —	\$ 133,512	\$ —	\$ 133,512
International and emerging growth funds	—	50,518	—	50,518
<b>Debt securities:</b>				
Core fixed income	—	94,745	—	94,745
High-yield bonds	—	17,096	—	17,096
Real estate	—	15,841	—	15,841
Hedge funds	—	—	12,979	12,979
Cash	459	—	—	459
<b>Total</b>	<b>\$ 459</b>	<b>\$ 311,712</b>	<b>\$ 12,979</b>	<b>\$ 325,150</b>

2010				
<b>Equity securities:</b>				
Mid-sized to large cap	\$ —	\$ 121,596	\$ —	\$ 121,596
International and emerging growth funds	—	47,285	—	47,285
<b>Debt securities:</b>				
Core fixed income	—	113,355	—	113,355
High-yield bonds	—	15,322	—	15,322
Hedge funds	—	—	13,453	13,453
Cash	677	—	—	677
<b>Total</b>	<b>\$ 677</b>	<b>\$ 297,558</b>	<b>\$ 13,453</b>	<b>\$ 311,688</b>

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

year ended December 31 (add 000)	2011	2010
Balance at January 1	\$ 13,453	\$ —
Purchases	—	13,000
Unrealized (loss) gain	(474)	453
<b>Balance at December 31</b>	<b>\$ 12,979</b>	<b>\$ 13,453</b>

In 2011 and 2010, the Corporation made pension contributions and SERP payments of \$30,215,000 and \$40,629,000, respectively. The Corporation currently estimates that it will contribute \$31,000,000 to its pension and SERP plans in 2012.

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

(add 000)	
2012	\$ 20,425
2013	\$ 20,046
2014	\$ 21,494
2015	\$ 23,244
2016	\$ 24,872
Years 2017 - 2021	\$ 147,271

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

years ended December 31 (add 000)	2011	2010	2009
<b>Components of net periodic benefit cost:</b>			
Service cost	\$ 350	\$ 548	\$ 558
Interest cost	2,225	2,754	2,919
<b>Amortization of:</b>			
Prior service credit	(1,740)	(1,740)	(1,489)
Actuarial (gain) loss	(85)	13	—
<b>Total net periodic benefit cost</b>	<b>\$ 750</b>	<b>\$ 1,575</b>	<b>\$ 1,988</b>

The Corporation recognized the following amounts in comprehensive earnings:

years ended December 31  
(add 000)

	2011	2010	2009
Actuarial (gain) loss	\$ (3,884)	\$(4,133)	\$4,699
Prior service credit	(10,397)	(1,722)	—
Amortization of:			
Prior service credit	1,740	1,740	1,489
Actuarial gain (loss)	85	(13)	—
Total	\$ (12,456)	\$(4,128)	\$6,188

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

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

December 31 (add 000)	2011		2010	
	Gross	Net of tax	Gross	Net of tax
Prior service credit	\$ (16,853)	\$ (10,188)	\$ (8,196)	\$ (4,954)
Actuarial (gain) loss	(3,210)	(1,940)	589	356
<b>Total</b>	<b>\$ (20,063)</b>	<b>\$ (12,128)</b>	<b>\$ (7,607)</b>	<b>\$ (4,598)</b>

The prior service credit and actuarial gain expected to be recognized in net periodic benefit cost during 2012 is \$257,000 (net of a deferred tax liability of \$102,000) and \$3,255,000 (net of a deferred tax liability of \$1,287,000), respectively, and is included in accumulated other comprehensive loss at December 31, 2011.

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

years ended December 31 (add 000)	2011	2010
<b>Change in benefit obligation:</b>		
Net benefit obligation at beginning of year	\$ 45,210	\$51,906
Service cost	350	548
Interest cost	2,225	2,754
Participants' contributions	1,925	1,919
Actuarial gain	(3,884)	(4,133)
Plan amendments	(10,397)	(1,722)
Gross benefits paid	(6,250)	(6,523)
Federal subsidy on benefits paid	456	461
<b>Net benefit obligation at end of year</b>	<b>\$ 29,635</b>	<b>\$45,210</b>

The Corporation's net benefit obligation at December 31, 2011 decreased due to plan amendments in which the Corporation changed to a plan administered by a third party effective January 1, 2012. This change enhanced benefits provided to the Corporation as a plan sponsor.

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

years ended December 31 (add 000)	2011	2010
<b>Change in plan assets:</b>		
Fair value of plan assets at beginning of year	\$ —	\$ —
Employer contributions	3,869	4,143
Participants' contributions	1,925	1,919
Gross benefits paid	(6,250)	(6,523)
Federal subsidy on benefits paid	456	461
<b>Fair value of plan assets at end of year</b>	<b>\$ —</b>	<b>\$ —</b>

years ended December 31 (add 000)	2011	2010
<b>Funded status of the plan at end of year</b>	<b>\$ (29,635)</b>	<b>\$ (45,210)</b>
<b>Accrued benefit cost</b>	<b>\$ (29,635)</b>	<b>\$ (45,210)</b>

years ended December 31 (add 000)	2011	2010
<b>Amounts recognized on consolidated balance sheets consist of:</b>		
Current liability	\$ (2,930)	\$ (4,100)
Noncurrent liability	(26,705)	(41,110)
<b>Net amount recognized at end of year</b>	<b>\$ (29,635)</b>	<b>\$ (45,210)</b>

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

	2011	2010
<b>Discount rate</b>	<b>4.44%</b>	<b>5.57%</b>

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

	2011	2010	2009
<b>Discount rate</b>	<b>5.57%</b>	<b>5.60%</b>	<b>6.03%</b>

In 2011, the Corporation estimated the remaining lives of participants in the postretirement plan using the RP 2000 Mortality Table projected to 2015 with no phased-out improvements. In 2010, the Corporation used the RP 2000 Mortality Table that included phased-out mortality improvements.

Assumed health care cost trend rates at December 31 are:

	2011	2010
<b>Health care cost trend rate assumed for next year</b>	<b>7.5%</b>	<b>8.0%</b>
<b>Rate to which the cost trend rate gradually declines</b>	<b>5.0%</b>	<b>5.0%</b>
<b>Year the rate reaches the ultimate rate</b>	<b>2017</b>	<b>2017</b>

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

(add 000)	One Percentage Point	
	Increase	(Decrease)
<b>Total service and interest cost components</b>	<b>\$ 84</b>	<b>\$ (72)</b>



**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

The Corporation’s estimate of its contributions to its postretirement health care plans in 2012 is \$2,930,000.

As part of plan amendments, effective January 2012, the Corporation will no longer receive retiree drug subsidy payments for its postretirement medical plan in 2012 and beyond.

The expected gross benefit payments for each of the next five years and the five-year period thereafter are as follows:

(add 000)	Gross Benefit Payments
2012	\$ 2,930
2013	\$ 3,034
2014	\$ 3,039
2015	\$ 2,981
2016	\$ 2,837
Years 2017 - 2021	\$ 11,487

**Defined Contribution Plans.** The Corporation maintains two defined contribution plans that cover substantially all employees. These plans, qualified under Section 401(a) of the Internal Revenue Code, are retirement savings and investment plans for the Corporation’s salaried and hourly employees. Under certain provisions of these plans, the Corporation, at established rates, matches employees’ eligible contributions. The Corporation’s matching obligations were \$5,370,000 in 2011, \$5,074,000 in 2010 and \$5,012,000 in 2009.

**Postemployment Benefits.** The Corporation has accrued postemployment benefits of \$1,691,000 and \$1,545,000 at December 31, 2011 and 2010, respectively.

**Note K: Stock-Based Compensation**

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

Under the Plans, the Corporation grants options to employees to purchase its common stock at a price equal to the closing market value at the date of grant. The Corporation granted 56,916 employee stock options during 2011. Options granted in years subsequent to 2004 become exercisable in four annual installments beginning one year after date of grant and expire eight years from such date. Options granted prior to January 1, 2005 became exercisable in three equal annual installments beginning one year after date of grant and expire ten years from such date.

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

The following table includes summary information for stock options as of December 31, 2011:

	Number of Options	Weighted-Average Exercise Price	Weighted-Average Remaining Contractual Life (years)
Outstanding at January 1, 2011	1,143,285	\$ 88.49	
Granted	56,916	\$ 86.90	
Exercised	(41,322)	\$ 42.55	
Terminated	(7,312)	\$108.01	
<b>Outstanding at December 31, 2011</b>	<b>1,151,567</b>	<b>\$ 89.93</b>	<b>3.7</b>
<b>Exercisable at December 31, 2011</b>	<b>935,594</b>	<b>\$ 89.36</b>	<b>3.2</b>

The weighted-average grant-date exercise price of options granted during 2011, 2010 and 2009 was \$86.90, \$95.27 and \$79.79, respectively. The aggregate intrinsic values of options exercised during the years ended December 31, 2011, 2010 and 2009 were \$1,621,000, \$3,978,000 and \$889,000, respectively, and were based on the closing prices of the Corporation’s common stock on the dates of exercise. The aggregate intrinsic values for options outstanding and exercisable at December 31, 2011 were \$9,947,000 and were based on the closing price of the Corporation’s common stock at December 31, 2011, which was \$75.41 and below the exercise price of options granted subsequent to 2005 that were outstanding and exercisable.

Additionally, an incentive stock plan has been adopted under the Plans whereby certain participants may elect to use up to 50% of their annual incentive compensation to acquire units representing shares of the Corporation’s common stock at a 20% discount to the market value on the date of the incentive compensation award. Certain executive officers are required to participate in the incentive stock plan at certain minimum levels. Participants earn the right to receive unrestricted shares of common stock in an amount equal to their respective units generally at the end of a 34-month period of additional employment from the date of award or at retirement beginning at age 62. All rights of ownership of the common stock convey to the participants upon the issuance

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

of their respective shares at the end of the ownership-vesting period, with the exception of dividend equivalents that are paid on the units during the vesting period.

The Corporation grants restricted stock awards under the Plans to a group of executive officers, key personnel and nonemployee directors. Certain restricted stock awards are based on specific common stock performance criteria over a specified period of time. In addition, certain awards are granted to individuals to encourage retention and motivate key employees. These awards generally vest if the employee is continuously employed over a specified period of time and require no payment from the employee. Awards granted to nonemployee directors vest immediately.

The following table summarizes information for incentive stock awards and restricted stock awards as of December 31, 2011:

	Incentive Stock		Restricted Stock	
	Number of Awards	Weighted-Average Grant-Date Fair Value	Number of Awards	Weighted-Average Grant-Date Fair Value
January 1, 2011	28,692	\$ 79.24	390,220	\$ 107.27
Awarded	16,814	\$ 84.71	46,558	\$ 86.90
Distributed	(13,806)	\$ 81.78	(125,978)	\$ 128.01
Forfeited	—	\$ —	(5,712)	\$ 100.87
December 31, 2011	31,700	\$ 81.04	305,088	\$ 95.72

The weighted-average grant-date fair value of incentive compensation awards granted during 2011, 2010 and 2009 was \$84.71, \$79.78 and \$81.75, respectively. The weighted-average grant-date fair value of restricted stock awards granted during 2011, 2010 and 2009 was \$86.90, \$91.33 and \$80.29, respectively.

The aggregate intrinsic values for incentive compensation awards and restricted stock awards at December 31, 2011 were \$335,000 and \$23,007,000, respectively, and were based on the closing price of the Corporation's common stock at December 31, 2011, which was \$75.41. The aggregate intrinsic values of incentive compensation awards distributed during the years ended December 31, 2011, 2010 and 2009 were \$165,000, \$0 and \$0, respectively. The aggregate intrinsic values of restricted stock awards distributed during the years ended December 31, 2011, 2010 and 2009 were \$10,237,000, \$10,031,000 and \$14,888,000, respectively. The aggregate intrinsic values for distributed awards were based on the closing prices of the Corporation's common stock on the dates of distribution.

At December 31, 2011, there are approximately 573,000 awards available for grant under the Plans.

In 1996, the Corporation adopted the Shareholder Value Achievement Plan to award shares of the Corporation's common stock to key senior employees based on certain common stock performance criteria over a long-term period. Under the terms of this plan, 250,000 shares of common stock were reserved for issuance. Through December 31, 2011, 42,025 shares have been issued under this plan. No awards have been granted under this plan after 2000.

Also, the Corporation adopted and the shareholders approved the Common Stock Purchase Plan for Directors in 1996, which provides nonemployee directors the election to receive all or a portion of their total fees in the form of the Corporation's common stock. Under the terms of this plan, 300,000 shares of common stock were reserved for issuance. Currently, directors are required to defer at least 50% of their retainer in the form of the Corporation's common stock at a 20% discount to market value. Directors elected to defer portions of their fees representing 19,977, 17,804 and 18,072 shares of the Corporation's common stock under this plan during 2011, 2010 and 2009, respectively.

The following table summarizes stock-based compensation expense for the years ended December 31, 2011, 2010 and 2009, unrecognized compensation cost for nonvested awards at December 31, 2011 and the weighted-average period over which unrecognized compensation cost is expected to be recognized:

(add 000, except year data)	Stock Options	Restricted Stock Awards	Incentive Compensation Awards	Directors' Awards	Total
Stock-based compensation expense recognized for years ended December 31:					
2011	\$2,602	\$ 7,929	\$ 272	\$719	\$ 11,522
2010	\$3,406	\$10,368	\$261	\$640	\$14,675
2009	\$5,828	\$13,722	\$406	\$596	\$20,552
Unrecognized compensation cost at December 31, 2011:	\$1,734	\$5,894	\$215	\$—	\$7,843
Weighted-average period over which unrecognized compensation cost to be recognized:	1.8 years	2.1 years	1.6 years	—	

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

For the years ended December 31, 2011, 2010 and 2009, the Corporation recognized a tax benefit related to stock-based compensation expense of \$4,557,000, \$5,804,000 and \$8,128,000, respectively.

The following presents expected stock-based compensation expense in future periods for outstanding awards as of December 31, 2011:

(add 000)	
2012	\$4,504
2013	2,085
2014	978
2015	276
<b>Total</b>	<b>\$7,843</b>

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

**Note L: Leases**

Total lease expense for operating leases was \$46,314,000, \$47,830,000 and \$51,738,000 for the years ended December 31, 2011, 2010 and 2009, respectively. The Corporation's operating leases generally contain renewal and/ or purchase options with varying terms. The Corporation has royalty agreements that generally require royalty payments based on tons produced or total sales dollars and also contain minimum payments. Total royalties, principally for leased properties, were \$36,333,000, \$37,474,000 and \$34,563,000 for the years ended December 31, 2011, 2010 and 2009, respectively.

Future minimum lease and mineral and other royalty commitments for all noncancelable agreements as of December 31, 2011 are as follows:

(add 000)	
2012	\$ 70,059
2013	53,271
2014	49,502
2015	45,412
2016	34,196
Thereafter	104,156
<b>Total</b>	<b>\$356,596</b>

Of the total future minimum commitments, \$128,526,000 relates to the Corporation's contracts of affreightment.

**Note M: Shareholders' Equity**

The authorized capital structure of the Corporation includes 100,000,000 shares of common stock, with a par value of \$0.01 a share. At December 31, 2011, approximately 2,412,000 common shares were reserved for issuance under stock-based plans.

Pursuant to authority granted by its Board of Directors, the Corporation can repurchase common stock through open purchases. The Corporation did not repurchase any shares of common stock during the years ended December 31, 2011, 2010 or 2009. At December 31, 2011, 5,041,900 shares of common stock were remaining under the Corporation's repurchase authorization.

In 2009, the Corporation offered and sold 3,777,565 shares of its common stock, resulting in gross proceeds to the Corporation of \$299,998,000. The aggregate net proceeds from such sales were \$293,442,000 after deducting related expenses.

In addition to common stock, the Corporation's capital structure includes 10,000,000 shares of preferred stock with a par value of \$0.01 a share. 100,000 shares of Class A Preferred Stock were reserved for issuance under the Corporation's 1996 Rights Agreement that expired by its own terms on October 21, 2006. Upon its expiration, the Board of Directors adopted a new Rights Agreement (the "Rights Agreement") and reserved 200,000 shares of Junior Participating Class B Preferred Stock for issuance. In accordance with the Rights Agreement, the Corporation issued a dividend of one right for each share of the Corporation's common stock outstanding as of October 21, 2006, and one right continues to attach to each share of common stock issued thereafter. The rights will become exercisable if any person or group acquires beneficial ownership of 15 percent or more of the Corporation's common stock. Once exercisable and upon a person or group acquiring 15 percent or more of the Corporation's common stock, each right (other than rights owned by such person or group) entitles its holder to purchase, for an exercise price of \$315 per share, a number of shares of the Corporation's common stock (or in certain circumstances, cash, property or other securities of the Corporation) having a market value of twice the exercise price, and under certain conditions, common stock of an acquiring company having a market value of twice the exercise price. If any person or group acquires beneficial owner-

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

ship of 15 percent or more of the Corporation's common stock, the Corporation may, at its option, exchange the outstanding rights (other than rights owned by such acquiring person or group) for shares of the Corporation's common stock or Corporation equity securities deemed to have the same value as one share of common stock or a combination thereof, at an exchange ratio of one share of common stock per right. The rights are subject to adjustment if certain events occur, and they will initially expire on October 21, 2016, if not terminated sooner. The Corporation's Rights Agreement provides that the Corporation's Board of Directors may, at its option, redeem all of the outstanding rights at a redemption price of \$0.001 per right.

**Note N: Commitments and Contingencies**

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

During the year ended December 31, 2010, the Corporation settled legal proceedings relating to its Greenwood, Missouri, operation for approximately \$7,000,000 in cash. In connection with the settlement, the Corporation reversed the excess of the legal reserve established as of December 31, 2009, thereby increasing 2010 net earnings by \$2,751,000, or \$0.06 per diluted share (see Note Q).

**Asset Retirement Obligations.** The Corporation incurs reclamation costs as part of its aggregates mining process. The estimated future reclamation obligations have been discounted to their present value and are being accreted to their projected future obligations via charges to operating expenses. Additionally, the fixed assets recorded concurrently with the liabilities are being depreciated over the period until reclamation activities are expected to occur. Total accretion and depreciation expenses for 2011, 2010 and 2009 were \$3,892,000, \$3,689,000 and \$4,019,000, respectively, and are included in other operating income and expenses, net, in the consolidated statements of earnings.

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

The following shows the changes in the asset retirement obligations:

<i>years ended December 31</i> (add 000)	2011	2010
Balance at January 1	\$41,079	\$38,779
Accretion expense	2,645	2,464
Liabilities incurred	3,062	495
Liabilities settled	(2,091)	(392)
Revisions in estimated cash flows	(1,462)	(267)
Balance at December 31	\$43,233	\$41,079

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

**Insurance Reserves.** The Corporation has insurance coverage for workers' compensation, automobile liability, marine liability and general liability claims. The Corporation is also self-insured for health claims. At December 31, 2011 and 2010, reserves of \$23,749,000 and \$24,666,000, respectively, were recorded for all such insurance claims. During

## NOTES TO FINANCIAL STATEMENTS (CONTINUED)

2011, the Corporation's casualty claims liability increased by \$1,100,000 based on changes in the estimated ultimate cost of claims for prior policy years. This change in estimate decreased 2011 net earnings by \$665,000, or \$0.01 per diluted share. During 2010, the Corporation increased its accrual for casualty claims by \$1,500,000 based on changes in the estimated ultimate cost of claims for prior policy years. This change in estimate decreased 2010 net earnings by \$907,000, or \$0.02 per diluted share.

**Letters of Credit.** In the normal course of business, the Corporation provides certain third parties with standby letter of credit agreements guaranteeing its payment for certain insurance claims, utilities and property improvements. At December 31, 2011, the Corporation was contingently liable for \$14,796,000 in letters of credit, of which \$1,963,000 were issued under the Corporation's Revolving Facility. Certain of these underlying obligations are accrued on the Corporation's balance sheet.

**Surety Bonds.** In the normal course of business, at December 31, 2011, the Corporation was contingently liable for \$210,892,000 in surety bonds required by certain states and municipalities and their related agencies. The bonds are principally for certain insurance claims, construction contracts, reclamation obligations and mining permits guaranteeing the Corporation's own performance. Certain of these underlying obligations, including those for asset retirement requirements and insurance claims, are accrued on the Corporation's balance sheet. Five of these bonds total \$69,239,000, or 33% of all outstanding surety bonds. The Corporation has indemnified the underwriting insurance companies, Safeco Corporation, a subsidiary of Liberty Mutual Group, and Zurich Insurance Company, against any exposure under the surety bonds. In the Corporation's past experience, no material claims have been made against these financial instruments.

**Guarantee of Affiliate.** In July 2010, the Corporation entered into a reimbursement and indemnification agreement with Fifth Third to guarantee the repayment of amounts borrowed by an affiliate under a \$20,000,000 revolving line of credit provided by Fifth Third and a guaranty agreement with Bank of America, N.A. to guarantee \$12,400,000 of payment obligations of its affiliate under certain equipment lease agreements. The affiliate 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 of the affiliate's assets as collateral for potential payments under the agreements. On April 8, 2011, the affiliate converted its equipment leasing agreements with Bank of America, N.A. to a five-year \$6,200,000 amortizing loan and the Corporation executed a reaffirmation of guaranty with respect to such loan. On July 20, 2011, the affiliate's \$20,000,000 revolving line of credit was increased to \$24,000,000. This line of credit expires in July 2013. Additionally, the reimbursement and indemnification agreement related to this line of credit was terminated and replaced by an unconditional guaranty of payment from the Corporation. The affiliate restated its reimbursement and indemnity obligations to the Corporation, and the Corporation retained its subordinate lien on the assets of the affiliate.

**Purchase Commitments.** The Corporation had purchase commitments for property, plant and equipment of \$33,654,000 as of December 31, 2011. The Corporation also had other purchase obligations related to energy and service contracts of \$54,078,000 as of December 31, 2011. The Corporation's contractual purchase commitments as of December 31, 2011 are as follows:

(add 000)

2012	\$53,745
2013	16,703
2014	17,284
Total	\$87,732

**Employees.** Approximately 15% of the Corporation's employees are represented by a labor union. All such employees are hourly employees.

### Note O: Business Segments

During 2011, the Corporation reorganized certain locations within its reportable segments. The Corporation currently conducts its aggregates operations through three reportable business segments: Mideast Group, Southeast Group and West Group. The Corporation also has a Specialty Products segment that produces magnesia-based chemicals products and dolomitic lime. These segments are consistent with the Corporation's current management reporting structure. The accounting policies used for segment reporting are the same as those described in Note A.

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

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

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

The following tables display selected financial data for the Corporation's reportable business segments. Prior year information has been reclassified to conform to the 2011 presentation.

**Selected Financial Data by Business Segment**

years ended December 31  
(add 000)

<b>Total revenues</b>	2011	2010	2009
Mideast Group	\$ 494,494	\$ 485,436	\$ 466,986
Southeast Group	242,580	271,533	274,734
West Group	757,626	702,736	671,685
Total Aggregates Business	1,494,700	1,459,705	1,413,405
Specialty Products	219,123	193,180	159,911
<b>Total</b>	<b>\$1,713,823</b>	<b>\$1,652,885</b>	<b>\$1,573,316</b>

<b>Net sales</b>	2011	2010	2009
Mideast Group	\$ 454,029	\$ 450,048	\$ 438,444
Southeast Group	224,728	243,706	253,849
West Group	640,629	605,617	583,656
Total Aggregates Business	1,319,386	1,299,371	1,275,949
Specialty Products	200,575	176,346	143,719
<b>Total</b>	<b>\$1,519,961</b>	<b>\$1,475,717</b>	<b>\$1,419,668</b>

<b>Gross profit</b>	2011	2010	2009
Mideast Group	\$ 124,132	\$ 133,187	\$ 139,004
Southeast Group	1,082	22,740	37,141
West Group	104,786	108,408	113,468
Total Aggregates Business	230,000	264,335	289,613
Specialty Products	75,405	61,685	45,584
Corporate	(3,390)	(4,294)	(3,630)
<b>Total</b>	<b>\$ 302,015</b>	<b>\$ 321,726</b>	<b>\$ 331,567</b>

<b>Selling, general and administrative expenses</b>	2011	2010	2009
Mideast Group	\$ 42,471	\$ 41,710	\$ 44,200
Southeast Group	22,165	22,912	23,396
West Group	43,878	42,862	41,983
Total Aggregates Business	108,514	107,484	109,579
Specialty Products	9,197	11,046	9,446
Corporate	6,427	11,892	16,856
<b>Total</b>	<b>\$ 124,138</b>	<b>\$ 130,422</b>	<b>\$ 135,881</b>

<b>Earnings (Loss) from operations</b>	2011	2010	2009
Mideast Group	\$ 85,049	\$ 93,956	\$ 95,110
Southeast Group	(21,209)	(771)	13,486
West Group	63,629	75,405	63,760
Total Aggregates Business	127,469	168,590	172,356
Specialty Products	66,305	50,578	35,734
Corporate	(32,752)	(20,786)	(25,178)
<b>Total</b>	<b>\$ 161,022</b>	<b>\$ 198,382</b>	<b>\$ 182,912</b>

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

years ended December 31  
(add 000)

<b>Assets employed</b>	2011	2010	2009
Mideast Group	\$ 792,483	\$ 800,888	\$ 803,438
Southeast Group	626,538	797,536	776,543
West Group	1,390,094	1,102,970	1,088,365
Total Aggregates Business	2,809,115	2,701,394	2,668,346
Specialty Products	120,305	102,103	102,405
Corporate	218,402	271,246	468,532
<b>Total</b>	<b>\$3,147,822</b>	<b>\$3,074,743</b>	<b>\$3,239,283</b>

**Depreciation, depletion and amortization**

Mideast Group	\$ 51,151	\$ 54,943	\$ 56,138
Southeast Group	46,607	52,203	48,954
West Group	59,419	56,705	55,176
Total Aggregates Business	157,177	163,851	160,268
Specialty Products	7,075	8,385	7,518
Corporate	9,155	9,301	11,605
<b>Total</b>	<b>\$ 173,407</b>	<b>\$ 181,537</b>	<b>\$ 179,391</b>

**Total property additions**

Mideast Group	\$ 39,504	\$ 50,869	\$ 39,761
Southeast Group	29,531	54,138	37,355
West Group	243,195	58,819	92,156
Total Aggregates Business	312,230	163,826	169,272
Specialty Products	21,983	6,431	10,766
Corporate	6,340	1,823	5,450
<b>Total</b>	<b>\$ 340,553</b>	<b>\$ 172,080</b>	<b>\$ 185,488</b>

**Property additions through acquisitions**

Mideast Group	\$ —	\$ 12,912	\$ —
Southeast Group	—	20,902	—
West Group	40,229	—	46,133
Total Aggregates Business	40,229	33,814	46,133
Specialty Products	—	—	—
Corporate	—	—	—
<b>Total</b>	<b>\$ 40,229</b>	<b>\$ 33,814</b>	<b>\$ 46,133</b>

Property additions for the West Group in 2011 included \$144,961,000 of capital assets acquired through an asset exchange with Lafarge North America. Property additions for the Mideast Group in 2010 and 2009 included \$1,900,000 and \$125,000, respectively, of land acquired through noncash transactions. Property additions for the Southeast Group in 2010 included \$450,000 of land acquired through noncash transactions.

The asphalt, ready mixed concrete, road paving and other product lines are considered internal customers of the core aggregates business. Product lines for the Specialty Products segment consist of magnesia-based chemicals, dolomitic lime and other. Total revenues and net sales by product line are as follows:

years ended December 31  
(add 000)

<b>Total revenues</b>	2011	2010	2009
Aggregates	\$1,368,585	\$1,359,694	\$1,308,410
Asphalt	63,942	51,055	57,923
Ready Mixed Concrete	33,097	25,067	26,296
Road Paving	25,369	17,775	13,483
Other	3,707	6,114	7,293
Total Aggregates Business	1,494,700	1,459,705	1,413,405
Magnesia-Based Chemicals	158,254	132,890	109,685
Dolomitic Lime	59,496	58,630	48,571
Other	1,373	1,660	1,655
Specialty Products	219,123	193,180	159,911
<b>Total</b>	<b>\$1,713,823</b>	<b>\$1,652,885</b>	<b>\$1,573,316</b>

**Net sales**

Aggregates	\$1,213,153	\$1,218,133	\$1,192,108
Asphalt	47,315	37,917	43,226
Ready Mixed Concrete	33,018	25,031	26,250
Road Paving	25,369	17,775	13,483
Other	531	515	882
Total Aggregates Business	1,319,386	1,299,371	1,275,949
Magnesia-Based Chemicals	142,620	120,475	98,643
Dolomitic Lime	56,582	54,212	43,421
Other	1,373	1,659	1,655
Specialty Products	200,575	176,346	143,719
<b>Total</b>	<b>\$1,519,961</b>	<b>\$1,475,717</b>	<b>\$1,419,668</b>

Domestic and foreign total revenues are as follows:

years ended December 31  
(add 000)

	2011	2010	2009
Domestic	\$1,672,077	\$1,618,794	\$1,537,319
Foreign	41,746	34,091	35,997
Total	\$1,713,823	\$1,652,885	\$1,573,316

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)****Note P: Supplemental Cash Flow Information**

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

<i>years ended December 31</i> (add 000)	2011	2010	2009
Other current and noncurrent assets	\$ 2,439	\$ 3,245	\$(8,194)
Accrued salaries, benefits and payroll taxes	(4,722)	(1,415)	(9,137)
Accrued insurance and other taxes	2,873	(739)	855
Accrued income taxes	6,139	10,890	2,414
Accrued pension, postretirement and postemployment benefits	(16,378)	(22,257)	6,339
Other current and noncurrent liabilities	(3,092)	(3,491)	3,207
<b>Change in other assets and liabilities</b>	<b>\$(12,741)</b>	<b>\$(13,767)</b>	<b>\$(4,516)</b>

Noncash investing and financing activities are as follows:

<i>years ended December 31</i> (add 000)	2011	2010	2009
<b>Noncash investing and financing activities:</b>			
Acquisition of assets through asset exchange	\$ 150,000	\$ —	\$ —
Acquisition of land through property exchange	\$ —	\$ 1,900	\$ —
Issuance of notes payable for acquisition of land	\$ —	\$ 450	\$ 125
Note receivable issued in connection with divestiture and sale of assets	\$ —	\$ —	\$ 1,675

**Note Q: Other Expenses**

In 2011, the Corporation incurred business development costs of \$18,575,000, which decreased net earnings for 2011 by \$11,409,000, or \$0.25 per diluted share.

During 2011, the Corporation incurred early retirement and severance expenses totaling \$4,414,000, or \$0.06 per diluted share. These nonrecurring charges are included in selling, general and administrative expenses in the consolidated statement of earnings.

In January 2010, the Missouri Supreme Court declined to accept the appeal on a matter pending between the Corporation and the City of Greenwood, Missouri. The Corporation recorded an \$11,900,000 legal reserve for the West Group as of December 31, 2009. This noncash charge, which was included in other operating income and expenses, net, in the consolidated statement of earnings for the year ended December 31, 2009, decreased net earnings for 2009 by \$8,000,000, or \$0.18 per diluted share.

In June 2010, the Corporation settled legal proceedings relating to its Greenwood, Missouri, operation for approximately \$7,000,000 in cash. In connection with the settlement, the Corporation reversed the excess of the legal reserve established as of December 31, 2009, thereby increasing net earnings for 2010 by \$2,751,000, or \$0.06 per diluted share.

**Note R: Recent Developments**

On December 12, 2011, the Corporation launched an offer to effect a business combination with Vulcan. Under the terms of the exchange offer, the Corporation would issue 0.50 shares of its common stock for each outstanding share of Vulcan's common stock. The total value of the proposed transaction is \$5,355,000,000, based on the Corporation's closing stock price of \$82.51 at January 31, 2012. The Corporation has filed a registration statement with the Securities and Exchange Commission related to the offer. If the business combination is completed, prospective financial statements will be significantly different from the Corporation's financial statements as of and for the periods ended December 31, 2011.

**INTRODUCTORY OVERVIEW**

Martin Marietta Materials, Inc., (the “Corporation”) is the nation’s second largest producer of construction aggregates. The Corporation’s Aggregates business includes the following reportable segments, operating locations, primary product lines and transportation modes:

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

The Corporation’s Specialty Products segment produces magnesia-based chemicals products used in industrial, agricultural and environmental applications and dolomitic lime used in the steel industry.

The overall areas of focus for the Corporation include the following:

- Maximize long-term shareholder return by pursuing sound growth and earnings objectives;
- Conduct business in compliance with applicable laws, rules, regulations and the highest ethical standards;
- Provide a safe and healthy workplace for the Corporation’s employees; and
- Reflect all aspects of good citizenship by being responsible neighbors.

Notable items regarding the Corporation’s 2011 strategic initiatives, operating results, cash flows and operations include:

**Strategic Initiatives:**

- Acquisition of three aggregates-related businesses: (i) aggregates, asphalt and ready mixed concrete operations in western San Antonio, Texas, that complement the Corporation’s existing integrated presence in this high-growth market; (ii) aggregates sites, as well as vertically-integrated ready mixed concrete and asphalt plants and a road paving business, in and around Denver, Colorado, resulting from an asset exchange with Lafarge North America Inc. (“Lafarge”) and (iii) a ready mixed concrete company in Denver, Colorado
- Corporation’s proposal to effect a business combination with Vulcan Materials Company (“Vulcan”) through a stock-for-stock, tax-free transaction, in which each outstanding share of Vulcan common stock would be exchanged for 0.50 of a share of the Corporation’s common stock, and the commencement of an exchange offer for all of the outstanding shares of Vulcan common stock at the same exchange ratio (hereinafter “proposed business combination with Vulcan”)

**Operating Results:**

- Earnings per diluted share of \$1.78, inclusive of \$0.25 per diluted share impact of business development costs
- Return on shareholders’ equity of 5.8% in 2011
- Heritage aggregates product line pricing increase of 2.7% and volume decrease of 3.5%
- Record financial results by the Specialty Products segment, which provided earnings from operations of \$66.3 million
- Energy expense increased \$19.7 million, which reduced earnings per diluted share by \$0.26
- Effective management of controllable costs as evidenced by selling, general and administrative expenses decreasing \$6.3 million in 2011 compared with 2010

**Cash Flows:**

- Ratio of consolidated debt-to-consolidated EBITDA, as defined, in the Corporation's \$600 million credit agreement and \$100 million secured accounts receivable credit facility, of 3.25 times for the trailing twelve months ended December 31, 2011, in compliance with the limit of 3.50 times
- Cash dividends of \$73.6 million, representing \$1.60 per common share
- Capital expenditures of \$155.4 million focused on preserving capital while maintaining safe, environmentally-sound operations, along with a continuing investment in land with long-term mineral reserves to serve high-growth markets; investment included a new aggregates sales yard near Tampa, Florida and the initiation of construction of a new dolomitic lime kiln at the Specialty Products' Woodville, Ohio facility
- Investment of \$91.6 million for acquisitions

**Operations:**

- Improved employee safety performance as measured by the Corporation's total injury incidence and lost time injury rates
- Successful integration of the San Antonio acquisition
- Strategic divestiture of certain operations along the Mississippi River ("River District operations") to facilitate the asset exchange with Lafarge while maintaining balance sheet strength and financial flexibility
- Continued maximization of transportation and materials options created by the Corporation's long-haul distribution network

In 2012, as part of its strategic initiatives, the Corporation will continue to actively pursue the proposed business combination with Vulcan. Management believes that a strategic combination of the Corporation and Vulcan is compelling financially and operationally, and that such a combination provides significant benefits for shareholders of both companies, as well as employees, customers and communities. Management is committed to and intends to take the necessary steps to consummate this combination.

In 2012, the Corporation's continued disciplined business approach and commitment to fundamentals and strategic vision, coupled with tactical execution, will enable management to prudently manage the business through this trough period of the construction cycle. Risks that are typical for the aggregates industry and the Corporation specifically become more pronounced during a protracted recession. In addition to pursuing the proposed business combination with Vulcan, management intends to emphasize, among other things, the following financial and operational initiatives in 2012:

**Financial:**

- Preserving cash, maintaining liquidity and keeping the Corporation's financial position strong
- Increasing the Corporation's incremental operating margin toward its targeted goal of an average of 60% over the course of a recovery in the business cycle
- Maximizing return on invested capital consistent with the successful long-term operation of the Corporation's business
- Returning cash to shareholders through sustainable dividends

**Operational:**

- Continuing to focus on the Corporation's safety performance
- Maintaining a focus on cost containment and operational efficiencies
- Completing the integration of the Colorado-based acquisitions into the Corporation's disciplined cost structure
- Investing in value-added growth initiatives and successfully integrating them with the Corporation's heritage operations
- Using best practices and information technology to drive improved cost performance
- Effectively serving high-growth markets, particularly in the Southeast and Southwest
- Continuing to build a competitive advantage from the Corporation's long-haul distribution network
- Continuing the strong performance and operating results of the Specialty Products segment

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

**Aggregates Economic Considerations**

The construction aggregates industry is a mature and cyclical business dependent on activity within the construction marketplace. In 2011, the Corporation's overall aggregates shipments decreased 3.8% from 2010 levels. The Corporation's heritage aggregates shipments, which exclude tonnage from acquisitions that were not included in prior-year operations for a full year and divestitures, decreased 3.5% compared with 2010. Whereas 2010 marked the first year of volume growth in five years, prior to 2010, the economic recession resulted in unprecedented reductions in aggregates shipments, as evidenced by United States aggregates consumption declining by almost 40% from peak volumes in 2006. The Corporation's annual aggregates shipments ranged from 123 million tons to 130 million tons over the past three years, indicative of a certain degree of volume stability in a cyclical trough environment. Aggregates shipments have also been negatively affected as states continue to balance their construction spending against uncertainty related to long-term federal highway funding and budget shortfalls caused by decreasing tax revenues.

The principal end-use markets of the aggregates industry are public infrastructure (e.g., highways, bridges, schools and prisons); nonresidential construction (e.g., manufacturing and distribution facilities; energy projects, including natural gas drilling; office buildings; large retailers and wholesalers; and malls); and residential construction (single- and multi-family housing). Aggregates products are also used in the railroad, environmental, utility and agricultural industries. For example, ballast is an aggregates product used to line railroad track beds and, increasingly, concrete rail ties are being used as a substitute for wooden ties. High-calcium limestone is used as a supplement in animal feed, as a soil acidity neutralizer and agricultural growth enhancer, and also as filler in glass, plastic, paint, rubber, adhesives, grease and paper. Chemical-grade high-calcium limestone is used as a desulfurization material in utility plants. Limestone can also be used to absorb moisture, particularly around building foundations. Stone is used as a stabilizing material to control erosion caused by water runoff or at ocean beaches, inlets, rivers and streams.

As discussed further under the section *Aggregates Industry and Corporation Trends* on pages 49 through 52, end-use markets respond to changing economic conditions in different ways. Public infrastructure construction is ordinarily more stable than nonresidential and residential construction due to funding from federal, state and local governments, with approximately half from the federal government and half from state and local governments. The Safe, Accountable, Flexible and Efficient Transportation Equity Act — A Legacy for Users ("SAFETEA-LU") was the federal highway legislation that provided funding of \$286.4 billion over the six-year period ended September 30, 2009. While a multi-year successor federal highway bill has not been approved, the provisions of SAFETEA-LU have been extended under eight continuing resolutions through March 31, 2012. The status of long-term federal infrastructure spending and the continued overall weakness in the United States economy negatively affected infrastructure spending in 2011. Additionally, the waning impact of the American Recovery and Reinvestment Act ("ARRA" or "Stimulus") continues as the December 31, 2012 deadline to complete all such projects approaches. Consequently, the Corporation's heritage aggregates shipments to the infrastructure construction market decreased 5% in 2011. Management remains optimistic that the underlying demand and need for infrastructure projects support consistent growth in this end-use market once long-term federal funding is resolved. Overall, the infrastructure construction market accounted for approximately 54% of the Corporation's 2011 heritage aggregates shipments.

**MARKETS**  
**HERITAGE AGGREGATES PRODUCT LINE**  
(Estimated percentage of shipments)

	2007	2008	2009	2010	2011	5-Year Average
<b>Infrastructure</b>	48%	50%	55%	55%	54%	52%
<b>Nonresidential</b>	30%	31%	25%	26%	26%	28%
<b>Residential</b>	12%	9%	7%	7%	8%	9%
<b>ChemRock/Rail</b>	10%	10%	13%	12%	12%	11%

Source: Corporation data

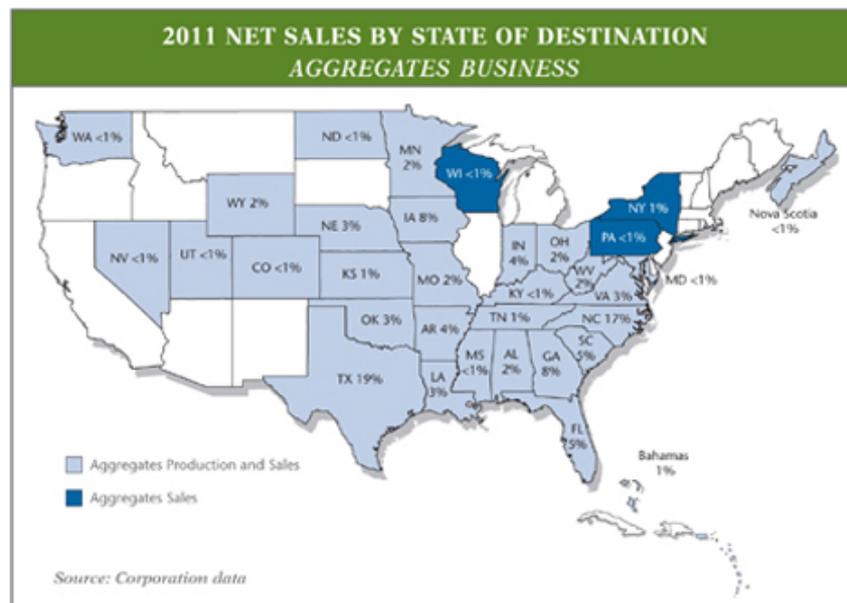
Nonresidential and residential construction levels are interest rate-sensitive and typically move in a direct correlation with economic cycles. The Corporation's heritage

nonresidential construction market, which accounted for approximately 26% of the Corporation’s 2011 heritage aggregates shipments, decreased 3% in 2011. Heritage aggregates shipments to the heavy industrial component of nonresidential, namely the energy sector, declined compared with 2010, driven by low natural gas prices and the ongoing transition of shale field activity from the Hayesville and Barnett deposits in Louisiana, Arkansas and North Texas to the Eagle Ford Shale in South Texas. The reduction in energy-related shipments was offset by growth in heritage aggregates shipments to the commercial component of the nonresidential construction market, namely office and retail. This commercial recovery was limited to geographies with distinct characteristics, such as areas with a strong military presence. Specifically, the commercial component of nonresidential construction generally follows the residential construction market with a 12-to-18-month lag.

The residential construction market accounted for approximately 8% of the Corporation’s heritage aggregates shipments in 2011. National forecasts earlier this year predicted stabilization and improvements in the overall housing market, and the Corporation increased heritage aggregates shipments to that sector in discrete geographic areas, particularly Texas. Overall, the Corporation’s heritage aggregates shipments to the residential construction market increased 4% in 2011. Although multi-family residential construction remained stable throughout the year, the total value of private residential construction put in place declined slightly during 2011, as reported by the United States Census Bureau. While the Federal Reserve kept the federal funds rate at zero percent throughout the year, overall weakness of the U.S. economy and reduced consumer lending by banks limited the impact of the low rate. Additionally, the excess supply of developed lots stifled new housing starts and limited the more aggregates-intensive subdivision development typically seen in a residential volume recovery. Looking ahead, management believes that when this sector recovers, there will be a notable volume impact, and the Corporation is well positioned to benefit from that upturn. However, housing starts are not expected to achieve a normalized annual level, estimated at 1.5 million starts nationally, until 2016, according to McGraw Hill Construction.

Shipments of chemical rock (comprised primarily of material used for agricultural lime and flue gas desulfurization) and ballast product sales (collectively, referred to as “ChemRock/ Rail”) accounted for approximately 12% of the Corporation’s heritage aggregates shipments and decreased slightly in 2011. Furthermore, three of the Corporation’s top ten customers in 2011 were Class I railroads.

In 2011, inclusive of 6.3 million tons attributable to operations divested during the year, the Corporation shipped 125.1 million tons of aggregates to customers in 31 states, Canada, the Bahamas and the Caribbean Islands from 264 aggregates quarries and distribution yards. While the Corporation’s aggregates operations cover a wide geographic area, financial results depend on the strength of the applicable local economies because of the high cost of transportation relative to the price of the product. The Aggregates business’ top five sales-generating states – Texas, North Carolina, Iowa, Georgia and South Carolina – accounted for approximately 57% of its 2011 net sales by state of destination, while the top ten sales-generating states accounted for approximately 76% of its 2011 net sales. Management closely monitors economic conditions and public infrastructure spending in the market areas in the states where the Corporation’s operations are located. Further, supply and demand conditions in these states affect their respective profitability.



**Aggregates Industry Considerations**

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

While natural aggregates sources typically occur in relatively homogeneous deposits in certain areas of the United States, a significant challenge facing aggregates producers is locating suitable deposits that can be economically mined at locations that qualify for regulatory permits and are in close proximity to growing markets (or in close proximity to long-haul transportation corridors that economically serve growing markets). This objective becomes more challenging as residential expansion and other real estate development encroach on attractive quarrying locations, often triggering enhanced regulatory constraints or otherwise making these locations impractical for mining. The Corporation's management continues to meet this challenge through strategic planning to identify site locations in advance of economic expansion; land acquisition around existing quarry sites to increase mineral reserve capacity and lengthen quarry life or add a site buffer; underground mine development; and enhancing its competitive advantage with its long-haul distribution network. The Corporation's long-haul network moves aggregates materials from domestic and offshore sources, via rail and water, to markets that generally exhibit above-average growth characteristics driven by long-term population trends but lack a long-term indigenous supply of aggregates. In 2011, as part of an asset exchange with Lafarge, the Corporation divested its River District operations which were being serviced as part of the Corporation's barge long-haul distribution network, but not in high-growth states. The movement of aggregates materials through long-haul networks introduces risks to operating results as discussed more fully under the sections *Analysis of Gross Margin* and *Transportation Exposure* on pages 48 and 49 and pages 61 through 63, respectively.

During the late 1990's and through the early 2000's, the aggregates industry experienced significant consolidation, and the Corporation actively participated in that industry consolidation. During this period, large, often public, companies acquired small-to-medium-sized businesses, primarily private companies. Thereafter, this consolidation trend slowed as the number of suitable small-to-midsized acquisition targets in high-growth markets declined. In the mid 2000's, at the apex of the most recent business cycle, large public companies acquired other large public companies and paid peak multiples of peak EBITDA (earnings before interest expense, income tax expense, and depreciation and amortization expense), often stretching their financial capacity beyond investment-grade limits. The Corporation was not an active acquirer during this period, as management deemed the values of potential acquisitions to be significantly below the sellers' expectations. Management anticipates the number of acquisition opportunities to increase as a result of the protracted recession. Opportunities include public and larger private, family-owned businesses, as well as, asset divestitures from companies rationalizing non-core assets and repairing financially-constrained balance sheets. The Corporation pursues acquisitions that fit its strategic objectives as discussed more fully under the section *Aggregates Industry and Corporation Trends* on pages 49 through 52.

**Aggregates Business Financial Considerations**

The production of construction-related aggregates requires a significant capital investment resulting in high fixed and semi-fixed costs, as discussed more fully under the section *Cost Structure* on pages 59 through 61. Further, operating results and financial performance are sensitive to shipment volume and changes in selling prices.

Driven by growth in heritage aggregates shipments in 2010, the average selling price for the heritage aggregates product line increased 2.7% in 2011, the largest increase since 2008. Management had expected a recovery in aggregates pricing once degrees of volume stability were achieved, even if that stability occurred at the cyclical trough. Pricing momentum was achieved and has been sustained despite a decline in heritage aggregates product line shipments. In fact, most geographic markets with declines in shipments reported an increase in average selling price in 2011.

## MANAGEMENT'S DISCUSSION & ANALYSIS OF FINANCIAL CONDITION & RESULTS OF OPERATIONS (CONTINUED)

The production of construction-related aggregates also requires the use of diesel fuel. Therefore, fluctuations in diesel fuel pricing directly affect the Corporation's operating results. During 2011, energy costs increased \$19.7 million compared with 2010; higher diesel fuel cost was the primary component. The Corporation does not hedge its diesel fuel price risk, but instead focuses on volume-related price reductions, fuel efficiency, consumption and the natural hedge typically created by the ability to increase aggregates prices.

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

### Specialty Products Considerations

The Corporation, through its Specialty Products segment, also produces dolomitic lime and magnesia-based chemicals. In 2011, this segment achieved records for both net sales and earnings from operations. For the year, net sales for the segment increased 14%, reflecting the strength of the steel industry and strong demand in the chemicals product line. The dolomitic lime business, which represented 28% of Specialty Products' 2011 net sales, is dependent on the highly-cyclical steel industry and operating results are affected by changes in that industry. The dolomitic lime business runs most profitably at 70% or greater steel utilization; domestic capacity utilization averaged 75% in 2011. The chemical products business focuses on higher-margin specialty chemicals that can be produced at volumes that support efficient operations.

A significant portion of costs related to the production of dolomitic lime and magnesia chemical products is of a fixed or semi-fixed nature. The production of dolomitic lime and certain magnesia chemical products also requires the use of natural gas, coal and petroleum coke. Therefore, fluctuations in their pricing directly affect operating results. The Corporation has entered into fixed-price supply contracts for coal and natural gas to help mitigate this risk. During 2011, natural gas prices remained relatively stable.

### Cash Flow Considerations

The Corporation's cash flows are generated primarily from operations. Operating cash flows generally fund working capital needs, capital expenditures, dividends, share repurchases and smaller acquisitions. During 2011, the Corporation entered into a four-year \$600 million credit agreement (the "Credit Agreement"), comprised of a \$350 million unsecured revolving facility (the "Revolving Facility") and a \$250 million senior unsecured term loan (the "Term Loan Facility"), with a syndicate of banks and amended its \$100 million secured accounts receivable credit facility (the "AR Credit Facility"). Proceeds from the new credit facilities were used for working capital and general corporate purposes, prepaying outstanding borrowings of \$111.8 million on the term loan due 2012 and repaying \$242.1 million of 6.875% notes that matured on April 1, 2011. Additionally, during 2011, the Corporation invested \$155.4 million in capital expenditures, invested \$91.6 million in acquisitions, paid \$73.6 million in dividends and made contributions of \$30.2 million to its pension plans.

Cash on hand, \$26.0 million at December 31, 2011, along with the Corporation's projected internal cash flows and its available financing resources, including access to debt and equity markets, as required, are expected to continue to be sufficient to provide the capital resources necessary to support anticipated operating needs, cover debt service requirements, satisfy noncancelable agreements, meet capital expenditures and discretionary investment needs, fund certain acquisition opportunities that may arise, and allow for payment of dividends. At December 31, 2011, the Corporation had unused borrowing capacity of \$313 million under the Credit Agreement, subject to complying with a leverage covenant based on its debt-to-EBITDA ratio, and no available borrowings under the AR Credit Facility.

The Corporation's ability to borrow funds or issue securities is dependent upon, among other things, prevailing economic, financial and market conditions. The current credit environment has limited the Corporation's ability to issue borrowings under its commercial paper program. As of December 31, 2011, the Corporation had principal indebtedness of

## MANAGEMENT'S DISCUSSION & ANALYSIS OF FINANCIAL CONDITION & RESULTS OF OPERATIONS (CONTINUED)

\$1.06 billion and future minimum lease and mineral and other royalty commitments for all noncancelable agreements of \$356.6 million. The Corporation's ability to generate sufficient cash flow depends on future performance, which will be subject to general economic conditions, industry cycles and financial, business and other factors affecting its consolidated operations, many of which are beyond the Corporation's control. If the Corporation is unable to generate sufficient cash flow from operations in the future to satisfy its financial obligations, it may be required, among other things, to seek additional financing in the debt or equity markets; to refinance or restructure all or a portion of its indebtedness; to further reduce or delay planned capital or operating expenditures; and/or to suspend or reduce the amount of the cash dividend to shareholders.

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

### Proposed Business Combination Considerations

On December 12, 2011, the Corporation proposed a business combination with Vulcan through a stock-for-stock, tax-free transaction, in which each outstanding share of Vulcan common stock would be exchanged for 0.50 of a share of the Corporation's common stock. On the same date, the Corporation commenced an exchange offer for all of the outstanding shares of Vulcan common stock at the same exchange ratio. The proposed business combination with Vulcan would create a U.S.-based company that would be the global leader in construction aggregates (see section *Aggregates Industry and Corporation Trends – Recent Developments* on pages 51 and 52).

The Corporation's audited consolidated financial statements and Management's Discussion and Analysis of Financial Conditions and Results of Operations included in the 2011 Annual Report assume the Corporation on a stand-alone basis and do not give effect to the potential impact of the proposed business combination with Vulcan.

The Corporation's future performance could be affected by the proposed business combination with Vulcan. For a discussion of the potential risks and other implications of the proposed business combination with Vulcan, please see the section "Risk Factors" in the Corporation's Annual Report on Form 10-K for the year ended December 31, 2011 and the prospectus/offer to exchange included in the Corporation's Registration Statement on Form S-4 filed on December 12, 2011 (as may be amended from time to time), as well as the Corporation's other disclosures relating to the combination proposal.

## FINANCIAL OVERVIEW

### Highlights of 2011 Financial Performance

- *Earnings per diluted share of \$1.78, inclusive of business development costs of \$0.25 per diluted share, compared with 2010 earnings of \$2.10 per diluted share*
- *Net sales of \$1.520 billion, a 3.0% increase compared with net sales of \$1.476 billion in 2010*
- *Heritage aggregates product line pricing increase of 2.7% and volume decrease of 3.5%*
- *Record financial results by the Specialty Products segment, which provided earnings from operations of \$66.3 million*

### Results of Operations

The discussion and analysis that follows reflect management's assessment of the financial condition and results of operations of the Corporation and should be read in conjunction with the audited consolidated financial statements on pages 6 through 36. As discussed in more detail herein, the Corporation's operating results are highly dependent upon activity within the construction marketplace, economic cycles within the public and private business sectors and seasonal and other weather-related conditions. Accordingly, the financial results for a particular year, or year-to-year comparisons of reported results, may not be indicative of future operating results. The Corporation's Aggregates business generated 87% of net sales and the majority of operating earnings during 2011. The following comparative analysis and discussion should be read within that context. Further, sensitivity analysis and certain other data are provided to enhance the reader's understanding of Management's Discussion and Analysis of Financial Condition and Results of Operations and are not intended to be indicative of management's judgment of materiality.

**MANAGEMENT'S DISCUSSION & ANALYSIS OF FINANCIAL CONDITION & RESULTS OF OPERATIONS (CONTINUED)**

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

<i>years ended December 31</i> (add 000, except for % of net sales)	2011	% of Net Sales	2010	% of Net Sales	2009	% of Net Sales
<b>Net sales</b>	<b>\$1,519,961</b>	<b>100.0%</b>	<b>\$1,475,717</b>	<b>100.0%</b>	<b>\$1,419,668</b>	<b>100.0%</b>
Freight and delivery revenues	193,862		177,168		153,648	
<b>Total revenues</b>	<b>1,713,823</b>		<b>1,652,885</b>		<b>1,573,316</b>	
Cost of sales	1,217,946	80.1	1,153,991	78.2	1,088,101	76.6
Freight and delivery costs	193,862		177,168		153,648	
<b>Total cost of revenues</b>	<b>1,411,808</b>		<b>1,331,159</b>		<b>1,241,749</b>	
<b>Gross profit</b>	<b>302,015</b>	<b>19.9</b>	<b>321,726</b>	<b>21.8</b>	<b>331,567</b>	<b>23.4</b>
Selling, general and administrative expenses	124,138	8.2	130,422	8.8	135,881	9.6
Business development costs	18,575	1.2	1,220	0.1	2,199	0.2
Other operating (income) and expenses, net	(1,720)	(0.1)	(8,298)	(0.5)	10,575	0.7
<b>Earnings from operations</b>	<b>161,022</b>	<b>10.6</b>	<b>198,382</b>	<b>13.4</b>	<b>182,912</b>	<b>12.9</b>
Interest expense	58,586	3.9	68,440	4.6	73,455	5.2
Other nonoperating expenses and (income), net	1,834	0.1	198	0.0	(1,165)	(0.1)
Earnings from continuing operations before taxes on income	100,602	6.6	129,744	8.8	110,622	7.8
Taxes on income	20,986	1.4	30,918	2.1	25,974	1.8
<b>Earnings from continuing operations</b>	<b>79,616</b>	<b>5.2</b>	<b>98,826</b>	<b>6.7</b>	<b>84,648</b>	<b>6.0</b>
Gain (Loss) on discontinued operations, net of taxes	3,957	0.3	(162)	0.0	3,516	0.2
Consolidated net earnings	83,573	5.5	98,664	6.7	88,164	6.2
Less: Net earnings attributable to noncontrolling interests	1,194	0.1	1,652	0.1	2,705	0.2
<b>Net Earnings Attributable to Martin Marietta Materials, Inc.</b>	<b>\$ 82,379</b>	<b>5.4%</b>	<b>\$ 97,012</b>	<b>6.6%</b>	<b>\$ 85,459</b>	<b>6.0%</b>

The comparative analysis in this Management's Discussion and Analysis of Financial Condition and Results of Operations is based on net sales and cost of sales. However, gross margin as a percentage of net sales and operating margin as a percentage of net sales represent non-GAAP measures. The Corporation presents these ratios based on net sales, as it is consistent with the basis by which management reviews the Corporation's operating results. Further, management believes it is consistent with the basis by which investors analyze the Corporation's operating results given that freight and delivery revenues and costs represent pass-throughs and have no profit mark-up. Gross margin and operating margin calculated as percentages of total revenues represent the most directly comparable financial measures calculated in accordance with generally accepted accounting principles ("GAAP"). The following tables present the calculations of gross margin and operating margin for the years ended December 31 in accordance with GAAP and reconciliations of the ratios as percentages of total revenues to percentages of net sales.

**Gross Margin in Accordance with GAAP**

<i>years ended December 31</i> (add 000, except for margin %)	2011	2010	2009
Gross profit	<b>\$ 302,015</b>	<b>\$ 321,726</b>	<b>\$ 331,567</b>
Total revenues	<b>\$1,713,823</b>	<b>\$1,652,885</b>	<b>\$1,573,316</b>
Gross margin	<b>17.6%</b>	<b>19.5%</b>	<b>21.1%</b>

**Gross Margin Excluding Freight and Delivery Revenues**

<i>years ended December 31</i> (add 000, except for margin %)	2011	2010	2009
Gross profit	<b>\$ 302,015</b>	<b>\$ 321,726</b>	<b>\$ 331,567</b>
Total revenues	<b>\$1,713,823</b>	<b>\$1,652,885</b>	<b>\$1,573,316</b>
Less: Freight and delivery revenues	<b>(193,862)</b>	<b>(177,168)</b>	<b>(153,648)</b>
Net sales	<b>\$1,519,961</b>	<b>\$1,475,717</b>	<b>\$1,419,668</b>
Gross margin excluding freight and delivery revenues	<b>19.9%</b>	<b>21.8%</b>	<b>23.4%</b>

**Operating Margin in Accordance with GAAP**

 years ended December 31  
 (add 000, except for margin %)

	2011	2010	2009
Earnings from operations	\$ 161,022	\$ 198,382	\$ 182,912
Total revenues	\$1,713,823	\$1,652,885	\$1,573,316
Operating margin	9.4%	12.0%	11.6%

**Operating Margin Excluding Freight and Delivery Revenues**

 years ended December 31  
 (add 000, except for margin %)

	2011	2010	2009
Earnings from operations	\$ 161,022	\$ 198,382	\$ 182,912
Total revenues	\$1,713,823	\$1,652,885	\$1,573,316
Less: Freight and delivery revenues	(193,862)	(177,168)	(153,648)
Net sales	\$1,519,961	\$1,475,717	\$1,419,668
Operating margin excluding freight and delivery revenues	10.6%	13.4%	12.9%

**Net Sales**

Net sales by reportable segment are as follows:

 years ended December 31  
 (add 000)

	2011	2010	2009
Mideast Group	\$ 454,029	\$ 450,048	\$ 438,444
Southeast Group	224,728	243,706	253,849
West Group	640,629	605,617	583,656
Total Aggregates Business	1,319,386	1,299,371	1,275,949
Specialty Products	200,575	176,346	143,719
Total	\$1,519,961	\$1,475,717	\$1,419,668

**Aggregates.** Heritage and total aggregates product line average selling price increases (decreases) are as follows:

	2011	2010	2009
Mideast Group	1.7%	(5.3%)	3.8%
Southeast Group	5.0%	1.5%	0.0%
West Group	3.4%	(2.9%)	3.1%
Heritage Aggregates Operations	2.7%	(3.2%)	2.1%
Aggregates Business	2.7%	(3.4%)	2.1%

Heritage aggregates operations exclude acquisitions that were not included in prior-year operations for a full year and divestitures.

The average annual aggregates product line price increase for the ten and twenty years ended December 31, 2011 was 4.8% and 3.6%, respectively. Aggregates pricing in 2011 increased after a certain degree of volume stability was achieved in 2010 and competitive pricing pressures eased. The decline in average selling price in 2010 reflects changes in each of product and geographic mix, which resulted in more lower-priced products being sold. In addition, higher-priced projects having been bid in more stable economic periods were replaced by projects bid during a period of significant competitive pressures. Aggregates pricing in 2009 reflects the impact of reduced demand. (see section *Aggregates Industry and Corporation Trends* on pages 49 through 52).

In 2011 and 2010, average selling price increases for the Southeast Group were higher than the other reportable segments primarily due to product mix, which reflected a higher percentage of higher-priced products being sold, and the inclusion of internal freight costs to transport aggregates from a producing location to a sales yard. The average selling price for the Southeast Group in 2009 was flat due to a decline in shipments and increased competitive pressures, particularly in Florida.

Aggregates product line shipments of 125.1 million tons in 2011 decreased 3.8% compared with 130.0 million tons in 2010 due to a reduction of ARRA projects, decreases in transportation spending and decreased energy-sector shipments. Aggregates product line shipments of 130.0 million tons in 2010 increased 5.4% compared with 123.4 million tons shipped in 2009. The increase is primarily due to increases in state transportation spending and increased shipments to the energy sector. The following presents heritage and total aggregates product line shipments for each reportable segment for the Aggregates business:

 years ended December 31  
 Tons (add 000)

	2011	2010	2009
Heritage Aggregates Product Line:			
Mideast Group	39,453	40,257	37,257
Southeast Group	18,159	20,727	21,900
West Group	60,149	60,996	56,691
Heritage Aggregates Operations	117,761	121,980	115,848
Acquisitions	1,067	33	—
Divestitures <sup>1</sup>	6,246	7,994	7,553
Aggregates Business	125,074	130,007	123,401

1 Divestitures represent tons related to divested operations up to the date of divestiture.

**MANAGEMENT'S DISCUSSION & ANALYSIS OF FINANCIAL CONDITION & RESULTS OF OPERATIONS (CONTINUED)**

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

<i>years ended December 31</i>	2011	2010	2009
Mideast Group	(2.0%)	8.1%	(26.9%)
Southeast Group	(12.4%)	(5.4%)	(23.5%)
West Group	(1.4%)	7.6%	(19.4%)
Heritage Aggregates Operations	(3.5%)	5.3%	(22.8%)
Total Aggregates Business	(3.8%)	5.4%	(22.6%)

The Southeast Group experienced double-digit volume declines in 2011 due to the weakness in the North Georgia and Alabama markets. The decline in shipments for the Southeast Group in 2010 was primarily due to delays in key heavy industrial projects in the nonresidential market.

**Specialty Products.** Specialty Products' 2011 net sales of \$200.6 million increased 13.7% over 2010 net sales of \$176.3 million. The 2010 net sales represented an increase of 22.7% over 2009 net sales of \$143.7 million. The increases in 2011 and 2010 are due to the strength of the steel industry, which experienced utilization rates greater than 70%, and strong demand in the chemicals product line.

**Freight and Delivery Revenues and Costs**

Freight and delivery revenues and costs represent pass-through transportation costs incurred when the Corporation arranges for a third-party carrier to deliver aggregates products to customers (see section *Transportation Exposure* on pages 61 through 63). These third-party freight costs are then billed to the customer. In 2011, these revenues and costs increased compared with 2010 due to higher fuel costs. The 15.3% increase in these revenues and costs in 2010 compared with 2009 reflects an increase in aggregates shipments and higher fuel costs.

**Cost of Sales**

Cost of sales increased 5.5% in 2011 compared with 2010 due to increased net sales, increased diesel expense, higher raw material costs for liquid asphalt and an increase in internal freight costs. Cost of sales increased 6.1% in 2010 compared with 2009 due to a 3.9% increase in net sales and higher energy costs, which increased \$24.7 million.

**Gross Profit**

The Corporation defines gross margin (excluding freight and delivery revenues) as gross profit divided by net sales. The Corporation's gross margin (excluding freight and delivery revenues) decreased 190 basis points in 2011 due to a reduction of aggregates product line shipments and increased energy, liquid asphalt and internal freight costs. Gross margin (excluding freight and delivery revenues) decreased 160 basis points in 2010 due to higher energy costs and the reduction in average selling price for the aggregates product line.

The following presents a rollforward of the Corporation's gross profit from 2010 to 2011 and from 2009 to 2010:

<i>years ended December 31</i> (add 000)	2011	2010
Consolidated Gross Profit, prior year	\$321,726	\$331,567
Aggregates Business:		
Volume (weakness) strength	(21,305)	62,625
Pricing strength (weakness)	41,320	(39,203)
Increase in noncontrollable energy costs	(17,971)	(19,633)
Increase in liquid asphalt costs	(9,188)	(2,015)
Other cost increases, net	(27,191)	(27,052)
Decrease in Aggregates Business Gross Profit	(34,335)	(25,278)
Specialty Products	13,720	16,101
Corporate	904	(664)
Decrease in Consolidated Gross Profit	(19,711)	(9,841)
Consolidated Gross Profit, current year	\$302,015	\$321,726

The following presents gross margin (excluding freight and delivery revenues) by reportable segment for the Aggregates business:

<i>years ended December 31</i>	2011	2010	2009
Mideast Group	27.3%	29.6%	31.7%
Southeast Group	0.5%	9.3%	14.6%
West Group	16.4%	17.9%	19.4%
Total Aggregates Business	17.4%	20.3%	22.7%

Gross margin (excluding freight and delivery revenues) for the Southeast Group reflects the 12.4% decline in heritage aggregates product line shipments in 2011, the 5.4% decline in heritage aggregates product line shipments in 2010 and the flat average selling price at its heritage operations in 2009. Additionally, the Southeast Group's operations include the water distribution network in the Bahamas and Nova Scotia, which produces lower gross margins due to internal freight (see sections *Analysis of Gross Margin* on pages 48 and 49 and *Transportation Exposure* on pages 61 through 63).

**Selling, General and Administrative Expenses**

Selling, general and administrative expenses decreased \$6.3 million in 2011 due to lower personnel costs related to stock-based compensation and lower pension costs. This decrease was partially offset by \$4.4 million of termination costs for certain restructuring activities. Selling, general and administrative expenses decreased \$5.5 million in 2010 due to lower overall personnel costs and despite absorbing \$3.5 million for settlement charges for the payment of vested benefits under the SERP (Supplemental Excess Retirement Plan). The reductions in 2011 and 2010 reflect management's continued focus on cost control.

**Business Development Costs**

In 2011, the Corporation incurred \$18.6 million of business development costs, including expenses related to transactions closed during the year and \$12.0 million related to the Corporation's proposed business combination with Vulcan.

**Other Operating Income and Expenses, Net**

Among other items, other operating income and expenses, net, include gains and losses on the sale of assets; gains and losses related to certain customer accounts receivable; rental, royalty and services income; accretion expense, depreciation expense, and gains and losses related to asset retirement obligations; and research and development costs. The 2010 amount included the settlement and reversal of part of an \$11.9 million legal reserve that was established in 2009 for the West Group and a \$4.5 million gain on the sale of assets, partially offset by a \$2.7 million charge for bad debts. Additionally, the 2009 amount included a \$3.0 million charge for a property loss and the loss on the sales of assets and a \$3.3 million charge for bad debts.

**Earnings from Operations**

The Corporation defines operating margin (excluding freight and delivery revenues) as earnings from operations divided by net sales and it represents a measure of operating profitability. The 2011 decrease of 280 basis points compared with 2010 reflected lower gross margin (excluding freight and delivery revenues) for the Aggregates business resulting from higher energy, liquid asphalt and internal freight costs and \$18.6 million of business development expenses, partially offset by the record operating results for the Specialty Products segment and lower selling, general and administrative expenses. The 2010 increase of 50 basis points compared with 2009 reflected the strong operating results for the Specialty Products segment, lower selling, general and administrative expenses and the gain on a legal settlement, partially offset by the lower gross margin (excluding freight and delivery revenues) for the Aggregates business, primarily due to higher energy costs.

**Interest Expense**

Interest expense decreased \$9.9 million in 2011 primarily due to a higher mix of variable-rate debt, which currently bears a lower interest rate compared with the Corporation's fixed-rate debt. Interest expense decreased \$5.0 million in 2010 primarily due to lower outstanding borrowings.

**Other Nonoperating Income and Expenses, Net**

Other nonoperating income and expenses, net, are comprised generally of interest income, foreign currency transaction gains and losses, and net equity earnings from nonconsolidated investments. The \$1.6 million increase in expense in 2011 compared with 2010 was the result of a loss on foreign currency transactions in 2011. The expense in 2010 compared with income in 2009 was due to lower gains on foreign currency transactions.

**Income Taxes**

Variances in the estimated effective income tax rates, when compared with the federal corporate tax rate of 35%, are due primarily to tax benefits associated with depletion allowances for mineral reserves, the effect of state income taxes, the domestic production deduction, the tax effect of nondeductibility of goodwill related to divestitures of businesses and the impact of foreign losses for which no tax benefit is recognized. The permanent benefits associated with the depletion deduction for mineral reserves are the significant driver of the effective income tax rate. The statutory depletion deduction is calculated as a percentage of sales subject to certain limitations. Due to these limitations, changes in sales volumes and pretax earnings may not proportionately affect the depletion deduction. However, the impact of the depletion deduction on the effective tax rate is inversely affected by increases or decreases in pretax earnings.

## MANAGEMENT'S DISCUSSION & ANALYSIS OF FINANCIAL CONDITION & RESULTS OF OPERATIONS (CONTINUED)

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 tax rate.

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

<i>years ended December 31</i>	2011	2010	2009
Continuing operations	20.9%	23.8%	23.5%
Discontinued operations	35.8%	(90.7%)	31.2%
Overall	21.7%	22.9%	23.8%

### Discontinued Operations

Operations that are disposed of or permanently shut down represent discontinued operations. The results of all divested operations through the dates of disposal and any gains or losses on disposals are included in discontinued operations in the consolidated statements of earnings. The results of operations for divestitures do not include Corporate overhead allocated during the periods the Corporation owned these operations. All discontinued operations relate to the Aggregates business.

In 2011, the Corporation divested its River District operations as part of an asset exchange with Lafarge. Discontinued operations included the following:

<i>years ended December 31 (add 000)</i>	2011	2010	2009
Net sales	\$64,567	\$75,414	\$78,741
Pretax (loss) gain on operations	\$ (3,821)	\$ (1,733)	\$ 5,126
Pretax gain (loss) on disposals	9,986	(4)	(17)
Pretax gain (loss)	6,165	(1,737)	5,109
Income tax expense (benefit)	2,208	(1,575)	1,593
Net earnings (loss)	\$ 3,957	\$ (162)	\$ 3,516

### Net Earnings Attributable to Martin Marietta Materials, Inc. and Earnings Per Diluted Share

Net earnings attributable to Martin Marietta Materials, Inc., were \$82.4 million, or \$1.78 per diluted share, inclusive of business development costs of \$0.25 per diluted share, in 2011, a decrease of 15.1% compared with \$97.0 million, or \$2.10 per diluted share, in 2010.

Net earnings attributable to Martin Marietta Materials, Inc., were \$97.0 million, or \$2.10 per diluted share, in 2010, an increase of 13.5% compared with \$85.5 million, or \$1.91 per diluted share, in 2009.

### Analysis of Gross Margin

- 2011 Aggregates business gross margin (excluding freight and delivery revenues) reflects a 340-basis-point negative impact of internal freight

The Aggregates business gross margin (excluding freight and delivery revenues) for continuing operations for the years ended December 31 is as follows:

2011	17.4%
2010	20.3%
2009	22.7%

Although the Corporation, as part of an asset exchange with Lafarge in December 2011, divested its River District operations which were part of its long-haul distribution network, the development of water and rail distribution yards continues to be a key component of the Corporation's strategic growth plan. Most of this activity is in coastal areas located in the Southeast and West Groups, areas which generally lack an indigenous supply of coarse aggregates but exhibit above-average growth characteristics driven by long-term population trends. Transportation freight costs from the production site to the distribution yards are included in the delivered price of aggregates products and reflected in the pricing structure at the distribution yards. Sales from rail and water distribution yards generally yield lower gross margins as compared with sales directly from quarry operations. Nonetheless, management expects that the distribution network currently in place will provide the Corporation solid growth opportunities, and gross margin should continue to improve, subject to the economic environment and other of the Corporation's risk factors (see *Aggregates Industry and Corporation Risks* on pages 52 through 67). In 2011, approximately 16.2 million tons of aggregates were sold from distribution yards, of which approximately 1.1 million tons were sold from the Corporation's River District operations. Results from these distribution operations reduced the Aggregates business gross margin (excluding freight and delivery revenues) by approximately 340 basis points in 2011. In 2010 and 2009, the impact of internal freight on the Aggregates business gross margin (excluding freight and delivery revenues) was comparable to the 2011 decrease.

## MANAGEMENT'S DISCUSSION & ANALYSIS OF FINANCIAL CONDITION & RESULTS OF OPERATIONS (CONTINUED)

In addition to its aggregates operations, the Corporation also has asphalt, ready mixed concrete and road paving operations (hereinafter referred to as "vertically-integrated operations"), which represented 8% of the Aggregates business' 2011 total revenues. The Corporation acquired additional vertically-integrated operations in Texas in June 2011 and in Colorado in December 2011. Vertically-integrated operations also negatively affect gross margin, particularly for the West Group. Gross margins (excluding freight and delivery revenues) associated with vertically-integrated operations are lower as compared with aggregates operations. Gross margins (excluding freight and delivery revenues) for the Aggregates business' asphalt and ready mixed concrete product lines, which are located in the West Group, typically range from 10% to 12% as compared with the Aggregates business' overall gross margin (excluding freight and delivery revenues), which generally ranges from 25% to 30%. Historically, the road paving product line, which is also included in the West Group, typically yielded profits insignificant to the Corporation. However, the road paving business is expected to have a more significant impact in future periods due to the Corporation's recent acquisitions. In 2011, the mix of vertically-integrated operations lowered the Aggregates business' gross margin (excluding freight and delivery revenues) by approximately 95 basis points. As a result of management's strategic growth plan, the Aggregates business' gross margin (excluding freight and delivery revenues) will continue to be adversely affected by the lower gross margins for vertically-integrated operations and for the water and rail distribution network.

The Aggregates business' operating leverage is substantial given its significant amount of fixed costs. The lean cost structure, coupled with volume recovery and pricing increases, provides a significant opportunity to increase margins in the future. Management estimates that, subject to certain factors, \$0.60 of additional gross profit can be earned with each incremental \$1 of sales over the course of an upturn in the business cycle.

### BUSINESS ENVIRONMENT

The sections on *Business Environment* on pages 49 through 69, and the disclosures therein, provide a synopsis of the business environment trends and risks facing the Corporation. However, no single trend or risk stands alone.

The relationship between trends and risks is dynamic, and the current economic climate exacerbates this relationship. This discussion should be read in this context.

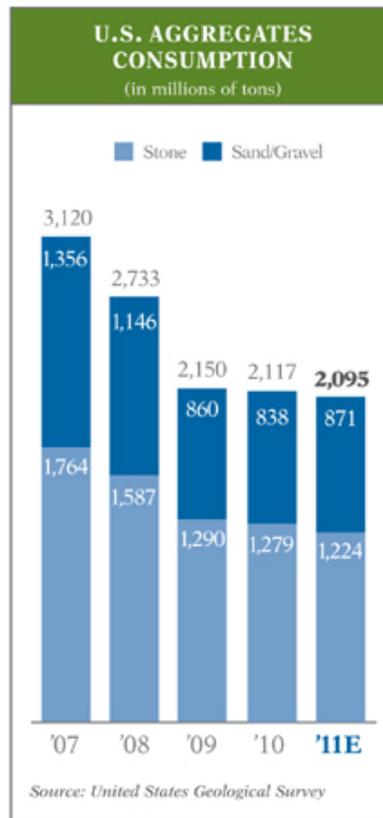
### Aggregates Industry and Corporation Trends

- *Spending statistics, from 2010 to 2011, according to U.S. Census Bureau:*
  - *Public-works construction spending decreased 6.5%*
  - *Private nonresidential construction market spending increased 2.4%*
  - *Private residential construction market spending decreased 1.1%*
- *According to the U.S. Geological Survey, aggregates consumption in the United States decreased slightly in 2011 compared with 2010*

The Corporation's principal business, the Aggregates business, serves customers in construction aggregates-related markets. This business is strongly affected by activity within the construction marketplace, which is cyclical in nature. Consequently, the Corporation's profitability is sensitive to national, regional and local economic conditions and especially to cyclical swings in construction spending. The cyclical swings in construction spending are in turn affected by fluctuations in interest rates, access to capital markets, levels of public sector infrastructure funding, and demographic, geographic and population shifts. In 2011, total aggregates consumption in the United States of 2.1 billion tons decreased slightly compared with 2010, as reported by the U. S. Geological Survey. Per the U.S. Census Bureau, total construction spending decreased 2.0%, which implies a higher level of aggregates-intensive construction spending in 2011.

The Aggregates business sells its products principally to contractors in connection with highway and other public infrastructure projects as well as nonresidential and residential development. While construction spending in the public and private market sectors is affected by economic cycles, the historic level of spending on public infrastructure projects has been comparatively more stable as governmental appropriations and expenditures are typically less interest rate-sensitive than private-sector spending. However, the status of long-term federal infrastructure funding and uncertainties about the timing and amount of such funding continue to negatively affect spending on public infrastructure projects (see section *Federal and*

State Highway Appropriations on pages 56 through 58). By way of example, while the total value of United States construction spending decreased 2.0% in 2011 compared with 2010, overall public-works spending decreased 6.5% in 2011. As reported by The American Road and Transportation Builders Association (“ARTBA”), spending on highways, streets and bridges decreased to \$78.9 billion in 2011 from \$82.7 billion in 2010; the first decline in the value of highway and bridge construction put in place since 2002. ARTBA estimates that the value of highway, street and bridge construction will decrease by 6% in 2012. Management believes public-works projects accounted for more than 50% of the total annual aggregates consumption in the United States during 2011; this has consistently been the case since 1990. Approximately 54% of the Corporation’s 2011 heritage aggregates shipments were in the public sector; thus, the Aggregates business benefits from public-works construction projects. Accordingly, management believes exposure to fluctuations in nonresidential and residential, or private sector, construction spending is lessened by the business’ mix of public sector-related shipments.



According to the U.S. Census Bureau, private nonresidential construction market spending increased 2.4% in 2011 compared with 2010. Approximately 26% of the Corporation’s 2011 heritage aggregates shipments were related to the nonresidential construction market. Historically, approximately half of the Corporation’s nonresidential construction shipments have been used for office and retail projects, while the remainder has been used for heavy industrial and capacity-related projects. Heavy industrial construction activity has been supported since 2010 by expansion of the energy sector, namely development of shale-based natural gas fields.

The Corporation’s exposure to residential construction is typically split evenly between aggregates used in the construction of subdivisions (including roads, sidewalks, and storm and sewage drainage) and aggregates used in home construction. Therefore, the timing of new subdivision starts is a leading indicator of new home starts and equally affects residential volumes. Private residential construction market spending decreased 1.1% in 2011 from 2010, according to the U.S. Census Bureau. During 2011 and 2010, private residential construction spending was at extremely low levels, reflecting the significant number of home foreclosures, a high inventory of developed lots and the overall weak economy.

Vertically-integrated operations generally follow construction industry trends and accounted for 8% of the Aggregates business’ 2011 total revenues.

Gross margin on shipments transported by rail and water is lower as a result of the impact of internal freight. However, as demand increases in supply-constrained areas, additional pricing opportunities, along with improved distribution costs, may improve profitability and gross margin on transported material. Further, the long-haul transportation network can diversify market risk for locations that engage in long-haul transportation of their aggregates products. Many locations serve both a local market and transport products via rail and/or water to be sold in other markets. The risk of a downturn in one market may be somewhat mitigated by other markets served by the location.

Pricing on construction projects is generally based on terms committing to the availability of specified products at a specified price during a specified period. While residential and nonresidential construction jobs usually are completed within a year, infrastructure contracts can require several years to complete. Therefore, changes in prices can have a lag time before taking effect while the Corporation sells aggregates products under existing price agreements. Pricing escalators included in multi-year infrastructure contracts somewhat mitigate this effect. However, during periods of sharp or rapid increases in production costs, multi-year infrastructure contract pricing may provide only nominal pricing growth.

Since the expiration of SAFETEA-LU, multi-year highway projects have been replaced by short-term, repair and maintenance projects. Management expects this trend to reverse upon passage of a multi-year federal highway program.

In 2011, the average selling price for the heritage aggregates product line increased 2.7% after a certain degree of volume stability was achieved in 2010 and competitive pricing pressures related to Stimulus projects eased. Opportunities to increase pricing will be on a market-by-market basis. Management believes pricing increases in 2012 and beyond will approximate the Corporation's 20-year annual average, 3.6%, and correlate, after consideration of a 6-to-12-month lag factor, with changes in demand. Pricing is determined locally and is affected by supply and demand characteristics of the local market.

The Aggregates business is subject to potential losses on customer accounts receivable in response to economic cycles. While a recessionary economy increases those risks, both lien rights and payment bonds help mitigate the risk of uncollectible receivables. However, the recessionary economy has delayed payments from certain of the Corporation's customers. Historically, the Corporation's bad debt write offs have not been significant to its operating results. Further, management considers the allowance for doubtful accounts adequate as of December 31, 2011.

Management expects the overall long-term trend of consolidation of the aggregates industry to continue. The Corporation's Board of Directors and management continue to review and monitor strategic long-term plans. These plans include assessing business combinations and arrangements with other companies engaged in similar or complementary businesses, increasing market share in the Corporation's strategic businesses and pursuing new opportunities that are related to markets that the Corporation views as attractive. During the year, the Corporation reviewed over 30 possible transactions and completed three acquisitions as part of its long-term strategic plan (see section *Internal Expansion and Integration of Acquisitions* on pages 63 and 64).

### **Recent Developments**

On December 12, 2011, the Corporation proposed a business combination with Vulcan through a stock-for-stock, tax-free transaction, in which each outstanding share of Vulcan common stock would be exchanged for 0.50 of a share of the Corporation's common stock. On the same date, the Corporation commenced an exchange offer for all of the outstanding shares of Vulcan common stock at the same exchange ratio. The proposed business combination with Vulcan and the exchange offer has the unanimous support of the Corporation's Board of Directors. The offer represents a premium for Vulcan shareholders of 15% to the average exchange ratio based on the closing share prices for Vulcan and the Corporation during the 10-day period ended December 9, 2011, the trading day before the commencement of the offer, and 18% to the average exchange ratio based on the closing share prices for Vulcan and the Corporation during the 30-day period ended December 9, 2011. The total value of the offer is \$5.355 billion, based on the Corporation's closing stock price of \$82.51 on January 31, 2012. The Corporation also intends to maintain the dividend for the combined company at the Corporation's current rate of \$1.60 per share annually, or the equivalent of \$0.80 per Vulcan share annually, based on the proposed exchange ratio.

In furtherance of its proposed business combination with Vulcan, on January 24, 2012, the Corporation submitted a notice letter to Vulcan (as amended and restated by a notice letter submitted to Vulcan on January 30, 2012) of its proposal to nominate five independent director candidates to be considered for election to Vulcan's Board of Directors at Vulcan's 2012 Annual Meeting of Shareholders and filed a preliminary proxy statement (and an amendment thereto on January 30, 2012) with the Securities and Exchange Commission (the "SEC") in connection with the proposal. The Corporation's nominees are proposed to replace the Vulcan directors whose terms are scheduled to expire at Vulcan's 2012 Annual Meeting of Shareholders. The Corporation intends to file a definitive proxy statement and when completed, the Corporation's definitive proxy statement and accompanying proxy card will be mailed to Vulcan shareholders.

Through December 31, 2011, the Corporation incurred approximately \$12.0 million of business development costs related to the proposed business combination with Vulcan. Additional costs incurred during 2012 could be significant.

**MANAGEMENT’S DISCUSSION & ANALYSIS OF FINANCIAL CONDITION & RESULTS OF OPERATIONS (CONTINUED)**

Management believes that a strategic combination of the Corporation and Vulcan is compelling financially and operationally. Management is committed to and intends to take the necessary steps to consummate this combination.

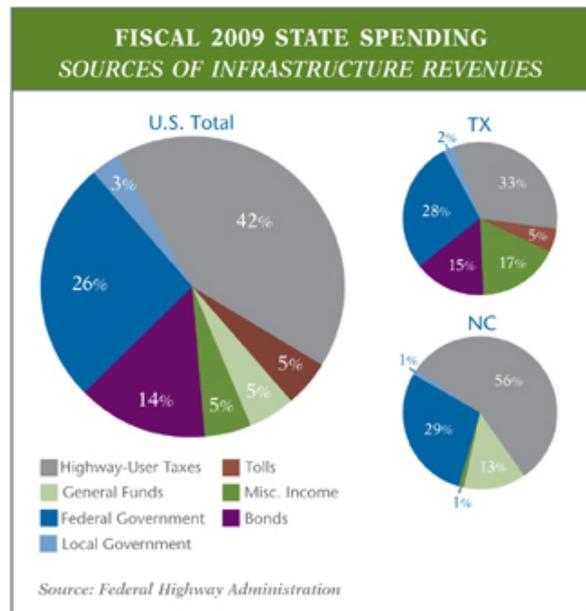
Risks and uncertainties relating to the Corporation’s proposed business combination with Vulcan include, but are not limited to: fluctuations in the Corporation’s and Vulcan’s common stock prices; the number of Vulcan shares tendered in the exchange offer; Vulcan’s willingness to accept the Corporation’s proposal and enter into a definitive transaction agreement reasonably satisfactory to the parties; the Corporation’s ability to obtain shareholder, antitrust and other approvals on the proposed terms and schedule; discovery of unknown liabilities of Vulcan which may have a material adverse effect on the Corporation’s profitability, financial condition and results of operations; the potential adverse impact of the issuance of the Corporation’s common stock; future results of the combined company may differ materially from the pro forma consolidated financial information presented in the Corporation’s Registration Statement on Form S-4; uncertainty of the expected financial performance of the combined company following completion of the proposed transaction; funding from a combination of federal, state and local sources; exposure to the residential construction markets and unfavorable macroeconomic and business conditions; the Corporation’s ability to achieve the cost-savings and synergies contemplated by the proposed transaction within the expected time frame; the Corporation’s ability to promptly and effectively integrate the businesses of Vulcan and the Corporation; the combined company’s ability to pay dividends in the amounts anticipated; a potential downgrade of the credit rating of Vulcan’s indebtedness, which could give rise to an obligation to redeem Vulcan’s existing indebtedness; the potential implications of alternative transaction structures with respect to Vulcan, the Corporation and/or the combined company, including potentially requiring an offer to repurchase certain of the Corporation’s existing debt; the implications of the proposed transaction on certain of the Corporation’s and Vulcan’s employee benefit plans; and disruption from the proposed transaction making it more difficult to maintain relationships with customers, employees or suppliers. For a further discussion of potential risks and other implications of the proposed business combination with Vulcan, please see the section “Risk Factors” in the Corporation’s Annual Report on Form 10-K for the year ended December 31, 2011, as well as the prospectus/offer to exchange included in the Corporation’s Registration Statement on Form S-4 filed on December 12, 2011 (as may be amended from time to time).

The Corporation maintains an internet address at [www.aggregatesleader.com](http://www.aggregatesleader.com) to provide additional information about the proposed business combination with Vulcan.

**Aggregates Industry and Corporation Risks General Economic Conditions**

The overall United States economy remains weak with national debt at a record high and consumer and commercial credit availability remaining tight. Additionally, with a national average of 8.5% at December 31, 2011, unemployment remained at a level notably higher than the historical average. More significantly, and according to the Bureau of Labor Statistics, unemployment in the construction industry was 16.0% at December 31, 2011, almost two times the national average. Further, despite the Federal Reserve keeping the federal funds rate at zero percent, the housing market remained anemic in 2011.

Public-sector construction projects are funded through a combination of federal, state and local sources (see section *Federal and State Highway Appropriations* on pages 56 through 58). The level of state public-works spending is varied across the nation and dependent upon individual state economies.





**MANAGEMENT’S DISCUSSION & ANALYSIS OF FINANCIAL CONDITION & RESULTS OF OPERATIONS (CONTINUED)**

Arkansas, Nebraska and Virginia together accounted for approximately 76% of the Aggregates business’ 2011 net sales by state of destination.

ESTIMATED POPULATION MOVEMENT			
Top 10 Revenue-Generating States of Aggregates Business	Population Rank in 2000	Rank in Estimated Change in Population From 2000 to 2030	Estimated Rank in Population in 2030
Texas	2	4	2
North Carolina	11	7	7
Iowa	30	48	34
Georgia	10	8	8
South Carolina	26	19	23
Florida	4	3	3
Indiana	14	31	18
Arkansas	33	21	32
Nebraska	38	42	38
Virginia	12	11	12

Source: United States Census Bureau

Economic recovery in Texas, supported by population growth and business diversity, continues to outpace the nation. San Antonio’s economy leads the recovery with an influx of military jobs from the base realignment and closure process and the presence of the Eagle Ford Shale formation nearby. Additionally, over the past five years, San Antonio’s population has grown 13%, outperforming the national average. In Texas, funding for highway construction comes from dedicated sources as opposed to the use of general funds. For fiscal 2012, state Department of Transportation spending is projected to be \$4.5 billion, a decrease of 8% compared with fiscal year 2011. State Department of Transportation spending in San Antonio is expected to increase 40% in 2012 compared with 2011; however, spending continues to be well below the 2006 and 2007 levels experienced prior to the economic recession. In addition to state monies, Dallas/Fort Worth infrastructure projects are also funded from nontraditional sources, including a \$3.2 billion payment from the North Texas Tollway Authority (“NTTA”) for State Highway 121, private funding through comprehensive development agreements and bond sales. The Corporation’s infrastructure market in the Dallas/Fort Worth market is expected to decline by approximately 20% in fiscal 2012, driven primarily by decreased tax revenues and budget constraints at the city and county levels. Infrastructure spending in Houston is expected to remain flat in 2012. Growth in Texas’ residential market has come from multi-family construction with multi-family permits increasing 68% over fiscal 2010 and rising to a pre-recession rate. San Antonio housing starts continued to contract in 2011, but growth of 10% is expected in 2012, according to Metrostudy. Developed lots are in short supply in San Antonio’s high-growth areas, spurring the build-out of existing subdivisions and the development of new subdivisions. In Dallas and Houston, residential construction markets were flat in 2011 and are expected to show improvement in 2012; however, significant recovery is not expected until late 2013 or 2014. The nonresidential construction markets in South Texas have been positively affected by shipments to the energy sector, particularly to the Eagle Ford Shale oil and natural gas fields, and from the construction of wind farms. These trends are expected to continue in 2012. Furthermore, the Dallas nonresidential construction market experienced lower office, retail and heavy industrial vacancy rates during 2011. Overall, Texas is forecast to see only a gradual improvement in residential and nonresidential building activity in 2012.

The North Carolina economy has started to recover; however, job growth has advanced much more slowly than that of the United States, as evidenced by the state unemployment rate of 9.9% at December 31, 2011. The North Carolina Turnpike Authority opened the first phase of the \$1 billion Triangle Expressway, the state’s first modern toll road, in the Raleigh-Durham area in December 2011. This project, which began construction in 2010, represents the first significant step related to the budget provision

providing funding for the construction of four toll road projects for a total of \$3.2 billion. The Garden Parkway project near Charlotte is expected to be awarded in 2012, and the Corporation has quarries that are positioned for competitively bidding this job. The state's infrastructure construction market was flat in 2011 compared with 2010 based on the dollar value of state Department of Transportation project lettings. Overall, the state awarded approximately \$1.6 billion of transportation projects in 2011 and \$2.0 billion is projected for 2012. The funding for 2012 is comparable to 2008 funding. The Corporation's statewide aggregates shipments to the nonresidential construction market were up slightly from 2010 levels; however, a significant increase in spending is not expected until 2013. Management believes the residential construction market hit the bottom of its cycle in 2009. Beyond the near term, conditions in North Carolina are favorable for steady growth in the housing market as population gains will support demand for new homes. A notable factor affecting residential demand in the state is the inability of new residents to sell existing homes in markets from which they are moving. Historically, the Corporation's North Carolina operations have been above average in rate of pricing growth and profitability due to its quarry locations in growing market areas and their related transportation advantage.

The Iowa economy, which is highly dependent on agriculture and related manufacturing industries, remains stable, and, in fact, has been one of the most consistently stable markets for the Corporation over the past five years. The state's unemployment rate, 5.6% at December 31, 2011, remains one of the lowest in the country. Iowa continues to be the largest corn and pork-producing state in the nation. Increased demand for agricultural commodities, including corn and soybeans, along with growing commodity prices, has driven farm and land values upward. Cattle and hog prices are also increasing. While Iowa is the second largest wind energy-producing state, behind only Texas, funding challenges, lower natural gas prices and the lack of effective large scale transmission lines to move power have delayed the construction of additional wind farms. However, in June 2011, Clean Line Energy Partners LLC signed an agreement with Siemens to develop 500 miles of high voltage transmission lines that will deliver power from Iowa and surrounding states to Illinois and states eastward. The infrastructure construction market declined slightly compared with 2010. However, favorable bid prices, government efficiencies and more federal funding than expected will allow the state Department of Transportation to meet the state's short-term road needs in 2012. Beyond 2012, the state will need to find a long-term solution to maintain and improve Iowa's transportation system. Recently, Governor Branstad announced that he would consider an increase to Iowa's gasoline tax no earlier than fiscal 2013. State highways maintained by the Iowa Department of Transportation are financed with federal funds and dedicated highway-user tax revenues; no state general fund revenue is used. The residential construction market remained deflated due to stricter lending standards and price depreciation. In October, South Korean food maker CJ Cheiljedang announced plans to invest \$324 million in a new production facility in central Iowa. The residential and nonresidential construction markets are currently weak and are expected to remain flat in 2012 compared with 2011.

The Georgia economy is stagnant; however, it has recently slipped back into recession. State and local governments experienced large budget cuts and the state's unemployment rate of 9.7% exceeds the national average at December 31, 2011. The infrastructure construction market continued to decline during 2011. Motor fuel tax revenues, which are dedicated to the state highway fund, are expected to decrease approximately 3% in fiscal year 2012 compared with actual tax collections in fiscal 2011 per the state Office of Planning and Budget. To compensate, Georgia, as part of its Transportation Investment Act of 2010 (the "Act"), has created 12 special tax districts that will vote in July 2012 to levy a 1% sales tax for 10 years to fund transportation projects in those districts. If all districts approve the tax increase, projected revenues would be more than \$18 billion over the ten-year period. However, each district's voting results and subsequent transportation investment will stand independently. Management believes that the Act in Georgia could serve as a funding model for other states to emulate. The Atlanta market remains the largest business hub in the southeastern United States, but has been negatively affected by the high degree of bank failures and home foreclosures. The state's residential construction market remains weak with single-family housing permits down more than 80% from record 2005 levels. On a positive note, strong port

activity and the completion of a KIA automobile assembly plant continue to benefit the state's economy. Further, in 2010, Gulfstream Aerospace Corporation announced its plans to expand its Savannah facilities through a \$500 million, seven-year plan to meet future demand for business-jet aircraft and support services. McGraw Hill Construction reported that Georgia's nonresidential construction market experienced a more-than-10 percent improvement compared with 2010.

The South Carolina economy has slowly started to recover. The state Department of Transportation maintains the fifth largest state highway system in the United States and its primary source of revenues comes from state and federal motor fuel user fees. However, South Carolina's motor fuel tax is one of the lowest in the nation. Motor fuel tax collections increased 1.3% in fiscal year 2011 compared with fiscal year 2010. Contract awards for highway construction and maintenance for fiscal year 2012 are projected to be \$600 million, 20% below 2011 awards. In the nonresidential construction market, Bridgestone Americas announced a \$1.2 billion investment to build a tire manufacturing facility in Aiken County that could add 850 full-time and contract positions by 2015. Additionally, BMW recently announced plans to invest nearly \$900 million in its Spartanburg plant by 2014, adding 300 new jobs. Despite economic growth by an influx of major corporations, the state's unemployment rate was 9.5% at December 31, 2011, above the national average.

#### **Federal and State Highway Appropriations**

- *Continuing resolution through March 31, 2012 for federal highway bill that expired September 30, 2009*
- *ARRA included \$28.6 billion for highways bridges and airports*
- *Federal gas tax scheduled to expire on March 31, 2012*

The federal highway bill provides annual highway funding for public-sector construction projects. SAFETEA-LU was a six-year \$286.4 billion law that expired on September 30, 2009 and included approximately \$228 billion for highway programs, \$52 billion for transit programs and \$6 billion for highway safety programs. SAFETEA-LU also increased the minimum rate of return to 92.0 percent for donor states, meaning those states pay more in gasoline taxes than they receive from the Highway Trust Fund. Although a successor bill was not passed when SAFETEA-LU expired, its provisions have been extended under eight continuing budget resolutions through March 31, 2012. However, historically, states have been reluctant to commit to long-term projects while operating under continuing resolutions, particularly those that are short-term in nature. In fact, obligations of federal highway funds were at a five-year low through the first three months of the fiscal year ending September 30, 2012 and \$1.06 billion less than were obligated during the first three months of fiscal 2011, when the highway bill was also operating under continuing resolutions.

In February 2009, President Obama signed into law ARRA, an economic stimulus plan designed to resuscitate the economy. ARRA included \$28.6 billion for highways, bridges and airports. As of December 31, 2011, approximately 15% of Stimulus infrastructure funds remain and, by law, must be spent in 2012. Based on its market positions, the Corporation estimated that it has supplied approximately 6% to 8% of aggregates required for projects funded by ARRA and will supply approximately the same percentage amounts in 2012.

Federal highway bills provide spending authorizations that represent maximum amounts. Each year, an appropriation act is passed establishing the amount that can actually be used for particular programs. The annual funding level is generally tied to receipts of highway user taxes placed in the Highway Trust Fund. Once the annual appropriation is passed, funds are distributed to each state based on formulas (apportionments) or other procedures (allocations). Apportioned and allocated funds generally must be spent on specific programs as outlined in the federal legislation.

The Highway Trust Fund is primarily funded through a federal tax of \$0.184 per gallon on gasoline, unchanged since 1993, and a federal tax on other fuels. In recent years, the Highway Trust Fund experienced shortfalls due to high gas prices which resulted in fewer miles driven and improved automobile fuel efficiency. These shortfalls created a significant decline in federal highway funding levels. In response, Congress enacted laws to transfer money from the Treasury's General Fund to the Highway Trust Fund to ensure that it retained a positive balance. Since 2008, Congress has appropriated a total of \$34.5 billion from

## MANAGEMENT'S DISCUSSION & ANALYSIS OF FINANCIAL CONDITION & RESULTS OF OPERATIONS (CONTINUED)

the General Fund to the Highway Trust Fund. In 2010, the Hiring Incentives to Restore Employment ("HIRE") Act authorized the most recent transfer and the resumption of interest credits to the Highway Trust Fund. Presently, the Congressional Budget Office projects that, depending on cash flows to the Highway Trust Fund, the highway account, one of the two components of the Highway Trust Fund, will be unable to meet its obligations in a timely manner sometime toward the end of fiscal year 2013.

Most federal funds are available for four years. Once the federal government approves a state project, funds are committed and considered spent regardless of when the cash is actually spent by the state and reimbursed by the federal government. Funds are generally spent by the state over a period of years, with approximately 27% in the year of funding authorization, 41% in the succeeding year and 16% in the third year. The remaining 16% is spent in the fourth year and beyond, according to the Federal Highway Administration.

Federal highway laws require Congress to annually appropriate highway funding levels, which continue to be subject to balanced budget and other proposals that may impact the funding available for the Highway Trust Fund. However, investments in transportation improvements generally create new jobs, which is a priority of many of the government's economic plans. According to the Federal Highway Administration, every \$1 billion in federal highway investment creates approximately 28,000 jobs. However, the number of jobs created is dependent on the nature and the aggregate intensity of the projects. Approximately half of the Aggregate business' net sales to the infrastructure market come from federal funding authorizations, including matching funds from the states.

With the exception of ARRA, states are required to match funds at a predetermined rate to receive federal funds for highways. Matching levels vary depending on the type of project. If a state is unable to match its allocated federal funds, funding is forfeited. Any forfeitures are reallocated to states providing the appropriate matching funds. While states rarely forfeit federal highway funds, the possibility of forfeiture has increased as states struggle to balance budgets in the face of declining tax revenues.

Given that most states are required to balance their budgets, reductions in revenues generally require a reduction in states' expenditures. However, the impact of state revenue reductions on highway spending will vary depending on whether the spending comes from dedicated revenue sources, such as highway user fees, or whether portions are funded with general funds. Further, while state highway construction programs are primarily financed from highway user fees, significant increases in federal infrastructure funding typically require state governments to increase highway user fees to match federal spending.

A significant number of roads, highways and bridges were built following the establishment of the Interstate Highway System in 1956 and are now aging. According to The Road Information Program ("TRIP"), a national transportation research group, vehicle travel on United States highways increased 39 percent from 1990 to 2009, while new lane road mileage increased only 4 percent over the same period. TRIP also reports that 32 percent of the nation's major roads are in poor or mediocre condition and 24 percent of the nation's bridges are structurally deficient or functionally obsolete. Furthermore, a 2009 report, the latest available, issued by the American Society of Civil Engineers ("ASCE") rated all fifteen infrastructure categories as being in poor or mediocre condition. ASCE estimates that the aging infrastructure and the poor condition of roads in the United States cost approximately \$130 billion per year in repairs, operating costs and travel time delays. According to the American Association of State Highway Transportation Officials ("AASHTO"), construction costs are expected to increase 70 percent from 1993 to 2015.

Considering these facts and statistics, a follow-on bill to SAFETEA-LU is key to funding continued infrastructure spending. Management has been encouraged by the increased dialogue in Washington D.C. regarding the need for a multi-year surface transportation bill and its role in jobs creation. In his State of the Union address on January 25, 2012, the President called for money that was previously spent for wars in Iraq and Afghanistan to be used to rebuild America's infrastructure. Further, there is seeming bipartisan Congressional agreement that infrastructure is a key and essential governmental

priority. On November 9, 2011, the Senate unanimously passed *MAP 21 — Moving Ahead for Progress in the 21st Century*, a two-year highway bill that maintains spending at current funding levels adjusted for inflation. The Senate Finance Committee approved legislation on February 7, 2012 that would transfer dedicated revenues from other federal funds to provide \$10.49 billion in new Highway Trust Fund resources to support the investment levels authorized by the Senate. On February 3, 2012, the House passed the *American Energy & Infrastructure Jobs Act of 2012*, a measure that provides \$260 billion in highway, public transportation and safety investments for the next five years and links new energy revenue from production of American energy to the Highway Trust Fund. The House measure leaves the fiscal year 2012 appropriated funding level of \$39.1 billion for highways (\$2 billion less than in fiscal year 2011) unchanged and provides an average of \$41.1 billion per year for highways over fiscal 2013 through 2016. However, recent reports indicate that the House may restructure its measure to an 18-month bill that includes a five-percent cut to fiscal year 2012 highway funding levels. Management believes that if a new highway bill is not passed in the first quarter of 2012, another Congressional continuing resolution of SAFETEA-LU is likely through the presidential election cycle.

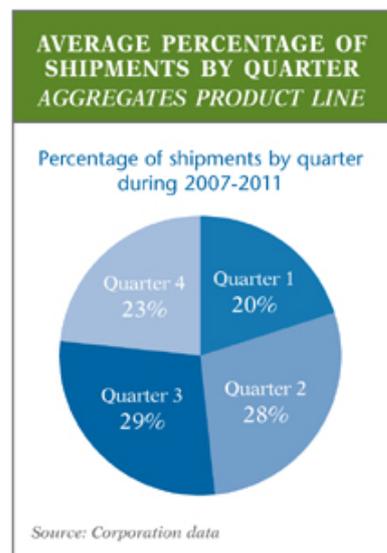
Along with SAFETEA-LU, Congress must also pass legislation regarding the federal gas tax. The authority to levy the federal gas tax expires on March 31, 2012, when all but \$0.043 of the per-gallon tax expires. In December 2010, the National Commission on Fiscal Responsibility and Reform recommended a gradual 15-cent per gallon increase in the gas tax between 2013 and 2015, which would be dedicated to transportation funding. Regardless of the potential for increased federal gasoline taxes, new revenue streams need to be identified to replace gas taxes over the next decade as energy efficiency trends are expected to continue and gas consumption declines.

States will play an expanding role in infrastructure funding. Management believes that innovative financing, such as bond issuances, toll roads and tax initiatives, at the state level will grow at a faster rate than federal funding. In fact, ARTBA’s *2011 Ballot Initiative Report* reported that voters in various states approved six state and local measures that, once enacted, would provide nearly \$600 million in additional transportation funding, primarily in Arkansas. State spending on infrastructure generally leads to increased growth opportunity for the Corporation. The degree to which the Corporation could be affected by a reduction or slowdown in infrastructure spending varies by state. The state economies of the Aggregates business’ five largest revenue-generating states may disproportionately affect performance.

After 23 temporary extensions to keep federal aviation programs in operation over the past four and a half years, the *FAA Modernization and Reform Act of 2012* (“FAA Act”) was signed into law on February 14, 2012. The FAA Act is a four year bill that provides funding for airport improvements throughout the United States at \$3.35 billion per year through fiscal 2015. This investment level is \$165 million per year less than was provided for the program from fiscal 2006 through fiscal 2011. Aviation funding was suspended in July 2011, resulting in a two-week shutdown of the Federal Aviation Administration, the furlough of 74,000 employees and a loss of \$400 million in revenues.

**Geographic Exposure and Seasonality**

Erratic weather patterns, seasonal changes and other weather-related conditions significantly affect the aggregates industry. Aggregates production and shipment levels coincide with general construction activity, most of which occurs in the spring, summer and fall. Thus, production and shipment levels vary by quarter. Operations concentrated in the northern and midwestern United States generally experience more severe winter weather conditions than operations in the Southeast and Southwest. Furthermore, mild winter weather conditions typically do not result in increased first-quarter shipments as contractors cannot cost-efficiently mobilize and demobilize equipment and manpower during the winter months. The recent acquisitions of operations in the Denver, Colorado area increase the Corporation’s exposure to winter weather and the risk of losses in the first and fourth quarters.



Excessive rainfall, and conversely excessive drought, can also jeopardize production, shipments and profitability in all markets served by the Corporation. In 2011, several Midwest states, including Iowa, Indiana and Ohio, recorded the wettest April in more than a century. These record levels of rainfall led to the flooding of the Mississippi River in April and May, restricting production and shipments in several of the Corporation's south central operations. However, in December 2011, the Corporation divested its River District operations as part of the asset exchange with Lafarge. Additionally, in 2011, record snowfall in the Rocky Mountains and near-record spring rainfall triggered flooding of the Missouri River, interrupting the Corporation's operations in Iowa, Nebraska, Missouri and Kansas.

The Corporation's operations in the southeastern and Gulf Coast regions of the United States and the Bahamas are at risk for hurricane activity, most notably in August, September and October.

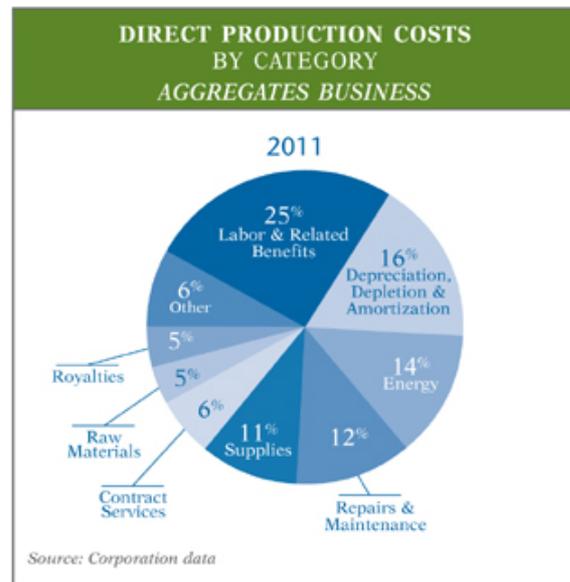
**Cost Structure**

- Top 8 cost categories represent 94% of the Aggregates business' direct production costs
- Underabsorption of fixed costs due to operating well below capacity
- Certain inventory costs not capitalizable due to operating below capacity
- Higher prices for diesel fuel negatively affected the Aggregates business' cost of sales by \$16.3 million
- Health and welfare costs increased 2% to 3% per year over past ten years compared with national average of 6% to 7% over same period; Corporation's cost increase expected to approximate 9% in 2012
- Pension expense decreased from \$26.6 million in 2010 to \$17.2 million; pension costs expected to approximate \$28.5 million in 2012

Direct production costs for the Aggregates business are components of cost of sales incurred at the quarries, distribution yards, and asphalt and ready mixed concrete plants. These costs exclude freight expenses to transport materials from a producing quarry to a distribution yard, inventory change and production overhead. Inventory change is the difference between the prior year's ending inventory and the current year's ending inventory. In periods in which inventory decreases, inventory change will increase cost of sales, as capitalized production costs are recognized into earnings. Conversely, in periods in which inventory increases, inventory change will reduce cost of sales.

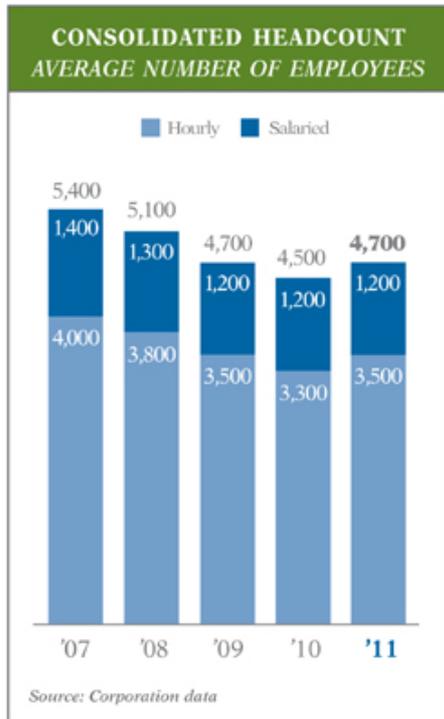
Generally, the top eight categories of direct production costs for the Aggregates business are (1) labor and related benefits; (2) depreciation, depletion and amortization; (3) energy; (4) repairs and maintenance; (5) supplies; (6) contract services; (7) raw materials; and (8) royalties. In 2011, these categories represented approximately 94% of the Aggregates business' total direct production costs.

Fixed costs are expenses that do not vary based on production or sales volume. Management estimates that, under normal operating capacity, 40% to 60% of the Aggregates business' cost of sales is of a fixed or semi-fixed nature. However, in 2011, due to low levels of aggregates volume, fixed costs were over 70% of total production costs, higher than the historic average. In fact, fixed costs at some locations were nearing 90% of total costs as the decision to remain open essentially converts all costs to a fixed nature. For these reasons, the Corporation's operating leverage can be substantial. Variable costs are expenses that fluctuate with the level of production volume. Production is the key driver in determining the levels of variable costs, as it affects the number of hourly employees and related labor hours. Further, diesel, supplies, repairs and freight costs also increase in connection with higher production volumes.



Generally, when the Corporation invests capital to replace facilities and equipment, increased capacity and productivity, along with reduced repair costs, can offset increased depreciation costs. However, when aggregates demand weakens, the increased productivity and related efficiencies may not be fully realized, resulting in underabsorption of fixed costs, including depreciation. Further, due to the current economic environment, the Aggregates business has operated at a level significantly below capacity, thereby, restricting the Corporation’s ability to capitalize \$55.9 million and \$52.4 million of costs at December 31, 2011 and 2010, respectively, which could have been inventoried under normal operating conditions.

The average price per gallon of diesel fuel in 2011 was 39% higher compared with 2010 and negatively affected the Aggregates business’ cost of sales by \$16.3 million. Changes in energy costs also affect the prices that the Corporation pays for supplies, including explosives and tires. Further, the Corporation’s contracts of affreightment for shipping aggregates on its rail and waterborne distribution network typically include provisions for escalations or reductions in the amounts paid by the Corporation if the price of fuel moves beyond a contractual range. The Corporation also consumes diesel fuel, coal, petroleum coke and natural gas in the Specialty Products manufacturing process. In 2011, increased costs for certain of these energy products, due to increased production levels, negatively affected the Specialty Products’ cost of sales by \$1.0 million. The Corporation has fixed price agreements for the supply of coal and approximately 15% of its natural gas needs in 2012.



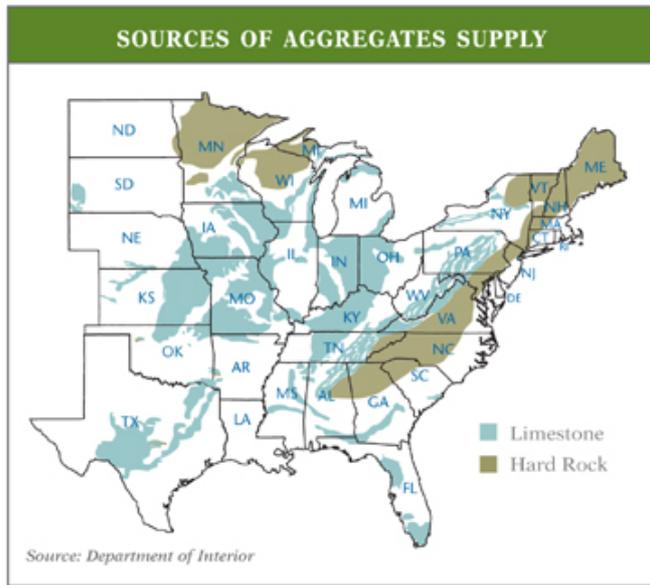
Wage inflation and increases in labor costs may be somewhat mitigated by enhanced productivity in an expanding economy. Further, workforce reductions resulting from plant automation, mobile fleet right-sizing and the economic downturn have helped the Corporation control rising labor costs. The Corporation has been reviewing its operations during the recessionary construction economy and, where practical, has temporarily idled certain of its quarries. The Corporation is able to serve these markets with other open quarries that are in close proximity. Further, in certain markets, management has created production “super crews” that work at various locations within a district. For example, within a market, a crew may work three days per week at one quarry and the other two workdays at another quarry within that market. This has allowed the Corporation to reduce headcount, as the number of full-time employees has been reduced or eliminated at locations that are not operating at full capacity. In connection with the asset exchange with Lafarge, the Corporation netted approximately 450 additional employees at December 31, 2011.

Rising health care costs have affected total labor costs in recent years and are expected to continue to increase. The Corporation has experienced health care cost increases averaging 2% to 3% per year over the past ten years, whereas the national average was 6% to 7% over the same period. In 2012, the Corporation’s health and welfare costs are expected to increase approximately 9%, largely due to the requirements of the 2010 Patient Protection and Affordable Health Care Act, including the elimination of lifetime maximum benefits and offering coverage of adult children up to age 26, and overall general health care cost increases. A lower discount rate and a lower-than-assumed return on pension assets in 2011 are expected to increase the Corporation’s pension expense in 2012. (see section *Critical Accounting Policies and Estimates — Pension Expense — Selection of Assumptions* on pages 72 through 74).

Historically, the impact of inflation on the Corporation’s businesses has been less significant due to moderate inflation rates, coupled with the Corporation’s ability to increase its selling prices in a normal economic environment.

Consolidated selling, general and administrative costs decreased \$6.3 million in 2011 compared with 2010. The reduction reflects lower pension and stock-based compensation expenses.

Shortfalls in federal, state and local revenues may result in increases in income taxes and other taxes. The federal government may also increase taxes in response to the federal deficit.



**Transportation Exposure**

The U.S. Department of the Interior’s geological map of the United States shows the possible sources of indigenous surface rock and illustrates its limited supply in the coastal areas of the United States from Virginia to Texas.

With population migration into the southeastern and southwestern United States, local crushed stone supplies must be supplemented, or in most cases wholly supplied, from inland and offshore quarries. The Corporation’s strategic focus includes expanding inland and offshore capacity and acquiring distribution yards and port locations to offload transported material. Accordingly, a growing percentage of aggregates shipments is moved by rail or water through the Corporation’s long-haul distribution network. In 1994, the Corporation had 7 distribution yards. In 2011, the Corporation divested 7 distribution yards as part of the asset exchange with Lafarge. At December 31, 2011, the Corporation had 61 distribution yards. In recent years, the Corporation brought additional capacity online at its Bahamas and Nova Scotia locations to transport materials via oceangoing ships. In 2010, the Corporation acquired a deep-water port operation in Port Canaveral, Florida that serves the greater Orlando market, the second-largest aggregates-consuming area in Florida. Additionally, in 2011, the Corporation opened an aggregates sales yard near Tampa, Florida, adding to its rail-distribution network and serving the Tampa and Lakeland, Florida, markets. The Corporation is currently focusing a portion of its capital spending program on key distribution yards in the southeastern United States.

As the Corporation continues to move a higher percentage of aggregates by rail and water, internal freight costs reduce profit margins when compared with aggregates moved by truck. The freight costs for aggregates products often equal or exceed the selling price of the underlying aggregates products. The Corporation administers freight costs principally in three ways:

**Option 1:**

The customer supplies transportation.

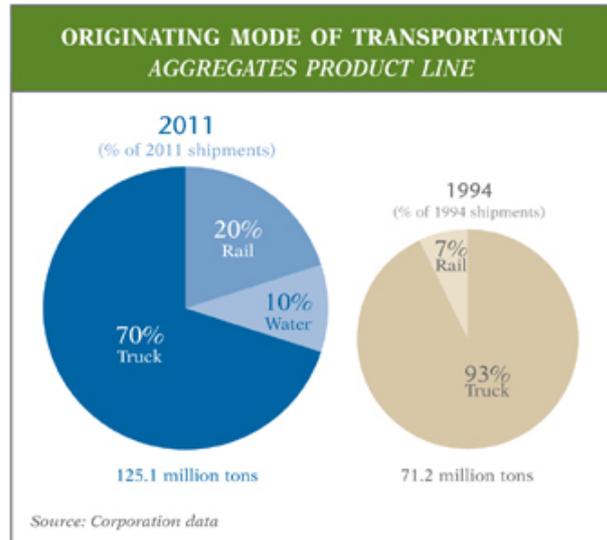
**Option 2:**

The Corporation directly ships aggregates products from a production location to a customer by arranging for a third party carrier to deliver aggregates and then charging the freight costs to the customer. These freight and delivery revenues and costs are separately presented in the statements of earnings. Such revenues and costs for the Aggregates business were \$175.2 million, \$160.2 million and \$137.5 million in 2011, 2010 and 2009, respectively. Freight and delivery revenues and costs increased in 2011 due to higher fuel costs.

**Option 3:**

The Corporation transports aggregates, either by rail or water, from a production location to a distribution yard at which the selling price includes the associated internal freight cost. These freight costs are included in the Aggregates business’ cost of sales and were \$116.8 million, \$107.3 million and \$107.3 million for 2011, 2010 and 2009, respectively. The rail component of these freight costs increased in 2011 due to increased shipments to materials yards. Transportation costs from the distribution yard to the customer are accounted for as described above in options 1 or 2, as applicable.

For analytical purposes, the Corporation eliminates the effect of freight on margins with the second option. When the third option is used, margins as a percentage of net sales are negatively affected because the customer does not typically pay the Corporation a profit associated with the transportation component of the selling price.



For example, a truck customer in a local market picks up aggregates at the quarry and pays \$6.50 per ton. Assuming a \$1.50 gross profit per ton, the Corporation would recognize a 23% gross margin. However, if a customer purchased a ton of aggregates transported to a distribution yard by the Corporation via rail or water, the selling price may be \$12.50 per ton, assuming a \$6.00 cost of freight. With the same \$1.50 gross profit per ton and no profit associated with the transportation component, the gross margin would be reduced to 12% as a result of the internal freight cost.

In 1994, 93% of the Corporation’s aggregates shipments were moved by truck and the remainder by rail. In contrast, the originating mode of transportation for the Corporation’s aggregates product line shipments in 2011 was 70% by truck, 20% by rail and 10% by water (see section *Analysis of Gross Margin* on pages 48 and 49). Excluding aggregates shipments from the River District operations, which were divested in 2011, the originating mode of transportation for the Corporation’s aggregates shipments was 72% by truck, 21% by rail and 7% by water.

The Corporation’s increased dependence on rail shipments has made it more vulnerable to railroad performance issues, including track congestion, crew and power availability, and the ability to renegotiate favorable railroad shipping contracts. Further, in response to these issues, rail transportation providers have focused on increasing the number of cars per unit train under transportation contracts and are generally requiring customers, through the freight rate structure, to accommodate larger unit train movements. A unit train is a freight train moving large tonnages of a single bulk product between two points without intermediate yarding and switching. Rail availability is seasonal and can impact aggregates shipments depending on other competing movements.

Generally, the Corporation does not buy railcars or ships, but instead supports its long-haul distribution network with leases and contracts of affreightment. However, the limited availability of water and rail transportation providers, coupled with limited distribution sites, can adversely affect lease rates for such services.

The waterborne distribution network increases the Corporation’s exposure to certain risks, including, among other items, meeting minimum tonnage requirements of shipping contracts, demurrage costs, fuel costs, ship availability and weather disruptions. The Corporation’s



average shipping distances from its Bahamas and Nova Scotia locations are 600 miles and 1,200 miles, respectively. Due to the majority of the shipments going to Florida, the weighted-average shipping distances are approximately 30 percent less than these averages. The Corporation has long-term agreements providing dedicated shipping capacity from its Bahamas and Nova Scotia operations to its coastal ports. These contracts of affreightment are take-or-pay contracts with minimum and maximum shipping requirements. If the Corporation fails to ship the annual minimum tonnages under the agreement, it must still pay the shipping company the contractually-stated minimum amount for that year. In 2011, the Corporation incurred a \$0.3 million charge for not shipping minimum tonnages. Similar charges are possible in 2012 if shipment volumes do not increase. The Corporation's contracts of affreightment have varying expiration dates ranging from 2012 to 2017 and generally contain renewal options. However, there can be no assurance that such contracts can be renewed upon expiration or that terms will continue without significant increases.

Management expects the multiple transportation modes that have been developed with various rail carriers and via deepwater ships will provide the Corporation with the flexibility to effectively serve customers in the Southwest and Southeast coastal markets.

#### **Internal Expansion and Integration of Acquisitions**

The Corporation's capital expansion, acquisition and greensite programs are designed to take advantage of construction market growth through investment in both permanent and portable facilities at the Corporation's quarrying operations. However, given the current recessionary economic environment, the Corporation has set a priority of preserving capital while maintaining safe, environmentally-sound operations. Capital spending in excess of depreciation expense in previous years has allowed the Corporation to reduce capital spending during the trough period of the construction cycle without compromising the Corporation's commitment to safety and the environment. The Corporation has continued to opportunistically acquire land with long-term mineral reserves to expand its aggregates reserve base through the cyclical trough. As the Corporation returns to a more normalized operating environment, management expects to focus its capital spending program on expanding key Southeast and Southwest operations. In addition to capital projects for the Aggregates business, the Corporation initiated construction of a \$53 million dolomitic lime kiln at its Specialty Products location in Woodville, Ohio. This project is expected to be completed in late 2012.

The Corporation has a successful history of business combinations and integration of these businesses into its heritage operations. In 2011, the Corporation successfully closed three acquisitions. In June, the Corporation acquired an aggregates, asphalt and ready mixed concrete business in San Antonio, Texas. This acquisition provided over 200 million tons of high-quality limestone reserves and complemented the Corporation's existing integrated presence in this high-growth market. Over the past five years, San Antonio's population and economic growth have consistently outperformed comparable national results with population growth of 13%. The Corporation has fully integrated this acquisition with its operations.

Additionally, in December 2011, the Corporation completed an asset exchange with Lafarge that provided the Corporation with a new platform position in the greater Denver, Colorado area. In addition to acquiring strategic and attractive aggregates facilities with over 200 million tons of aggregates reserves, the asset exchange provided the Corporation with complementary downstream asphalt, ready mixed concrete and paving operations. In a subsequent transaction, the Corporation acquired a ready mix concrete business in metropolitan Denver. These cumulative actions in Denver are consistent with management's view that Denver is an attractive market to expand the Corporation's geographic footprint based on its strong demographic trends, a per capita income well above the national average and its ability to attract both national and multinational businesses. The Corporation will work over the next 18 months to integrate these operations into its disciplined cost structure.

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

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

On average, the Corporation's aggregates reserves exceed 60 years based on normalized production levels and 100 years at current production rates.

**Environmental Regulation and Litigation**

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

The Clean Air Act, originally passed in 1963 and periodically updated by amendments, is the United States' national air pollution control program that granted the Environmental Protection Agency ("EPA") authority to set limits on the level of various air pollutants. To be in compliance with National Ambient Air Quality Standards ("NAAQS"), a defined geographic area must be below established limits for six pollutants. Environmental groups have been successful in lawsuits against the federal and certain state departments of transportation, delaying highway construction in municipal areas not in compliance with the Clean Air Act. The EPA designates geographic areas as nonattainment areas when the level of air pollutants exceeds the national standard. Nonattainment areas receive deadlines to reduce air pollutants by instituting various control strategies or otherwise face fines or control by the EPA. Included as nonattainment areas are several major metropolitan areas in the Corporation's markets, such as Houston/Galveston, Texas; Dallas/Fort Worth, Texas; Greensboro/Winston-Salem/High Point, North Carolina; Charlotte/Gastonia, North Carolina; Hickory/Morganton/Lenoir, North Carolina; Atlanta, Georgia; Macon, Georgia; Tampa/St. Petersburg/Clearwater, Florida; Rock Hill, South Carolina; and Indianapolis, Indiana. Federal transportation funding has been directly tied to compliance with the Clean Air Act.

In 2010, the EPA included the lime industry as a national enforcement priority under the Clean Air Act. In 2010 and 2011, the Corporation received notices of violation/findings of violation from the EPA regarding its compliance with the Clean Air Act's New Source Review ("NSR") program at its Specialty Products dolomitic lime manufacturing plant in Woodville, Ohio. 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 penalties or required upgrades to equipment might ultimately be required. The Corporation believes that any costs related to any required upgrades 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.

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

## MANAGEMENT'S DISCUSSION & ANALYSIS OF FINANCIAL CONDITION & RESULTS OF OPERATIONS (CONTINUED)

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

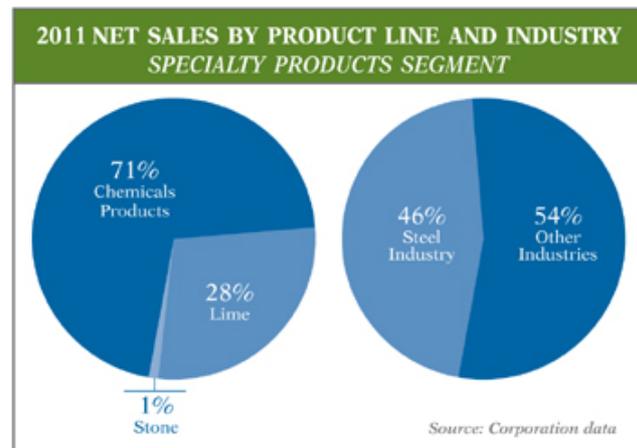
Large emitters (facilities that emit 25,000 metric tons or more per year) of greenhouse gases ("GHG") must report GHG generation to comply with the EPA's Mandatory Greenhouse Gases Reporting Rule ("GHG Rule"). The Corporation's Specialty Products facilities in Woodville, Ohio and Manistee, Michigan emit certain of the GHG, including carbon dioxide, methane and nitrous oxide, and are filing annual reports in accordance with the GHG Rule. Should Congress pass legislation on GHG, these operations will likely be subject to the new program. The Corporation believes that the EPA may impose additional regulatory restrictions on emissions of GHG. However, the Corporation also anticipates that any increased operating costs or taxes related to GHG emission limitations at its Woodville operation would be passed on to its customers. The Manistee facility may have to absorb extra costs due to the regulation of GHG emissions in order to maintain competitive pricing in its markets. The Corporation cannot reasonably predict how much those increased costs may be.

The Corporation is engaged in certain legal and administrative proceedings incidental to its normal business activities and its proposed business combination with Vulcan. In the opinion of management and counsel, based upon currently available facts, it is remote that the ultimate outcome of any litigation or other proceedings, including those pertaining to environmental matters, will have a material adverse effect on the overall results of the Corporation's operations, cash flows or financial position. In 2010, the Corporation settled legal proceedings relating to its Greenwood, Missouri, operation for approximately \$7 million in cash. In connection with the settlement, the Corporation reversed the excess of the established legal reserve, thereby increasing 2010 net earnings by \$2.8 million, or \$0.06 per diluted share (see Notes A and N to the audited consolidated financial statements on pages 13 through 18 and pages 32 and 33, respectively).

### Specialty Products Segment

Through its Specialty Products segment, the Corporation manufactures and markets magnesia-based chemicals products for industrial, agricultural and environmental applications and dolomitic lime for use primarily in the steel industry. In 2011, 71% of Specialty Products' net sales were attributable to chemicals products, 28% were attributable to lime and 1% was attributable to stone. Net sales increased in 2011 reflecting growth in both magnesia chemicals sales and dolomitic lime shipments to the steel industry.

In 2011, approximately 72% of the lime produced was sold to third-party customers, while the remaining 28% was used internally as a raw material for the business' manufacturing of chemicals products. Dolomitic lime products sold to external customers are primarily used by the steel industry, and overall, approximately 46% of Specialty Products' 2011 net sales related to products used in the steel industry. Accordingly, a portion of the segment's revenues and profits is affected by production and inventory trends within the steel industry. These trends are guided by the rate of consumer consumption, the flow of offshore imports and other economic factors. In 2011, U.S. steel production increased 8% over 2010, driven by growth from the auto, energy and heavy equipment manufacturing segments. Domestic capacity utilization averaged 75% in 2011, which is up from approximately 70% in 2010. According to Fitch Ratings, steel demand is expected to continue to grow, but not reach full recovery until 2013 at the earliest. Additionally, average capacity utilization is expected to rise but not reach 80% on average in 2012.



## MANAGEMENT'S DISCUSSION & ANALYSIS OF FINANCIAL CONDITION & RESULTS OF OPERATIONS (CONTINUED)

Approximately 11% of Specialty Products' 2011 revenues came from foreign jurisdictions, including Canada, Mexico, Europe, South America and the Pacific Rim. As a result of foreign market sales, financial results could be affected by foreign currency exchange rates or weak economic conditions in the foreign markets. To mitigate the short-term effect of currency exchange rates, the U.S. dollar is used as the functional currency in foreign transactions.

Given high fixed costs, low capacity utilization can negatively affect the segment's results of operations. Further, the production of certain magnesia chemical products and lime products requires natural gas, coal and petroleum coke to fuel kilns. Price fluctuations of these fuels affect the segment's profitability.

Approximately 86% of Specialty Products' hourly work-force are members of a labor union. Union contracts cover employees at the Manistee, Michigan magnesia-based chemicals plant and the Woodville, Ohio lime plant. A new labor contract for the Manistee location was ratified in 2011 and expires in August 2015. The labor contract for Woodville expires in June 2014.

As discussed in section *Internal Expansion and Integration of Acquisitions* on pages 63 and 64, the Corporation is investing in a new dolomitic lime kiln expected to add over 275,000 tons of capacity. The new dolomitic lime capacity is committed under a long-term contract and is expected to add \$22 million to \$25 million of annual net sales to the Specialty Products segment at comparable current margins when completed in late 2012.

### Current Market Environment and Related Risks

The current market environment has negatively affected the economy and management has considered the potential impact to the Corporation's business. Demand for aggregates products, particularly in the nonresidential and residential construction markets, could decline if financing for construction projects is unavailable or if the economic slowdown causes further delays or cancellations of capital projects. Federal and state budget issues, and the lack of a multi-year federal highway bill, may continue to negatively affect the funding available for infrastructure spending. Currently, several of the Corporation's top sales states are experiencing a lack of projects being bid by departments of transportation.

While a recessionary economy can increase collectibility risks related to receivables, lien rights and payment bonds posted by some of the Corporation's customers can help mitigate the risk of uncollectible accounts. However, the Corporation has experienced a delay in payments from certain of its customers during the economic downturn. Further, recent market performance and declines in pension asset values have resulted in increased required cash contributions to the plans in recent years. A lower discount rate and a lower-than-assumed return on pension assets in 2011 will increase the Corporation's pension expense in 2012.

There is a risk of long-lived asset impairment at temporarily -idled locations if the recessionary construction market continues for an extended period. The timing of increased demand will determine when these locations are reopened. During the time that locations are temporarily idled, the locations' plant and equipment continue to be depreciated. When appropriate, mobile equipment is transferred to and used at an open location. As the Corporation continues to have long-term access to the supply of aggregates reserves and useful lives of equipment are extended, these locations are not considered to be impaired while temporarily idled.

Increases in the Corporation's estimated effective income tax rate may negatively affect the Corporation's results of operations. A number of factors could increase the estimated effective income tax rate, including government authorities increasing taxes to fund deficits; the jurisdictions in which earnings are taxed; the resolution of issues arising from tax audits with various tax authorities; changes in the valuation of deferred tax assets and deferred tax liabilities; adjustments to estimated taxes based upon the filing of the consolidated federal and individual state income tax returns; changes in available tax credits; changes in stock-based compensation; other changes in tax laws; and the interpretation of tax laws and/or administrative practices.

### Internal Control and Accounting and Reporting Risk

The Corporation's independent registered public accounting firm issued an unqualified opinion on the effectiveness of the Corporation's internal controls as of December 31, 2011. A system of internal control over financial reporting

## MANAGEMENT'S DISCUSSION & ANALYSIS OF FINANCIAL CONDITION & RESULTS OF OPERATIONS (CONTINUED)

is designed to provide reasonable assurance, in a cost-effective manner, on the reliability of a company's financial reporting and the process for preparing and fairly presenting financial statements in accordance with generally accepted accounting principles. Further, a system of internal control over financial reporting, by its nature, should be dynamic and responsive to the changing risks of the underlying business. Changes in the system of internal control over financial reporting could increase the risk of occurrence of a significant deficiency or material weakness. As permitted by the SEC, management excluded its newly-acquired Denver operations from its assessment of the Corporation's internal control over financial reporting as of December 31, 2011. These Denver operations accounted for approximately 7% of the Corporation's consolidated total assets at December 31, 2011.

Accounting rulemaking, which may come in the form of updates to the Accounting Standards Codification or speeches by various rule-making bodies, has become increasingly complex and generally requires significant estimates and assumptions in its interpretation and application. Further, accounting principles generally accepted in the United States continue to be reviewed, updated and subject to change by various rule-making bodies, including the Financial Accounting Standards Board (the "FASB") and the SEC (see *Accounting Changes* section of Note A to the audited consolidated financial statements on pages 17 and 18 and section *Critical Accounting Policies and Estimates* on pages 69 through 79).

Currently, the FASB and the International Accounting Standards Board (the "IASB") are working on several joint projects designed to improve both accounting standards under United States generally accepted accounting principles ("US GAAP") and International Financial Reporting Standards ("IFRS"), and ultimately make these standards comparable. Through these projects, the boards intend to improve financial reporting information for investors while also aligning U.S. and international accounting standards. Proposed accounting changes are being issued one topic at a time. The Corporation has not evaluated the potential impact for all of the topics. The impact of the potential changes could be material to the Corporation's financial statements.

The SEC is also expected to make a decision whether to incorporate IFRS into the United States financial reporting system. To date, the SEC has received strong support for retaining US GAAP as the statutory basis for U.S. financial reporting and for a gradual transition incorporating international accounting standards into US GAAP.

For additional discussion on risks, see the section "Risk Factors" in the Corporation's Annual Report on Form 10-K for the year ended December 31, 2011.

### Outlook 2012

A variety of factors beyond the Corporation's direct control continue to make forecasting future performance unclear. Of particular note is the status of long-term federal infrastructure funding and uncertainties about the timing and amount of such funding.

Management continues to be pleased with the positive sentiments and dialogue in Washington, D.C., regarding the need for a multi-year surface transportation bill and its role in jobs creation. In his State of the Union address on January 25, 2012, the President called for money that was previously being spent for wars in Iraq and Afghanistan to be used to rebuild America's infrastructure. Further, there is seeming bipartisan Congressional agreement that infrastructure is a key and essential governmental priority. However, the reality of election-year politics in Washington will likely slow progress in passing this needed legislation. Management's view is that unless a multi-year surface transportation bill is passed in the early part of the year, its reauthorization will likely fall victim to the partisan political process resulting in the current federal highway program being extended by a ninth continuing resolution through the end of the year. That said, if a bill is passed this year, the impact of its passage will be notable starting in 2013.

Management's expectations for 2012 are generally consistent with the McGraw Hill Construction forecast. Based on the impact of uncertainty created by the absence of a long-term highway bill, as well as the waning impact of the *American Recovery and Reinvestment Act*, the Corporation expects its heritage infrastructure end-use market volume to be down slightly in 2012. The Corporation anticipates double-digit volume growth in its heritage nonresidential end-

## MANAGEMENT'S DISCUSSION & ANALYSIS OF FINANCIAL CONDITION & RESULTS OF OPERATIONS (CONTINUED)

use market, driven primarily by increased energy shipments, although natural gas prices, the timing of lease commitments for oil and natural gas companies, geographic transitions and weather conditions will continue to affect energy-sector activity. Management expects the rate of improvement in the Corporation's heritage residential end-use market to accelerate in 2012. Finally, heritage ChemRock/Rail shipments should be relatively flat with 2011. Overall, the Corporation expects heritage aggregates product line shipments for full-year 2012 to increase from 3% to 4%.

The Corporation anticipates heritage aggregates pricing increases from 2% to 4%. This overall increase is not expected to be uniform throughout the enterprise.

Heritage aggregates product line direct production costs per ton are expected to decline slightly in 2012, as increased production should improve operating efficiency. This forecast assumes energy prices are comparable with 2011.

As previously indicated, the platform acquisition of the new Denver, Colorado-based business is consistent with one of the Corporation's clearly articulated long-term strategies: to be in attractive growth areas with leading market positions — thereby permitting greater operational efficiencies, customer service and growth opportunities. Economic forecasts consistently show Denver's population growing at a faster-than-average pace, with commensurate jobs growth. Still, while Denver has likely weathered the worst of the recession and maintained the features making it a favorite among businesses and new residents, the sheer timing of the Corporation's early-December asset exchange of more southerly-situated River District assets for this new Denver business naturally increases the Corporation's winter weather exposure and accordingly, alters its quarterly earnings pattern. Further, the Corporation's consolidated aggregates average selling price will also change. The former Mississippi River-based business was largely a long-haul enterprise with selling prices inclusive of the internal costs in transporting aggregates from a producing location to a distant sales yard from which a customer made its purchase. By contrast, Denver is a truck-served market with the typical sales transaction completed at the producing location and absent transportation costs. Overall, as the Corporation integrates these operations into its disciplined cost structure, management estimates that the exchange of the River District assets for the Denver assets is neutral to its full-year 2012 EBITDA. Management expects these acquisitions will be accretive in 2013.

Earnings for the Specialty Products segment are anticipated to approximate \$66 million, consistent with 2011. Steel utilization and natural gas prices are two key drivers for this segment.

Selling, general and administrative expenses, excluding the incremental expense related to the newly-acquired operations in Denver, are likely to decline slightly in 2012. Management expects favorable improvement in selling, general and administrative expenses related to the Corporation's Denver-based acquisitions as it completes integration of these operations. Interest expense should remain relatively flat with 2011. The Corporation's effective tax rate is expected to approximate 26%, excluding discrete events. Capital expenditures are forecast at \$155 million for 2012, which includes the remaining \$35 million of the \$53 million Specialty Products kiln project.

The Corporation's 2012 estimated outlook assumes the Corporation on a stand-alone basis and does not give effect to the potential impact of the proposed combination of the Corporation and Vulcan.

### Risks To Outlook

The 2012 estimated outlook includes management's assessment of the likelihood of certain risk factors that will affect performance and does not reflect the impact that would arise from the proposed business combination with Vulcan. The most significant risk to 2012 performance will be the United States economy and its impact on construction activity. In addition, the Corporation's future performance, including the 2012 estimated outlook, could be affected by its proposed business combination with Vulcan announced on December 12, 2011. For a discussion of the potential risks and other implications of the proposed transaction, please see the prospectus/offer to exchange included in the Corporation's Registration Statement on Form S-4 filed on December 12, 2011 (as may be amended from time to time), as well as the Corporation's other disclosures relating to the combination proposal.

## MANAGEMENT'S DISCUSSION & ANALYSIS OF FINANCIAL CONDITION & RESULTS OF OPERATIONS (CONTINUED)

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 discontinuance of the federal gasoline tax or other revenue related to infrastructure construction; a greater-than-expected decline in infrastructure construction as a result of continued delays in traditional federal, state and/or local infrastructure projects and continued uncertainty regarding the timing and amount of a successor federal highway bill; a decline in nonresidential construction; a slowdown in the residential construction recovery; or some combination thereof. Further, increased highway construction funding pressures resulting from either federal or state issues can affect profitability. Currently, nearly all states have general fund budget pressures driven by lower tax revenues. If these pressures negatively affect transportation budgets more than in the past, construction spending could be reduced. North Carolina and Texas, states which disproportionately affect our revenue and profitability, are among the states experiencing these fiscal pressures, although recent statistics indicate that tax revenues are increasing.

The Corporation's principal business serves customers in construction aggregates-related 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 prices, both directly and indirectly. Diesel fuel and other consumables change production costs directly through consumption or indirectly 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 the absolute price and fluctuations in the cost of natural gas. However, due to recent technology developments allowing the harvesting of abundant natural gas supplies in the U.S., natural gas prices have stabilized.

Transportation in the Corporation's long-haul network, particularly rail cars and locomotive power to move trains, affects our ability to efficiently transport material into certain markets, most notably Texas, Florida and the Gulf Coast. 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, and the recent acquisitions of operations in the Denver, Colorado, market increase the Corporation's exposure to winter weather and first-quarter losses. Hurricane activity in the Atlantic Ocean and Gulf Coast generally is most active during the third and fourth quarters.

Risks to the 2012 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.

For a discussion of additional risks, see *Forward-Looking Statements — Safe Harbor Provisions* on page 85.

### OTHER FINANCIAL INFORMATION

#### Critical Accounting Policies and Estimates

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

**Impairment Review of Goodwill**

Goodwill is required to be tested at least annually for impairment. The impairment evaluation of goodwill is a critical accounting estimate because goodwill represents 20% of the Corporation's total assets at December 31, 2011, the evaluation requires the selection of assumptions that are inherently volatile and an impairment charge could be material to the Corporation's financial condition and its results of operations. The Corporation performs its impairment evaluation as of October 1, which represents the ongoing annual evaluation date.

There is no goodwill associated with the Specialty Products segment. For the Aggregates business, management determined the reporting units, which represent the level at which goodwill is tested for impairment, were as follows as of October 1, 2011:

- *Carolina*, which included North Carolina and South Carolina;
- *Mideast*, which included Indiana, Maryland, Ohio, Virginia and West Virginia;
- *South Central*, which included Alabama, Illinois, Kentucky, Louisiana, Mississippi, North Georgia, Tennessee and quarry operations and distribution yards along the Mississippi River system and Gulf Coast;
- *Southeast*, which included Florida, South Georgia and offshore quarry operations in the Bahamas and Nova Scotia;
- *West*, which included Arkansas, Iowa, Kansas, Minnesota, Missouri, Nebraska, Nevada, Oklahoma, Texas, Utah, Washington and Wyoming.

The reporting units in 2011 were consistent with the 2010 evaluation. Any impact on reporting units resulting from organizational changes made by management is reflected in the succeeding evaluation. In connection with the asset exchange with Lafarge, the Corporation reorganized its aggregates operations and collapsed its South Central and Southeast Divisions into one division. This organizational change will be reflected in the Corporation's 2012 evaluation.

The Corporation identified its reporting units as its operating segments or one level below its operating segments, referred to as components, if certain criteria were met. These criteria include the component having discrete financial information available and the information being regularly reviewed by the Corporation's Chief Operating Decision Maker. Components within an operating segment can be combined into a reporting unit if they have similar economic characteristics. Disclosures for certain of the aforementioned reporting units are consolidated for financial reporting purposes as they meet the aggregation criteria.

Goodwill is allocated to each of the reporting units based on the location of acquisitions and divestitures at the time of consummation. Goodwill is tested for impairment by comparing the reporting unit's fair value to its carrying value, which represents Step 1 of a two-step approach. If the fair value of a reporting unit exceeds its carrying value, no further calculation is necessary. A reporting unit with a carrying value in excess of its fair value constitutes a Step 1 failure and leads to a Step 2 evaluation to determine the goodwill write off. If a Step 1 failure occurs, the excess of the carrying value over the fair value does not equal the amount of the goodwill write off. Step 2 requires the calculation of the implied fair value of goodwill by allocating the fair value of the reporting unit to its tangible and intangible assets, other than goodwill, similar to the purchase price allocation performed for an acquisition of a business. The remaining unallocated fair value represents the implied fair value of the goodwill. If the implied fair value of goodwill exceeds its carrying amount, there is no impairment. If the carrying value of goodwill exceeds its implied fair value, an impairment charge is recorded for the difference. When performing Step 2 and allocating a reporting unit's fair value, assets having a higher fair value as compared to book value increase any possible write off of impaired goodwill.

The Corporation has the option of performing a qualitative assessment before calculating the fair values of its reporting units in Step 1. As part of the qualitative assessment, the Corporation considers, among other things, the following events and circumstances: macroeconomic conditions, industry and market conditions, cost factors, overall financial performance and other business- or reporting unit-specific events. Based on the qualitative assessment, the Corporation determines whether it is "more likely than not" (i.e., a likelihood of more than 50%) that the fair value of a reporting unit is less than its carrying amount. If the Corporation concludes that this is the case for any of its reporting units, it proceeds

to Step 1 of its goodwill impairment analysis. Otherwise, the Corporation does not perform any further goodwill impairment testing. This qualitative assessment is optional and the Corporation may bypass it for any reporting unit in any period and proceed directly with the quantitative calculation in Step 1. When the Corporation validates its conclusion by measuring fair value, it may resume performing a qualitative assessment for a reporting unit in any subsequent period.

The West reporting unit is most significant to the impairment evaluation as \$422.5 million of the Corporation's goodwill at December 31, 2011 is attributable to this reporting unit. For the 2011 impairment evaluation, the Corporation performed qualitative assessments of its Carolinas, Mideast, Southeast and West reporting units. Based on the totality of relevant drivers of fair value and relevant facts and circumstances, the Corporation determined that it is more likely than not that the fair values of these reporting units exceed their respective carrying amounts.

The Corporation performed a Step 1 analysis for its South Central reporting unit. The fair value of the South Central reporting unit was calculated using a 15-year discounted cash flow model. Key assumptions included management's estimates of future profitability, capital requirements, a discount rate of 10.5% and a 3.5% terminal growth rate. The fair value of the South Central reporting unit exceeded its carrying value by 6% in 2011. For sensitivity purposes, a 100-basis-point increase in the discount rate would result in this reporting unit failing the Step 1 analysis. The South Central reporting unit had \$78.4 million of goodwill at October 1, 2011.

The term of the discounted cash flow model is a significant factor in determining the fair value of the reporting units. A 15-year term was selected based on management's judgment supported by quantitative factors, including the Corporation's strong financial position, long history of earnings growth and the remaining life of underlying mineral reserves, estimated at over 60 years based on normalized production levels. Additional consideration was given to qualitative factors, including the Corporation's industry leadership position and the lack of obsolescence risks related to the Aggregates business.

Price, cost and volume changes, profitability of acquired operations, efficiency improvements, the discount rate and the terminal growth rate are significant assumptions in performing the impairment test. These assumptions are interdependent and have a significant impact on the results of the test.

Future profitability and capital requirements are, by their nature, estimates. The profitability estimates utilized in the evaluation were consistent with the five-year operating plan prepared by management and reviewed by the Board of Directors. The succeeding ten years of profitability were estimated using assumptions for price, cost and volume changes. Future price, cost and volume assumptions were based on current forecasts and market conditions. Capital requirements were estimated based on expected recapitalization needs of the reporting unit.

A discount rate was calculated for the South Central reporting unit and represents its weighted average cost of capital. The calculation of the discount rate includes the following components, which are primarily based on published sources: equity risk premium, historical beta, risk-free interest rate, small-stock premium, company-specific premium, and borrowing rate.

The terminal growth rate was based on the projected annual increase in Gross Domestic Product.

Management believes that all assumptions used were reasonable based on historical operating results and expected future trends. However, if future operating results are unfavorable as compared with forecasts, the results of future goodwill impairment evaluations could be negatively affected. Further, mineral reserves, which represent the underlying assets producing the reporting units' cash flows, are depleting assets by their nature. The reporting units' future cash flows will be updated as required based on expected future cash flow trends. Management does not expect significant changes to the valuation model for the 2012 evaluation. The potential write off of goodwill from future evaluations represents a risk to the Corporation.

**Pension Expense-Selection of Assumptions**

The Corporation sponsors noncontributory defined benefit retirement plans that cover substantially all employees and a Supplemental Excess Retirement Plan ("SERP") for certain retirees (see Note J to the audited consolidated financial statements on pages 25 through 29). Annual pension expense (inclusive of SERP expense) consists of several components:

- *Service Cost*, which represents the present value of benefits attributed to services rendered in the current year, measured by expected future salary levels.
- *Interest Cost*, which represents the accretion cost on the liability that has been discounted to its present value.
- *Expected Return on Assets*, which represents the expected investment return on pension fund assets.
- *Amortization of Prior Service Cost and Actuarial Gains and Losses*, which represents credit given to employees for years of service prior to plan inception. Actuarial gains and losses arise from changes in assumptions regarding future events or when actual returns on assets differ from expected returns. At December 31, 2011, the unrecognized actuarial loss and unrecognized prior service cost were \$157.0 million and \$2.6 million, respectively. Pension accounting rules currently allow companies to amortize the portion of the unrecognized actuarial loss that represents more than 10 percent of the greater of the projected benefit obligation or pension plan assets, using the average remaining service life for the amortization period. Therefore, the \$157.0 million unrecognized actuarial loss consists of approximately \$111.3 million that is currently subject to amortization in 2012 and \$45.7 million that is not subject to amortization in 2012. Assuming the December 31, 2011 projected benefit obligation and an average remaining service life of 8.4 years, approximately \$13.3 million of amortization of the actuarial loss will be a component of 2012 annual pension expense.

These components are calculated annually to determine the pension expense that is reflected in the Corporation's results of operations.

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

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

Management's selection of the discount rate is based on an analysis that estimates the current rate of return for high-quality, fixed-income investments with maturities matching the payment of pension benefits that could be purchased to settle the obligations. The Corporation selected a hypothetical portfolio of Moody's Aa bonds with maturities that mirror the benefit obligations to determine the discount rate. At December 31, 2011, the Corporation selected a discount rate assumption of 5.14%, a 70-basis-point reduction from the prior-year assumption. Of the four key assumptions, the discount rate is generally the most volatile and sensitive estimate. Accordingly, a change in this assumption has the most significant impact on the annual pension expense.

Management's selection of the rate of increase in future compensation levels is generally based on the Corporation's historical salary increases, including cost of living adjustments and merit and promotion increases, giving consideration to any known future trends. A higher rate of increase will result in a higher pension expense. The actual rate of increase in compensation levels in 2011 was lower than the assumed long-term rate of increase of 5.0%.

In 2011, the Corporation invested approximately 9% of its pension assets in alternative investment vehicles chosen, in part, to help mitigate the volatility of plan asset returns. Management's selection of the expected long-term rate of return on pension fund assets is based on a

**MANAGEMENT'S DISCUSSION & ANALYSIS OF FINANCIAL CONDITION & RESULTS OF OPERATIONS (CONTINUED)**

building-block approach, whereby the components are weighted based on the allocation of pension plan assets. Given that these returns are long-term, there are generally not significant fluctuations in the expected rate of return from year to year. However, based on the change in the mix of assets and the currently projected returns on these assets, management lowered its expected return on assets assumption at December 31, 2011 by 50 basis points and selected a rate of 7.25%. The following table presents the expected return on pension fund assets as compared with the actual return on pension assets for 2011, 2010 and 2009:

(in thousands)	Expected Return on Pension Assets	Actual Return on Pension Assets
<b>2011</b>	<b>\$24,493</b>	<b>\$ 1,129</b>
2010	\$21,041	\$33,973
2009	\$16,271	\$48,169

The difference between expected return on pension assets and the actual return on pension assets is not immediately recognized in the statements of earnings. Rather, pension accounting rules require the difference to be included in actuarial gains and losses, which are amortized into annual pension expense.

In 2011, the Corporation estimated the remaining lives of participants in the pension plans using the RP 2000 Mortality Table ("RP 2000 Mortality Table") projected to 2015 with no phased-out improvements. In 2010, the Corporation used the RP 2000 Mortality Table with phased-out mortality improvements. The RP 2000 Mortality Table selected in 2011 includes three further years of mortality improvements compared with the 2010 table and this assumption update resulted in an increase in the Corporation's projected benefit obligation at December 31, 2011. The RP 2000 Mortality Table includes separate tables for blue-collar employees and white-collar employees. The Corporation used the blue-collar table for its hourly work-force and the white-collar table for its salaried employees.

Assumptions are selected on December 31 to be used in the calculation of the succeeding year's expense. For the 2011 pension expense, the assumptions selected at December 31, 2010 were as follows:

Discount rate	5.84%
Rate of increase in future compensation levels	5.00%
Expected long-term rate of return on assets	7.75%
Average remaining service period for participants	7.8 years
RP 2000 Mortality Table with phased-out of improvements	

Using these assumptions, the 2011 pension expense was \$17.2 million. A change in the assumptions would have had the following impact on the 2011 expense:

- A change of 25 basis points in the discount rate would have changed 2011 expense by approximately \$1.5 million.
- A change of 25 basis points in the expected long-term rate of return on assets would have changed the 2011 expense by approximately \$0.8 million.

For the 2012 pension expense, the assumptions selected at December 31, 2011 were as follows:

Discount rate	5.14%
Rate of increase in future compensation levels	5.00%
Expected long-term rate of return on assets	7.25%
Average remaining service period for participants	8.4 years
RP 2000 Mortality Table with no phased-out improvements	

Using these assumptions, the 2012 pension expense is expected to be approximately \$28.5 million based on current demographics and structure of the plans. Changes in the underlying assumptions would have the following estimated impact on the 2012 expected expense:

- A change of 25 basis points in the discount rate would change the 2012 expected expense by approximately \$1.8 million.
- A change of 25 basis points in the expected long-term rate of return on assets would change the 2012 expected expense by approximately \$0.8 million.

The Corporation made pension plan contributions of \$127.4 million in the five-year period ended December 31, 2011. Despite these contributions, the Corporation's pension plans are underfunded (projected benefit obligation exceeds the fair value of plan assets) by \$132.0 million at December 31, 2011. The Corporation's projected benefit obligation increased \$58.5 million from December 31, 2010 primarily due to the 70-basis-point reduction in

the discount rate assumption and the updated mortality table assumption at December 31, 2011. The Corporation expects to make pension plan contributions and SERP payments of \$31.0 million in 2012.

**Estimated Effective Income Tax Rate**

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

Income for tax purposes is determined through the application of the rules and regulations under the United States Internal Revenue Code and the statutes of various foreign, state and local tax jurisdictions in which the Corporation conducts business. Changes in the statutory tax rates and/or tax laws in these jurisdictions can have a material effect on the ETR. The effect of these changes, if any, is recognized when the change is effective. The Tax Relief, Unemployment Insurance Reauthorization, and Job Creation Act of 2010 (the "Tax Act") allows 100-percent expensing for qualified property acquired and placed in service after September 8, 2010 and prior to January 1, 2012. The Tax Act reduced cash paid for taxes in 2011, but increased 2011 income tax expense due to its effect on the depletion and production deductions.

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

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

The Corporation has deferred tax liabilities, primarily for property, plant and equipment and goodwill. The deferred tax liabilities attributable to property, plant and equipment relate to accelerated depreciation and depletion methods used for income tax purposes as compared with the straight-line and units of production methods used for financial reporting purposes. These temporary differences will reverse over the remaining useful lives of the related assets. The deferred tax liabilities attributable to goodwill arise as a result of amortizing goodwill for income tax purposes but not for financial reporting purposes. This temporary difference reverses when goodwill is written off for financial reporting purposes, either through divestitures or an impairment charge. The timing of such events cannot be estimated.

The Corporation has deferred tax assets, primarily for unvested stock-based compensation awards, employee pension and postretirement benefits, valuation reserves, inventories, net operating loss carryforwards and tax credit carryforwards. The deferred tax assets attributable to unvested stock-based compensation awards relate to differences in the timing of deductibility for financial reporting purposes versus income tax purposes. For financial reporting purposes, the fair value of the awards is deducted ratably over the requisite service period. For income tax purposes, no deduction is allowed until the award is vested or no longer subject to substantial risk of forfeiture. Deferred tax assets are carried on stock options that had exercise prices that exceeded the closing price of the Corporation's common stock at December 31, 2011. Upon expiration of these options, the deferred tax assets reduce the pool of excess tax benefits to the extent available and any excess is expensed. The deferred tax assets attributable to employee pension and postretirement benefits relate to deductions as plans are funded for income

tax purposes as compared with deductions for financial reporting purposes that are based on accounting standards. The reversal of these differences depends on the timing of the Corporation's contributions to the related benefit plans as compared to the annual expense for financial reporting purposes. The deferred tax assets attributable to valuation reserves and inventories relate to the deduction of estimated cost reserves and various period expenses for financial reporting purposes that are deductible in a later period for income tax purposes. The reversal of these differences depends on facts and circumstances, including the timing of deduction for income tax purposes for reserves previously established and the establishment of additional reserves for financial reporting purposes. At December 31, 2011, the Corporation had domestic and foreign net operating loss carryforwards of \$140.7 million with varying expiration dates through 2031 and related deferred tax assets of \$10.8 million. The Corporation established a reserve of \$8.8 million for these deferred tax assets based on the uncertainty of generating future taxable income in the respective jurisdictions during the limited period that the net operating loss carryforwards and tax credit carryforwards can be utilized under state statutes. Additionally, the Corporation had domestic and foreign tax credit carryforwards, for which a valuation of \$0.6 million was recorded at December 31, 2011.

The Corporation's estimated ETR reflects adjustments to financial reporting income for permanent differences. Permanent differences reflect revenues or expenses that are recognized in determining either financial reporting income or taxable income, but not both. Permanent differences either increase or decrease income tax expense with no offset in deferred tax liabilities. An example of a material permanent difference that affects the Corporation's estimated ETR is tax depletion in excess of basis for mineral reserves. For income tax purposes, the depletion deduction is calculated as a percentage of sales, subject to certain limitations. Due to these limitations, changes in sales volumes and earnings may not proportionately affect the permanent depletion deduction included in the ETR. As a result, the Corporation may continue to claim tax depletion deductions exceeding the cost basis of the mineral reserves, whereas the depletion expense for financial reporting purposes ceases once the value of the mineral reserves is fully amortized. The continuing depletion for tax purposes is treated as a permanent difference. Another example of a permanent difference is goodwill established for financial reporting purposes from an acquisition of another company's stock. This goodwill has no basis for income tax purposes. If the goodwill is subsequently written off as a result of divestitures or impairment losses, the financial reporting deduction is treated as a permanent difference.

Tax depletion in excess of book basis for mineral reserves is the single largest recurring permanent deduction for the Corporation in calculating taxable income. Therefore, a significant amount of the financial reporting risk related to the estimated ETR is based on this estimate. Estimates of the percentage depletion allowance are based on other accounting estimates such as profitability by tax unit, which compound the risk related to the estimated ETR. Further, the percentage depletion allowance may not increase or decrease proportionately to a change in pretax earnings. However, the impact of the depletion deduction on the effective tax rate is inversely affected by increases or decreases in pretax earnings. In 2011, tax depletion in excess of book basis positively affected the estimated effective income tax rate by 1,750 basis points.

To calculate the estimated ETR for any year, management uses actual information where practical. Certain permanent and temporary differences, including deductions for percentage depletion allowances, are estimated at the time the provision for income taxes is calculated. After estimating amounts that management considers reasonable under the circumstances, a provision for income taxes is recorded.

Each quarter, management updates the estimated ETR for the current year based on events that occur during the quarter. For example, changes to forecasts of annual sales and related earnings, purchases and sales of business units and product mix subject to different percentage depletion rates are reflected in the quarterly estimate of the annual ETR. Some events may be treated as discrete events and the tax impact is fully recorded in the quarter in which the discrete event occurs. For example, the estimated ETR for the third quarter reflects the filing of the prior year federal and state income tax returns that adjust prior estimates of permanent and temporary differences and the evaluation of the deferred tax balances and the related valuation allowances. Historically, the Corporation's adjustment of prior estimates of permanent and temporary differences has not been material to its results of operations or total tax expense.

For 2011, an overall estimated ETR of 21.7% was used to calculate the provision for income taxes, a portion of which was allocated to discontinued operations. The estimated ETR is sensitive given that changes in the rate can have a significant impact on annual earnings. A change of 100 basis points in the estimated ETR would affect 2011 income tax expense by \$1.1 million.

All income tax filings are subject to examination by federal, state and local regulatory agencies, generally within three years of the filing date. The Corporation recognizes a tax benefit when it is more likely than not, based on the technical merits, that a tax position would be sustained upon examination by a taxing authority. The Corporation has established reserves of \$9.3 million for uncertain tax positions at December 31, 2011. The Corporation analyzes the reserves quarterly and, if necessary, makes adjustments based on changes in underlying facts and circumstances. The Corporation does not expect unrecognized tax benefits to significantly change during 2012. The Corporation's open tax years that are subject to federal examination are 2008 to 2011. Further, certain state and foreign tax jurisdictions have open tax years from 2004 to 2011.

#### **Acquisitions — Purchase Price Allocation**

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

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

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

Level 2 fair values are typically used to value acquired inventories, machinery and equipment, and land. Additionally, Level 2 fair values are typically used to value assumed contracts that are not at market rates and assumed liabilities for asset retirement obligations, environmental remediation and compliance obligations, and contingencies.

Level 3 fair values are used to value acquired mineral reserves, mineral interests, and separately-identifiable intangible assets. The fair values of mineral reserves and mineral interests are determined using an excess earnings approach, which requires management to estimate future cash flows, net of capital investments in the specific operation and contributory asset charges. The estimate of future cash flows is based on available historical information and on future expectations and assumptions deemed reasonable by management, but is inherently uncertain. Key assumptions in estimating future cash flows include sales price, shipment volumes and costs. The present value of the projected net cash flows represents the fair value assigned to mineral reserves and mineral interests. The discount rate is a significant assumption used in the valuation model. The rate is selected based on the required rate of return that a hypothetical market participant would require if purchasing the acquired business combination, with an adjustment for the risk of the assets generating the projected cash flows.

The Corporation values separately-identifiable acquired intangible assets which may include, but are not limited to, non-competition agreements, customer relationships, permits and water rights. The fair value of noncompetition agreements is generally based on the probability that a seller would compete with the Corporation in the absence of an agreement and an estimation of the earnings that would be in jeopardy due to the hypothetical competition. The fair values of customer relationships, permits and water rights are generally determined using a cost approach based on the estimated amount to purchase or replace the asset. Amortization periods are based on either the contractual rights or the expected useful life of the asset, if not contractually specified. Water rights are typically an indefinite-lived asset.

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

During 2011, the Corporation invested \$91.6 million in business combinations and allocated this amount to assets acquired and liabilities assumed.

**Property, Plant and Equipment**

Property, plant and equipment represent 56% of total assets at December 31, 2011 and accordingly, accounting for these assets represents a critical accounting policy. Useful lives of the assets can vary depending on factors, including production levels, geographic location, portability and maintenance practices. Additionally, climate and inclement weather can reduce the useful life of an asset.

Historically, the Corporation has not recognized significant losses on the disposal or retirement of fixed assets.

The Corporation evaluates aggregate reserves in several ways, depending on the geology at a particular location and whether the location is a potential new site (greensite), an acquisition or an existing operation. Greensites require a more extensive drilling program before any significant investment is made in terms of time, site development or efforts to obtain appropriate zoning and permitting (see section *Environmental Regulation and Litigation* on pages 64 and 65). The depth of overburden and the quality and quantity of the aggregate reserves are significant factors in determining whether to pursue opening the site. Further, the estimated average selling price for products in a market is also a significant factor in concluding that reserves are economically mineable. If the Corporation's analysis based on these factors is satisfactory, the total aggregate reserves available are calculated and a determination is made whether to open the location. Reserve evaluation at existing locations is typically performed to evaluate purchasing adjoining properties and, for quality control, calculating overburden volumes and mine planning. Reserve evaluation of acquisitions may require a higher degree of sampling to locate any problem areas that may exist and to verify the total reserves.

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

## MANAGEMENT'S DISCUSSION & ANALYSIS OF FINANCIAL CONDITION & RESULTS OF OPERATIONS (CONTINUED)

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

Locations underlain with sand and gravel are typically drilled using the auger method, whereby a 6-inch corkscrew brings up material from below the ground which is then sampled. Deposits in these locations are typically limited in thickness, and the quality and sand-to-gravel ratio of the deposit can vary both horizontally and vertically. Hole spacing at these locations is approximately one hole for every acre to ensure a representative sampling.

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

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

**Proven Reserves** — These reserves are designated using closely spaced drill data as described above and a determination by a professional geologist that the deposit is relatively homogeneous based on the drilling results and exploration data provided in U.S. geologic maps, the U.S. Department of Agriculture soil maps, aerial photographs and/or electromagnetic, seismic or other surveys conducted by independent geotechnical engineering firms. The proven reserves that are recorded reflect reductions incurred as a result of quarrying that result from leaving ramps, safety benches, pillars (underground), and the fines (small particles) that will be generated during processing. Proven reserves are further reduced by reserves that are under the plant and stockpile areas, as well as setbacks from neighboring property lines. The Corporation typically assumes a loss factor of 25%. However, the assumed loss factor at coastal operations is approximately 50% due to the nature of the material. The assumed loss factor for underground operations is 35% due to pillars.

**Probable Reserves** — These reserves are inferred utilizing fewer drill holes and/or assumptions about the economically recoverable reserves based on local geology or drill results from adjacent properties.

The Corporation's proven and probable reserves reflect reasonable economic and operating constraints as to maximum depth of overburden and stone excavation, and also include reserves at the Corporation's inactive and undeveloped sites, including some sites where permitting and zoning applications will not be filed until warranted by expected future growth. The Corporation has historically been successful in obtaining and maintaining appropriate zoning and permitting (see section *Environmental Regulation and Litigation on pages 64 and 65*).

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

The Corporation uses proven and probable reserves as the denominator in its units-of-production calculation to record depletion expense for its mineral reserves and mineral interests. During 2011, depletion expense was \$3.7 million.

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

New pits may be developed at existing quarries in order to access additional reserves. When this occurs, management reviews the facts and circumstances of each situation in making a determination as to the appropriateness

of capitalizing or expensing the related pre-production stripping costs. If the additional pit operates in a separate and distinct area of a quarry, the costs are capitalized as quarry development costs and depreciated over the life of the uncovered reserves. Further, a separate asset retirement obligation is created for additional pits when the liability is incurred. Once a pit enters the production phase, all post-production stripping costs are expensed as incurred as periodic inventory production costs.

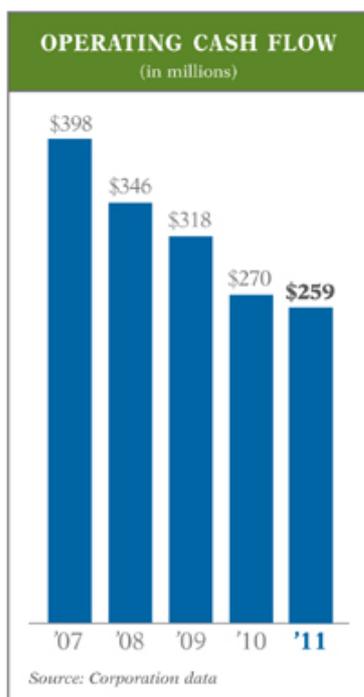
**Inventory Standards**

The Corporation values its finished goods inventories under the first-in, first-out methodology using standard costs. For quarries, standards are developed using production costs for a twelve-month period, in addition to complying with the principle of lower of cost or market, and adjusting, if necessary, for normal capacity levels and abnormal costs. In addition to production costs, standards for distribution yards include a freight component for the cost of transporting the inventory from a quarry to the distribution yard and materials handling costs. Preoperating start-up costs are expensed as incurred and are not capitalized as part of inventory costs.

Standard costs are updated on a quarterly basis to match finished goods inventory values with changes in production costs and production volumes. In periods in which production costs, in particular energy costs, and/or production volumes have changed significantly from the prior period, the revision of standards can have a significant impact on the Corporation’s operating results (see section *Cost Structure* on pages 59 through 61).

**Liquidity and Cash Flows**

**Operating Activities**



The primary source of the Corporation’s liquidity during the past three years has been cash generated from its operating activities. Cash provided by operations was \$259.1 million in 2011, compared with \$269.8 million in 2010 and \$318.4 million in 2009. These cash flows were derived, substantially, from consolidated net earnings, before deducting depreciation, depletion and amortization, and offset by working capital requirements. Depreciation, depletion and amortization are as follows:

years ended December 31  
(add 000)

	2011	2010	2009
Depreciation	\$166,225	\$174,142	\$172,026
Depletion	3,749	4,283	4,024
Amortization	3,433	3,112	3,341
Total	\$173,407	\$181,537	\$179,391

The \$10.7 million decrease in cash provided by operating activities in 2011 compared with 2010 is primarily due to onetime business development expenses in 2011, offset by an increase in payables, including accruals for certain of those costs. The Corporation’s days sales outstanding of 47 days was unchanged from 2010.

The \$48.6 million decrease in cash provided by operating activities in 2010 compared with 2009 is primarily due to a \$20.5 million increase in accounts receivables in 2010 due to higher sales. This compares with a \$48.5 million reduction in accounts receivable in 2009, which increased cash provided by operating activities, when sales declined.

**Investing Activities**

Net cash used for investing activities was \$238.9 million in 2011, \$174.2 million in 2010 and \$185.0 million in 2009.

Cash used for investing activities was \$64.7 million higher in 2011 compared with 2010, primarily due to an increase in capital spending and higher amounts paid for acquisitions.

Cash used for investing activities was \$10.8 million lower in 2010 compared with 2009, primarily due to a reduction in capital spending and lower amounts paid for acquisitions.

**MANAGEMENT'S DISCUSSION & ANALYSIS OF FINANCIAL CONDITION & RESULTS OF OPERATIONS (CONTINUED)**

Capital spending by reportable segment, excluding acquisitions, was as follows:

(add 000)	2011	2010	2009
Mideast Group	\$ 39,504	\$ 36,057	\$ 39,636
Southeast Group	29,531	32,786	37,355
West Group	58,005	58,819	46,023
Total Aggregates Business	127,040	127,662	123,014
Specialty Products	21,983	6,431	10,766
Corporate	6,340	1,823	5,450
<b>Total</b>	<b>\$ 155,363</b>	<b>\$ 135,916</b>	<b>\$ 139,230</b>

Spending for property, plant and equipment, exclusive of acquisitions, if any, is expected to approximate \$155 million in 2012.

Proceeds from divestitures and sales of assets include the cash from the sales of surplus land and equipment and the divestitures of several Aggregates operations. These proceeds provided pretax cash of \$8.0 million, \$5.0 million and \$7.8 million in 2011, 2010 and 2009, respectively.

### Financing Activities

The Corporation used \$64.5 million and \$288.9 million of cash for financing activities during 2011 and 2010, respectively. A total of \$92.5 million was provided by financing activities in 2009.

In 2011, the Corporation had net borrowings of long-term debt of \$24.6 million, which reflects borrowing under the Credit Agreement and AR Credit Facility offset by the repayment of \$242.1 million of 6.875% notes and the \$111.8 million term loan due 2012. In 2010, the Corporation made net repayments of long-term debt of \$219.7 million, including the repayment of \$217.6 million of floating rate senior notes through the use of available cash. In 2009, the Corporation made net repayments of long-term debt of \$106.0 million, which primarily reflects the repayment of \$200.0 million on the revolving credit agreement partially offset by borrowings under a term loan.

In 2011, the Board of Directors approved total cash dividends on the Corporation's common stock of \$1.60 per share. Total cash dividends were \$73.6 million in 2011 and 2010 and \$71.2 million in 2009.

Cash provided by issuances of common stock, which represents the exercises of stock options and, for 2009, offerings of common stock, was \$1.5 million, \$3.0 million and \$294.2 million in 2011, 2010 and 2009, respectively. During 2009, the Corporation offered and sold 3.8 million shares of common stock.

Excess tax benefits from stock-based compensation transactions were \$1.3 million in 2010 and \$0.6 million in 2009.

In 2011 and 2009, the Corporation purchased the remaining interest in existing subsidiaries for \$10.4 million and \$17.1 million, respectively.

### Capital Structure and Resources

Long-term debt, including current maturities, increased to \$1.060 billion at the end of 2011 from \$1.031 billion at the end of 2010. The Corporation's debt at December 31, 2011 was principally in the form of publicly-issued long-term notes and debentures and \$385 million of borrowings under variable-rate credit facilities.

In 2011, the Corporation entered into a \$600 million Credit Agreement that included a \$350 million Revolving Facility and a \$250 million Term Loan Facility. The Corporation borrowed \$250 million under the Term Loan Facility, a portion of which was used to prepay outstanding borrowings of \$111.8 million on the term loan due 2012.

Additionally, in 2011, the Corporation amended its \$100 million AR Credit Facility. As amended, borrowings under the AR Credit Facility bear interest at a rate equal to the one-month LIBOR plus 1.35%. Borrowings under the AR Credit Facility are limited based on the balance of the Corporation's accounts receivable; however, this limitation is not expected to reduce the availability below the \$100 million AR Credit Facility maximum. The Corporation borrowed \$100 million under the AR Credit Facility, which, in addition to proceeds from the Term Loan Facility, was used to repay \$242.1 million of 6.875% notes that matured on April 1, 2011. The Corporation has commenced negotiations with its lenders to extend the AR Credit Facility upon its maturity on April 20, 2012. Management intends to renew the AR Credit Facility for successive one-year terms through 2015. Furthermore, the Corporation has capacity under its Revolving Facility to refinance this debt if a renewal of the AR Credit Facility cannot be negotiated.

**MANAGEMENT'S DISCUSSION & ANALYSIS OF FINANCIAL CONDITION & RESULTS OF OPERATIONS (CONTINUED)**

On January 23, 2012, the Corporation repurchased \$20.0 million par value of its outstanding 6.25% Senior Notes due 2037 at 90.75. This repurchase was financed with borrowings of \$18.2 million under the Corporation's Revolving Facility, which are due March 31, 2015.

The Credit Agreement and the AR Credit Facility, as amended, are subject to a leverage ratio covenant. 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") may 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. Borrowings related to the asset exchange with Lafarge and subsequent ready mix acquisition increased the Ratio limit to 3.75x as of December 31, 2011. Additionally, if there are no amounts outstanding under both the Revolving Facility and the AR Credit 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 (hereinafter, "net debt").

The Ratio is calculated as total long-term 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. At December 31, 2011, the Corporation's ratio of consolidated debt to consolidated EBITDA, as defined, for the trailing twelve month EBITDA was 3.25x and was calculated as follows (dollars in thousands):

	Twelve-Month Period January 1, 2010 to December 31, 2010
Earnings from continuing operations	\$ 85,136
Add back:	
Interest expense	58,586
Income tax expense	20,980
Depreciation, depletion and amortization expense	158,825
Stock-based compensation expense	11,522
Deduct:	
Interest income	(811)
Consolidated EBITDA, as defined	<u>\$ 334,238</u>
Consolidated debt, including debt guaranteed by the Corporation, at December 31, 2011	<u>\$ 1,086,723</u>
Consolidated debt-to-consolidated EBITDA, as defined, at December 31, 2011 for trailing twelve-month EBITDA	<u>3.25 x</u>

Effective February 24, 2012, the Corporation amended the Ratio to ensure that the impact of business development costs for the proposed business combination with Vulcan and the seasonal working capital requirements for the newly-acquired Colorado operations do not impair liquidity available under the Corporation's Credit Agreement and AR Credit Facility. The amendment temporarily increases the maximum Ratio to 3.95x at March 31, 2012 and June 30, 2012, stepping down to 3.75x at September 30, 2012. The Ratio returns to the pre-amendment maximum of 3.50x for the December 31, 2012 calculation date. The amendment also allows the Corporation to exclude from the Ratio at March 31, 2012 and June 30, 2012 debt associated with the newly-acquired Colorado operations, which was allowed only through the March 31, 2012 calculation date prior to the amendment.

In the event of a default on the Ratio, the lenders can terminate the Credit Agreement and AR Credit Facility and declare any outstanding balance as immediately due.

Total equity decreased to \$1.449 billion at December 31, 2011 from \$1.468 billion at December 31, 2010. At December 31, 2011, the Corporation had an accumulated other comprehensive loss of \$83.9 million, resulting from unrecognized actuarial losses and prior service costs related to pension and postretirement benefits, foreign currency translation gains and the unamortized loss on terminated forward starting interest rate swap

## MANAGEMENT'S DISCUSSION & ANALYSIS OF FINANCIAL CONDITION & RESULTS OF OPERATIONS (CONTINUED)

agreements. Total equity at December 31, 2011 includes \$39.5 million of noncontrolling interests. At December 31, 2011, 5.0 million shares of common stock were remaining under the Corporation's repurchase authorization. The Corporation may repurchase shares of its common stock in the open market or through private transactions at such prices and upon such terms as the Chief Executive Officer deems appropriate.

At December 31, 2011, the Corporation had \$26.0 million in cash and short-term investments that are considered cash equivalents. The Corporation manages its cash and cash equivalents to ensure that short-term operating cash needs are met and that excess funds are managed efficiently. The Corporation subsidizes shortages in operating cash through short-term borrowing facilities. The Corporation typically invests excess funds in money market funds, money market demand deposit accounts or Eurodollar time deposit accounts. Money market demand deposits and Eurodollar time deposit accounts are exposed to bank solvency risk. Money market demand deposit accounts are FDIC insured up to \$250,000. The Corporation's investments in bank funds generally exceed the \$250,000 FDIC insurance limit. The Corporation's cash management policy prohibits cash and cash equivalents over \$100 million to be maintained at any one bank.

Cash on hand, along with the Corporation's projected internal cash flows and availability of financing resources, including its access to debt and equity capital markets, are 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 December 31, 2011, the Corporation had \$313 million of unused borrowing capacity under its Revolving Facility, subject to complying with the related leverage covenant, and no available borrowings under its AR Credit Facility. The Credit Agreement expires on March 31, 2015 and the AR Credit Facility terminates on April 20, 2012. Borrowings under the Credit Agreement and AR Credit Facility are unsecured and may be used for general corporate purposes. The Corporation's ability to borrow or issue securities is dependent upon, among other things, prevailing economic, financial and market conditions (see section *Current Market and Related Risks* on page 66).

The Corporation may be required to obtain financing in order to complete the proposed business combination with Vulcan, to fund certain strategic acquisitions, if any such opportunities arise, or to refinance outstanding debt. Any strategic acquisition of size would require an appropriate balance of newly-issued equity with debt in order to maintain an investment-grade credit rating. Furthermore, the Corporation is exposed to credit markets, through the interest cost related to its variable-rate debt, which includes borrowings under its Revolving Facility, Term Loan Facility and AR Credit Facility, and the interest related to its commercial paper program, to the extent that it is available to the Corporation. The Corporation's credit ratings are investment-grade level which facilitates obtaining financing at lower rates than noninvestment-grade ratings. While management believes its credit ratings will remain at an investment-grade level, no assurance can be given that these ratings will remain at those levels.

### **Contractual and Off Balance Sheet Obligations**

The Corporation has the ability and management intends to refinance the \$100 million of outstanding borrowings on the AR Credit Facility with borrowings that will mature in more than twelve months.

At December 31, 2011, the Corporation's recorded benefit obligation related to postretirement benefits totaled \$29.6 million. These benefits will be paid from the Corporation's assets. The obligation, if any, for retiree medical payments is subject to the terms of the plan.

The Corporation has other retirement benefits related to the qualified pension plan and the SERP. At December 31, 2011, the qualified pension plan is underfunded by \$119.3 million. Inclusive of required amounts, the Corporation estimates that it will make contributions of \$31.0 million in 2012. Any contributions beyond 2012 are currently undeterminable and will depend on the investment return on the related pension assets. At December 31, 2011, the Corporation had a total obligation of \$12.7 million related to the SERP.

As of December 31, 2011, the Corporation had \$9.3 million of reserves for uncertain tax positions. Such accruals may become payable if the tax positions are not sustained upon examination by a taxing authority.

**MANAGEMENT'S DISCUSSION & ANALYSIS OF FINANCIAL CONDITION & RESULTS OF OPERATIONS (CONTINUED)**

In connection with normal, ongoing operations, the Corporation enters into market-rate leases for property, plant and equipment and royalty commitments principally associated with leased land. Additionally, the Corporation enters into equipment rentals to meet shorter-term, nonrecurring and intermittent needs. Amounts due for operating leases and royalty agreements are expensed in the period incurred. Management anticipates that, in the ordinary course of business, the Corporation will enter into royalty agreements for land and mineral reserves during 2012.

The Corporation has purchase commitments for property, plant and equipment of \$33.7 million as of December 31, 2011. The Corporation also has other purchase obligations related to energy and service contracts which totaled \$54.1 million as of December 31, 2011.

The Corporation's contractual commitments as of December 31, 2011 are as follows:

(add 000)	Total	< 1 Year	1 to 3 Years	3 to 5 Years	> 5 Years
<b>ON BALANCE SHEET:</b>					
Long-term debt	\$1,060,084	\$ 7,182	\$ 11,410	\$370,316	\$ 671,176
Postretirement benefits	29,635	2,930	6,073	5,818	14,814
Qualified pension plan contributions	31,048	31,048	—	—	—
SERP	12,715	2,320	1,600	1,550	7,245
Uncertain tax positions	9,288	1,071	8,217	—	—
Other commitments	849	64	128	128	529
<b>OFF BALANCE SHEET:</b>					
Interest on noncallable publicly traded long-term debt	674,013	44,175	88,350	88,350	453,138
Operating leases	281,095	57,916	83,688	66,356	73,135
Royalty agreements	75,501	12,143	19,085	13,252	31,021
Purchase commitments — capital	33,654	33,654	—	—	—
Other commitments — energy and services	54,078	20,091	33,987	—	—
<b>Total</b>	<b>\$2,261,960</b>	<b>\$212,594</b>	<b>\$252,538</b>	<b>\$545,770</b>	<b>\$1,251,058</b>

Notes A, G, I, J, L and N to the audited consolidated financial statements on pages 13 through 18; 20 through 22; 22 through 25; 25 through 29; 31; and 32 and 33, respectively, contain additional information regarding these commitments and should be read in conjunction with the above table.

**Contingent Liabilities and Commitments**

In July 2010, the Corporation entered into a reimbursement and indemnification agreement with Fifth Third Bank ("Fifth Third") to guarantee the repayment of amounts borrowed by an affiliate under a \$20.0 million revolving line of credit provided by Fifth Third and a guaranty agreement with Bank of America, N.A., to guarantee \$12.4 million of payment obligations of its affiliate under equipment lease agreements. The affiliate 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 of the affiliate's assets as collateral for potential payments under the agreements. On April 8, 2011, the affiliate converted its equipment leasing agreements with Bank of America, N.A. to a five-year \$6.2 million amortizing loan and the Corporation executed a reaffirmation of guaranty with respect to such loan. On July 20, 2011, the affiliate's \$20.0 million revolving line of credit was increased to \$24.0 million. This line of credit expires in July 2013. Additionally, the reimbursement and indemnification agreement related to this line of credit was terminated and replaced by an unconditional guaranty of payment from the Corporation. The affiliate restated its reimbursement and indemnity obligations to the Corporation, and the Corporation retained its subordinate lien on the assets of the affiliate.

The Corporation has entered into standby letter of credit agreements relating to certain insurance claims, utilities and property improvements. At December 31, 2011, the Corporation had contingent liabilities guaranteeing its own performance under these outstanding letters of credit of \$14.8 million. Certain of these underlying obligations are accrued on the Corporation's balance sheet.

In the normal course of business at December 31, 2011, the Corporation was contingently liable for \$210.9 million in surety bonds underwritten by Safeco Corporation, a subsidiary of Liberty Mutual Group, and Zurich Insurance Company, which guarantee its own performance and are

required by certain states and municipalities and their related agencies. Certain of the bonds guaranteeing performance of obligations, including those for asset retirement requirements and insurance claims, are accrued on the Corporation's balance sheet. The bonds are principally for certain insurance claims, construction contracts, reclamation obligations and mining permits. Five of these bonds total \$69.2 million, or 33% of all outstanding surety bonds. The Corporation has indemnified the underwriting insurance companies against any exposure under the surety bonds. In the Corporation's past experience, no material claims have been made against these financial instruments.

**Quantitative and Qualitative Disclosures about Market Risk**

As discussed earlier, the Corporation's operations are highly dependent upon the interest rate-sensitive construction and steelmaking industries. Consequently, these marketplaces could experience lower levels of economic activity in an environment of rising interest rates or escalating costs (see section *Business Environment* on pages 49 through 69).

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 the economic recession causes delays or cancellations to capital projects. Additionally, uncertainty regarding federal highway funding, 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 at zero percent during 2011. The residential construction market accounted for approximately 8% of the Corporation's heritage aggregates product line shipments in 2011.

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 facility borrowings and defined benefit pension plans. Additionally, the Corporation's earnings are affected by energy costs. The Corporation has no counterparty 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 \$100 million AR Credit Facility. Borrowings under these facilities bear interest at a variable interest rate. A hypothetical 100-basis-point increase in interest rates on borrowings of \$385 million, which is the collective outstanding balance at December 31, 2011, would increase interest expense by \$3.9 million on an annual basis.

**Pension Expense**

The Corporation's results of operations are affected by its pension expense. Assumptions that affect pension expense include the discount rate and, for the defined benefit pension plans only, the expected long-term rate of return on assets. Therefore, the Corporation has interest rate risk associated with these factors. The impact of hypothetical changes in these assumptions on the Corporation's annual pension expense is discussed in the section *Critical Accounting Policies and Estimates* on pages 69 through 79.

**Energy Costs**

Energy costs, including diesel fuel, natural gas and liquid asphalt, represent significant production costs for the Corporation. A hypothetical 10% change in the Corporation's energy prices in 2012 as compared with 2011, assuming constant volumes, would impact 2012 pretax earnings by approximately \$16.8 million.

**Aggregate Risk for Interest Rates and Energy Sector Inflation**

Pension expense for 2011 was calculated based on assumptions selected at December 31, 2010. Therefore, interest rate risk in 2011 was limited to the potential effect related to borrowings under variable-rate facilities. The effect of a hypothetical 1% increase in interest rates on \$385 million of variable-rate borrowings outstanding at December 31, 2011 would increase interest expense on an annual basis by \$3.9 million. Additionally, a 10% change in energy costs would impact annual pretax earnings by approximately \$16.8 million.

**Forward-Looking Statements — Safe Harbor Provisions**

If you are interested in Martin Marietta Materials, Inc. stock, management recommends that, at a minimum, you read the Corporation's current annual report and Forms 10-K, 10-Q and 8-K reports to the 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 Annual Report that relate to the future involve risks and uncertainties, and are based on assumptions that the Corporation believes in good faith are reasonable but which may be materially different from actual results. Forward-looking statements give the investor the Corporation's expectations or forecasts of future events. You can identify these statements by the fact that they do not relate only historical or current facts. They may use words such as "anticipate," "expect," "should be," "believe," and other words of similar meaning in connection with future events or future operating or financial performance. Any or all of the Corporation's forward-looking statements here and in other publications may turn out to be wrong.

Factors that the Corporation currently believes could cause actual results to differ materially from the forward-looking statements in this Annual Report include, but are not limited to, the performance of the United States economy; widespread decline in aggregates pricing; the discontinuance of the federal gasoline tax 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, one of the Corporation's largest and most profitable states, and Texas, Iowa, Georgia and South Carolina, which when coupled with North Carolina, represented 57% of 2011 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 the commercial component of the nonresidential construction market, notably office and retail space; 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 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; 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. The Corporation also encourages investors to review its disclosures with respect to its proposed business combination with Vulcan, including the risks and other factors described under the headings "Risk Factors" and "Forward-Looking Statements" in the prospectus/offer to exchange included in the Corporation's Registration Statement on Form S-4 filed on December 12, 2011 (as may be amended from time to time). Other factors besides those listed here may also adversely affect the Corporation, and may be material to the Corporation. The Corporation assumes no obligation to update any such forward-looking statements.

For a discussion identifying some important factors that could cause actual results to vary materially from those anticipated in the forward-looking statements, see the Corporation's SEC filings including, but not limited to, the discussion of "Competition" in the Corporation's Annual Report on Form 10-K, "Management's Discussion and Analysis of Financial Condition and Results of Operations" on pages 37 through 85 of the 2011 Annual Report and "Note A: Accounting Policies" and "Note N: Commitments and Contingencies" of the "Notes to Financial Statements" on pages 13 through 18 and 32 and 33, respectively, of the audited consolidated financial statements included in the 2011 Annual Report.

**Important Additional Information**

The Corporation's audited consolidated financial statements and Management's Discussion and Analysis of Financial Conditions and Results of Operations included in the 2011 Annual Report ("2011 Annual Report") on pages 6 through 85 relate, in part, to the exchange offer by the Corporation to exchange each issued and outstanding share of common stock of Vulcan for 0.50 shares of the Corporation's common stock. This 2011 Annual Report does not constitute an offer to exchange, or a solicitation of an offer to exchange, shares of Vulcan common stock, nor is it a substitute for the Tender Offer Statement on Schedule TO or the preliminary prospectus/offer to exchange included in the Registration Statement on Form S-4 (the "Registration Statement") (including the letter of transmittal and related documents and as amended and supplemented from time to time, the "Exchange Offer Documents") initially filed by the Corporation on December 12, 2011 with the SEC. The Registration Statement has not yet become effective. The Exchange Offer will be made only through the Exchange Offer Documents. INVESTORS AND SECURITY HOLDERS ARE URGED TO READ THE EXCHANGE OFFER DOCUMENTS AND ALL OTHER RELEVANT DOCUMENTS THAT THE CORPORATION HAS FILED OR MAY FILE WITH THE SEC WHEN THEY BECOME AVAILABLE BECAUSE THEY CONTAIN OR WILL CONTAIN IMPORTANT INFORMATION.

In connection with the solicitation of proxies for Vulcan's 2012 annual meeting of shareholders (the "Vulcan Meeting"), the Corporation filed a preliminary proxy statement (the "Vulcan Meeting Preliminary Proxy Statement") with the SEC on January 24, 2012 (and an amendment thereto) and intends to file a definitive proxy statement in connection therewith (the "Vulcan Meeting Definitive Proxy Statement"). When completed, the Vulcan Meeting Definitive Proxy Statement and accompanying proxy card will be mailed to the shareholders of Vulcan. The Corporation also intends to file a proxy statement on Schedule 14A and other relevant documents with the SEC in connection with its solicitation of proxies for a meeting of the Corporation's shareholders (the "Martin Marietta Meeting") to approve, among other things, the issuance of shares of the Corporation's common stock pursuant to the Exchange Offer (the "Martin Marietta Meeting Proxy Statement"). INVESTORS AND SECURITY HOLDERS ARE URGED TO READ THE VULCAN MEETING PRELIMINARY PROXY STATEMENT, THE VULCAN MEETING DEFINITIVE PROXY STATEMENT, THE MARTIN MARIETTA MEETING PROXY STATEMENT AND OTHER RELEVANT MATERIALS AS THEY BECOME AVAILABLE BECAUSE THEY WILL CONTAIN IMPORTANT INFORMATION.

All documents referred to above, if filed, will be available free of charge at the SEC's website ([www.sec.gov](http://www.sec.gov)) or by directing a request to Morrow & Co., LLC at (877) 757-5404 (banks and brokers may call (800) 662-5200).

The Corporation, its directors and executive officers and the individuals nominated by the Corporation for election to Vulcan's Board of Directors are participants in any solicitation of proxies from Vulcan shareholders for the Vulcan Meeting or any adjournment or postponement thereof. The Corporation, its directors and executive officers are participants in any solicitation of proxies from the Corporation's shareholders for the Martin Marietta Meeting or any adjournment or postponement thereof. Information about the participants, including a description of their direct and indirect interests, by security holdings or otherwise, is available in the Registration Statement, the proxy statement for the Corporation's 2011 annual meeting of shareholders, filed with the SEC on April 8, 2011, and the Vulcan Meeting Preliminary Proxy Statement, or will be available in the Vulcan Meeting Definitive Proxy Statement or the Martin Marietta Meeting Proxy Statement, as applicable.

**QUARTERLY PERFORMANCE**
**(unaudited)**

(add 000, except per share and stock prices)

Quarter	Total Revenues <sup>1</sup>		Net Sales <sup>1</sup>		Gross Profit <sup>1</sup>		Consolidated Net Earnings (Loss)		Net Earnings (Loss) Attributable to Martin Marietta Materials, Inc.	
	2011	2010	2011	2010	2011	2010	2011 <sup>4,5,7</sup>	2010 <sup>3,6</sup>	2011 <sup>4,5,7</sup>	2010 <sup>3,6</sup>
First	\$ 327,944	\$ 319,811	\$ 290,636	\$ 285,298	\$ 22,655	\$ 24,474	\$ (17,697)	\$ (24,748)	\$ (17,414)	\$ (24,180)
Second	462,391	469,128	409,565	421,821	97,544	115,402	35,854	54,948	35,799	54,399
Third	502,386	473,355	445,003	421,717	111,893	113,274	50,332	53,256	49,156	51,990
Fourth	421,102	390,591	374,757	346,881	69,923	68,576	15,084	15,208	14,838	14,803
<b>Totals</b>	<b>\$1,713,823</b>	<b>\$1,652,885</b>	<b>\$1,519,961</b>	<b>\$1,475,717</b>	<b>\$302,015</b>	<b>\$321,726</b>	<b>\$ 83,573</b>	<b>\$ 98,664</b>	<b>\$ 82,379</b>	<b>\$ 97,012</b>

## Per Common Share

Quarter	Basic Earnings (Loss) <sup>2</sup>		Diluted Earnings (Loss) <sup>2</sup>		Dividends Paid		Stock Prices			
	2011 <sup>4,5,7</sup>	2010 <sup>3,6</sup>	2011 <sup>4,5,7</sup>	2010 <sup>3,6</sup>	2011	2010	High	Low	High	Low
First	\$ (0.39)	\$ (0.54)	\$ (0.39)	\$ (0.54)	\$0.40	\$0.40	\$94.31	\$80.38	\$ 93.43	\$74.00
Second	0.78	1.18	0.78	1.18	0.40	0.40	\$92.37	\$78.75	\$100.33	\$83.53
Third	1.07	1.13	1.07	1.13	0.40	0.40	\$82.65	\$60.80	\$ 88.89	\$71.50
Fourth	0.32	0.32	0.32	0.32	0.40	0.40	\$80.24	\$59.93	\$ 95.00	\$76.94
<b>Totals</b>	<b>\$ 1.79</b>	<b>\$ 2.11</b>	<b>\$ 1.78</b>	<b>\$ 2.10</b>	<b>\$1.60</b>	<b>\$1.60</b>				

- Amounts may not equal amounts previously reported in the Corporation's Forms 10-Q, as amounts have been recast to reflect discontinued operations.
- The sum of per-share earnings by quarter may not equal earnings per share for the year due to changes in average share calculations. This is in accordance with prescribed reporting requirements.
- Consolidated net earnings, net earnings attributable to Martin Marietta Materials, Inc. and basic and diluted earnings per common share in the second quarter of 2010 were increased by \$2.8 million, or \$0.06 per basic and diluted share, for the reversal of the excess West Group legal reserve upon settlement of legal proceedings.
- Consolidated net earnings, net earnings attributable to Martin Marietta Materials, Inc. and basic and diluted earnings per common share in the second quarter of 2011 included an agreed-upon refund of \$1.1 million, or \$0.02 per basic and diluted share, for the double taxation of the Corporation's wholly-owned Canadian subsidiary for the 2001 and 2002 tax years.
- Consolidated net earnings, net earnings attributable to Martin Marietta Materials, Inc. and basic and diluted earnings per common share in the third quarter of 2011 included the reversal of \$3.0 million, or \$0.07 per basic and diluted share, for a favorable effective settlement of the Internal Revenue Service audit for the 2008 tax year and resolution of a federal tax and interest overpayment related to the 2006 tax year and an early retirement expense of \$1.7 million, or \$0.04 per basic and diluted share.
- Consolidated net earnings, net earnings attributable to Martin Marietta Materials, Inc. and basic and diluted earnings per common share in the third quarter of 2010 included the reversal of \$5.6 million, or \$0.12 per basic and diluted share, of tax reserves for the effective settlement of issues related to the 2004 and 2005 tax years, the effective settlement of the Internal Revenue Service audit for the 2007 tax year and the expiration of the statute of limitations for federal examination of the 2006 tax year.
- Consolidated net earnings, net earnings attributable to Martin Marietta Materials, Inc. and basic and diluted earnings per common share in the fourth quarter of 2011 included business development costs of \$9.3 million, or \$0.20 per basic and diluted share, and severance expense of \$1.0 million, or \$0.02 per basic and diluted share.

At February 15, 2012, there were 742 shareholders of record.

The following presents total revenues, net sales, net earnings (loss) and earnings (loss) per diluted share attributable to discontinued operations:

Quarter	Total Revenues <sup>1</sup>		Net Sales <sup>1</sup>		Net Earnings (Loss) <sup>1</sup>		Earnings (Loss) per Diluted Share <sup>1,2</sup>	
	2011	2010	2011	2010	2011	2010	2011	2010
First	\$ 28,585	\$ 21,150	\$15,624	\$10,280	\$ (1,118)	\$ (486)	\$ (0.02)	\$ (0.01)
Second	30,615	35,543	17,187	21,004	(1,091)	160	(0.02)	—
Third	32,401	36,090	19,009	22,037	(400)	9	(0.01)	—
Fourth	22,925	37,810	12,747	22,093	6,566	155	0.14	—
<b>Totals</b>	<b>\$114,526</b>	<b>\$130,593</b>	<b>\$64,567</b>	<b>\$75,414</b>	<b>\$ 3,957</b>	<b>\$ (162)</b>	<b>\$ 0.09</b>	<b>\$ —</b>

**FIVE YEAR SELECTED FINANCIAL DATA**

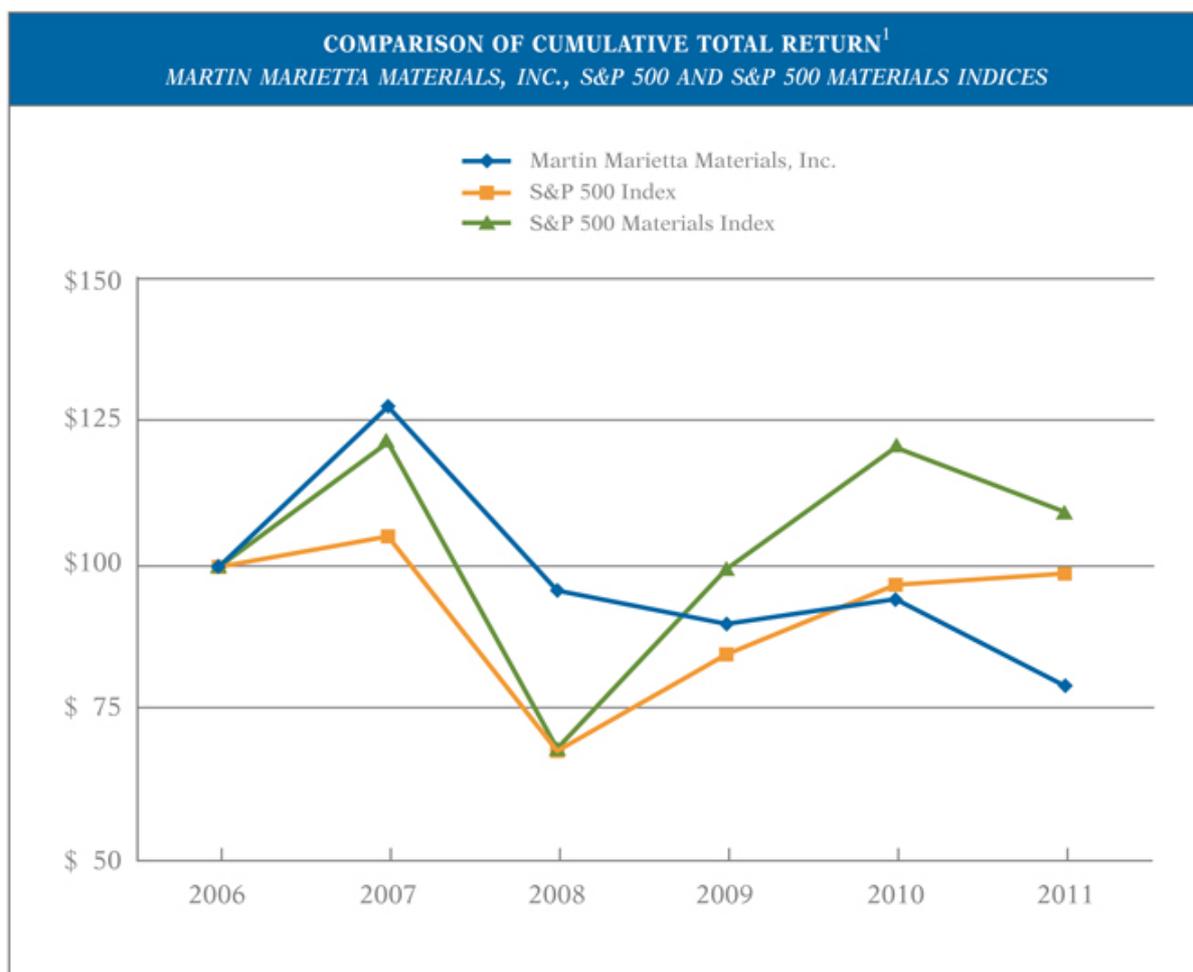
(add 000, except per share)

	2011	2010	2009	2008	2007
<b>Consolidated Operating Results<sup>1</sup></b>					
Net sales	\$1,519,961	\$1,475,717	\$1,419,668	\$1,774,438	\$1,853,546
Freight and delivery revenues	193,862	177,168	153,648	185,501	184,415
Total revenues	1,713,823	1,652,885	1,573,316	1,959,939	2,037,961
Cost of sales, other costs and expenses	1,342,086	1,284,566	1,224,355	1,457,643	1,451,310
Freight and delivery costs	193,862	177,168	153,648	185,501	184,415
Cost of operations	1,535,948	1,461,734	1,378,003	1,643,144	1,635,725
Other operating expenses and (income), net	16,853	(7,231)	12,401	(3,755)	(17,988)
<b>Earnings from Operations</b>	<b>161,022</b>	<b>198,382</b>	<b>182,912</b>	<b>320,550</b>	<b>420,224</b>
Interest expense	58,586	68,440	73,455	74,299	60,893
Other nonoperating expenses and (income), net	1,834	198	(1,165)	1,430	(7,291)
Earnings from continuing operations before taxes on income	100,602	129,744	110,622	244,821	366,622
Taxes on income	20,986	30,918	25,974	71,733	111,563
<b>Earnings from Continuing Operations</b>	<b>79,616</b>	<b>98,826</b>	<b>84,648</b>	<b>173,088</b>	<b>255,059</b>
Discontinued operations, net of taxes	3,957	(162)	3,516	6,662	8,280
Consolidated net earnings	83,573	98,664	88,164	179,750	263,339
Less: Net earnings attributable to noncontrolling interests	1,194	1,652	2,705	3,494	590
<b>Net Earnings Attributable to Martin Marietta Materials, Inc.</b>	<b>\$ 82,379</b>	<b>\$ 97,012</b>	<b>\$ 85,459</b>	<b>\$ 176,256</b>	<b>\$ 262,749</b>
<b>Basic Earnings Attributable to Martin Marietta Materials, Inc. Per Common Share (see Note A):</b>					
Earnings from continuing operations available to common shareholders <sup>1</sup>	\$ 1.70	\$ 2.11	\$ 1.84	\$ 4.04	\$ 5.90
Discontinued operations available to common shareholders <sup>1</sup>	0.09	–	0.08	0.16	0.19
<b>Basic Earnings Per Common Share</b>	<b>\$ 1.79</b>	<b>\$ 2.11</b>	<b>\$ 1.92</b>	<b>\$ 4.20</b>	<b>\$ 6.09</b>
<b>Diluted Earnings Attributable to Martin Marietta Materials, Inc. Per Common Share (See Note A):</b>					
Earnings from continuing operations available to common shareholders <sup>1</sup>	\$ 1.69	\$ 2.10	\$ 1.83	\$ 4.02	\$ 5.84
Discontinued operations available to common shareholders <sup>1</sup>	0.09	–	0.08	0.16	0.19
<b>Diluted Earnings Per Common Share</b>	<b>\$ 1.78</b>	<b>\$ 2.10</b>	<b>\$ 1.91</b>	<b>\$ 4.18</b>	<b>\$ 6.03</b>
<b>Cash Dividends Per Common Share</b>	<b>\$ 1.60</b>	<b>\$ 1.60</b>	<b>\$ 1.60</b>	<b>\$ 1.49</b>	<b>\$ 1.24</b>
<b>Condensed Consolidated Balance Sheet Data</b>					
Current deferred income tax benefits	\$ 80,674	\$ 83,380	\$ 60,303	\$ 57,967	\$ 44,285
Current assets — other	577,176	612,831	796,557	607,064	581,725
Property, plant and equipment, net	1,774,291	1,687,830	1,692,905	1,690,529	1,433,553
Goodwill	616,671	626,527	624,224	622,297	574,667
Other intangibles, net	54,133	17,548	12,469	13,890	9,426
Other noncurrent assets	44,877	46,627	52,825	40,755	40,149
<b>Total Assets</b>	<b>\$3,147,822</b>	<b>\$3,074,743</b>	<b>\$3,239,283</b>	<b>\$3,032,502</b>	<b>\$2,683,805</b>
Current liabilities — other	\$ 166,530	\$ 136,779	\$ 147,434	\$ 146,109	\$ 230,480
Current maturities of long-term debt and short-term facilities	7,182	248,714	226,119	202,530	276,136
Long-term debt	1,052,902	782,045	1,023,492	1,152,414	848,186
Pension, postretirement and postemployment benefits, noncurrent	158,101	127,671	160,354	207,830	103,518
Noncurrent deferred income taxes	222,064	228,698	195,946	174,308	160,902
Other noncurrent liabilities	92,179	82,577	79,527	82,051	72,595
Shareholders' equity	1,409,321	1,425,440	1,365,240	1,021,704	945,991
Noncontrolling interests	39,543	42,819	41,171	45,556	45,997
<b>Total Liabilities and Equity</b>	<b>\$3,147,822</b>	<b>\$3,074,743</b>	<b>\$3,239,283</b>	<b>\$3,032,502</b>	<b>\$2,683,805</b>

<sup>1</sup> Amounts may not equal amounts previously reported in the Corporation's Forms 10-K, as amounts have been recast to reflect discontinued operations.

## COMMON STOCK PERFORMANCE GRAPH

The following graph compares the performance of the Corporation's common stock to that of the Standard and Poor's ("S&P") 500 Index and the S&P 500 Materials Index.



**Cumulative Total Return<sup>1</sup>**

	12/31/06	12/31/07	12/31/08	12/31/09	12/31/10	12/31/11
Martin Marietta Materials, Inc.	\$100.00	\$128.80	\$95.75	\$89.76	\$ 94.21	\$ 78.65
S&P 500 Index	\$100.00	\$105.48	\$66.93	\$84.28	\$ 96.78	\$ 98.81
S&P 500 Materials Index	\$100.00	\$122.37	\$67.37	\$99.60	\$121.46	\$109.88

<sup>1</sup> Assumes that the investment in the Corporation's common stock and each index was \$100, with quarterly reinvestment of dividends.

**SUBSIDIARIES OF MARTIN MARIETTA MATERIALS, INC.  
AS OF FEBRUARY 29, 2012**

<u>Name of Subsidiary</u>	<u>Percent Owned</u>
Alamo Gulf Coast Railroad Company, a Texas corporation	99.5% <sup>1</sup>
Alamo North Texas Railroad Company, a Texas corporation	99.5% <sup>2</sup>
American Aggregates Corporation, a Delaware corporation	100%
American Materials Technologies, LLC, a Tennessee limited liability company	100% <sup>3</sup>
American Stone Company, a North Carolina corporation	50% <sup>4</sup>
Bahama Rock Limited, a Bahamas corporation	100%
Campbell's C-Ment Contracting, Inc., a Colorado corporation	100% <sup>5</sup>
FRI Ready Mix of Tennessee, LLC, a Florida limited liability company	100% <sup>6</sup>
Granite Canyon Quarry, a Wyoming joint venture	100%
Harding Street Corporation, a Delaware corporation	100%
HSMM LLC, a Delaware limited liability company	100%
Hunt Martin Materials, LLC, a Delaware limited liability company	50% <sup>7</sup>
Martin Bauerly Materials, LLC, a Delaware limited liability company	67% <sup>8</sup>

<sup>1</sup> Alamo Gulf Coast Railroad Company is owned by Martin Marietta Materials Southwest, Inc. (99.5%) and certain individuals (0.5%).

<sup>2</sup> Alamo North Texas Railroad Company is owned by Martin Marietta Materials Southwest, Inc. (99.5%) and certain individuals (0.5%).

<sup>3</sup> American Materials Technologies, LLC is a wholly owned subsidiary of Meridian Aggregates Company, a Limited Partnership.

<sup>4</sup> Martin Marietta Materials, Inc. owns a 50% interest in American Stone Company.

<sup>5</sup> Campbell's C-Ment Contracting, Inc. is a wholly-owned subsidiary of Suburban Acquisition Company.

<sup>6</sup> FRI Ready Mix of Tennessee, LLC is a wholly owned subsidiary of American Materials Technologies, LLC.

<sup>7</sup> Hunt Martin Materials, LLC is owned 45% by Martin Marietta Materials, Inc. and 5% by Martin Marietta Materials of Missouri, Inc., a wholly owned subsidiary of Martin Marietta Materials, Inc.

<sup>8</sup> Martin Bauerly Materials, LLC is owned 67% by Martin Marietta Materials, Inc. and 33% by Knife River Corporation - North Central.

Martin Marietta Composites, Inc., a Delaware corporation	100%
Martin Marietta Employee Relief Foundation, a Delaware Not for Profit corporation	100%
Martin Marietta Magnesia Specialties, LLC, a Delaware limited liability company	100%
Martin Marietta Materials Canada Limited, a Nova Scotia, Canada corporation	100%
Martin Marietta Materials of Alabama, LLC, a Delaware limited liability company	100% <sup>9</sup>
Martin Marietta Materials of Florida, LLC, a Delaware limited liability company	100%
Martin Marietta Materials of Louisiana, Inc., a Delaware corporation	100%
Martin Marietta Materials of Missouri, Inc., a Delaware corporation	100%
Martin Marietta Materials Real Estate Investments, Inc., a Delaware corporation	100%
Martin Marietta Materials Southwest, Inc., a Texas corporation	100%
Material Producers, Inc., an Oklahoma corporation	100% <sup>10</sup>
Meridian Aggregates Company, a Limited Partnership, a Delaware limited partnership	100% <sup>11</sup>
Meridian Aggregates Company Northwest, LLC, a Delaware limited liability company	100% <sup>12</sup>
Meridian Aggregates Company Southwest, LLC, a Delaware limited liability	100% <sup>13</sup>
Meridian Aggregates Investments, LLC, a Delaware limited liability	100% <sup>14</sup>

<sup>9</sup> Martin Marietta Materials of Alabama, LLC is a wholly owned subsidiary of American Aggregates Corporation.

<sup>10</sup> Material Producers, Inc. is a wholly owned subsidiary of Martin Marietta Materials Southwest, Inc.

<sup>11</sup> Meridian Aggregates Company, a Limited Partnership is owned 98% by Meridian Aggregates Investments, LLC. The remaining 2% is owned by Martin Marietta Materials, Inc.

<sup>12</sup> Martin Marietta Materials, Inc. is the sole member of Meridian Aggregates Company Northwest, LLC.

<sup>13</sup> Martin Marietta Materials Southwest, Inc. is the sole member of Meridian Aggregates Company Southwest, LLC.

<sup>14</sup> Meridian Aggregates Investments, LLC is owned 99% by Martin Marietta Materials, Inc. and 1% by Martin Marietta Materials Real Estate Investments, Inc.

company	
Meridian Granite Company, a Delaware corporation	100% <sup>15</sup>
Mid South-Weaver Joint Venture, a North Carolina joint venture	50% <sup>16</sup>
Mid-State Construction & Materials, Inc., an Arkansas corporation	100%
MTD Pipeline LLC, a Delaware limited liability company	50% <sup>17</sup>
Powderly Transportation, Inc., a Delaware corporation	100% <sup>18</sup>
R&S Sand & Gravel, LLC, a Delaware limited liability company	100% <sup>19</sup>
Rocky Mountain Concrete Transportation, Inc., a Delaware corporation	100%
Rocky Mountain Ready Mix Concrete, Inc., a Colorado corporation	100% <sup>20</sup>
Rocky Ridge, Inc., a Nevada corporation	100%
Sha-Neva, LLC, a Nevada limited liability company	100%
Suburban Acquisition Company, a Colorado corporation	100%
Theodore Holding, LLC, a Delaware limited liability company	60.7% <sup>21</sup>
Valley Stone LLC, a Virginia limited liability company	50% <sup>22</sup>

<sup>15</sup> Meridian Granite Company is a wholly owned subsidiary of Meridian Aggregates Company, a Limited Partnership.

<sup>16</sup> Mid South-Weaver Joint Venture is owned 50% by Martin Marietta Materials, Inc.

<sup>17</sup> Martin Marietta Magnesia Specialties, LLC, a wholly owned subsidiary of Martin Marietta Materials, Inc., owns a 50% interest in MTD Pipeline LLC.

<sup>18</sup> Powderly Transportation, Inc. is a wholly owned subsidiary of Meridian Aggregates Company, a Limited Partnership.

<sup>19</sup> Martin Marietta Materials, Inc. is the manager of and owns a 90% interest in R&S Sand & Gravel, LLC. The other 10% is owned by Harding Street Corporation, a wholly owned subsidiary of Martin Marietta Materials, Inc.

<sup>20</sup> Rocky Mountain Ready Mix Concrete, Inc. is a wholly-owned subsidiary of Campbell's C-Ment Contracting, Inc.

<sup>21</sup> Martin Marietta Materials, Inc. is the manager of and owns a 60.7% interest in Theodore Holding, LLC.

<sup>22</sup> Martin Marietta Materials, Inc. is the manager of and owns a 50% interest in Valley Stone LLC.

## CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We consent to the incorporation by reference in this Annual Report (Form 10-K) of Martin Marietta Materials, Inc. of our reports dated February 27, 2012, with respect to the consolidated financial statements of Martin Marietta Materials, Inc., and the effectiveness of internal control over financial reporting of Martin Marietta Materials, Inc., included in the 2011 Annual Report to Shareholders of Martin Marietta Materials, Inc.

Our audits also included the financial statement schedule of Martin Marietta Materials, Inc. listed in Item 15(a). This schedule is the responsibility of Martin Marietta Materials, Inc.'s management. Our responsibility is to express an opinion based on our audits. In our opinion, as to which the date is February 27, 2012, the financial statement schedule referred to above, when considered in relation to the basic financial statements taken as a whole, presents fairly in all material respects the information set forth therein.

We also consent to the incorporation by reference in the following Registration Statements:

- (1) Registration Statement (Form S-8 No. 333-115918) pertaining to the Amended and Restated Martin Marietta Materials, Inc. Common Stock Purchase Plan for Directors, Martin Marietta Materials, Inc. Performance Sharing Plan and the Martin Marietta Materials, Inc. Savings and Investment Plan for Hourly Employees,
- (2) Registration Statement (Form S-8 No. 333-85608) pertaining to the Martin Marietta Materials, Inc. Common Stock Purchase Plan for Directors,
- (3) Registration Statement (Form S-8 No. 33-83516) pertaining to the Martin Marietta Materials, Inc. Omnibus Securities Award Plan, as amended,
- (4) Registration Statement (Form S-8 No. 333-15429) pertaining to the Martin Marietta Materials, Inc. Common Stock Purchase Plan for Directors, Martin Marietta Materials, Inc. Performance Sharing Plan and the Martin Marietta Materials, Inc. Savings and Investment Plan for Hourly Employees,
- (5) Registration Statement (Form S-8 No. 333-79039) pertaining to the Martin Marietta Materials, Inc. Stock-Based Award Plan, as amended,
- (6) Registration Statement (Form S-3 No. 333-157731) and related Prospectuses pertaining to Equity Securities of Martin Marietta Materials, Inc., and
- (7) Registration Statement (Form S-4 No. 333-178432) and related Prospectus of Martin Marietta Materials, Inc. for the registration of shares of its common stock

of our reports dated February 27, 2012, with respect to the consolidated financial statements of Martin Marietta Materials, Inc. and the effectiveness of internal control over financial reporting of Martin Marietta Materials, Inc., incorporated herein by reference, and our report included in the preceding paragraph with respect to the financial statement schedule of Martin Marietta Materials, Inc. included in this Annual Report (Form 10-K) of Martin Marietta Materials, Inc. for the year ended December 31, 2011.

/s/ Ernst & Young LLP

Raleigh, North Carolina  
February 29, 2012

**CERTIFICATION PURSUANT TO SECURITIES AND EXCHANGE ACT OF 1934  
RULE 13a-14 AS ADOPTED PURSUANT TO SECTION 302 OF THE  
SARBANES-OXLEY ACT OF 2002**

**CERTIFICATIONS**

I, C. Howard Nye, certify that:

1. I have reviewed this Form 10-K of Martin Marietta Materials, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the

effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation;  
and

- (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

- (a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
- (b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: February 29, 2012

By: /s/ C. Howard Nye  
C. Howard Nye  
President and Chief Executive Officer

**CERTIFICATION PURSUANT TO SECURITIES AND EXCHANGE ACT OF 1934  
RULE 13a-14 AS ADOPTED PURSUANT TO SECTION 302 OF THE  
SARBANES-OXLEY ACT OF 2002**

**CERTIFICATIONS**

I, Anne H. Lloyd, certify that:

1. I have reviewed this Form 10-K of Martin Marietta Materials, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the

effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation;  
and

- (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

- (a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
- (b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: February 29, 2012

By: /s/ Anne H. Lloyd

Anne H. Lloyd  
Chief Financial Officer

**WRITTEN STATEMENT PURSUANT TO 18 U.S.C. 1350,  
AS ADOPTED PURSUANT TO SECTION 906 OF THE  
SARBANES-OXLEY ACT OF 2002**

In connection with the 2011 Annual Report on Form 10-K (the "Report") of Martin Marietta Materials, Inc. (the "Registrant"), as filed with the Securities and Exchange Commission, I, C. Howard Nye, the Chief Executive Officer of the Registrant, certify that:

- (1) the Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and
- (2) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Registrant.

/s/ C. Howard Nye

C. Howard Nye

Chief Executive Officer

Date: February 29, 2012

A signed original of this written statement required by Section 906 has been provided to Martin Marietta Materials, Inc. and will be retained by Martin Marietta Materials, Inc. and furnished to the Securities and Exchange Commission or its staff upon request.

**WRITTEN STATEMENT PURSUANT TO 18 U.S.C. 1350,  
AS ADOPTED PURSUANT TO SECTION 906 OF THE  
SARBANES-OXLEY ACT OF 2002**

In connection with the 2011 Annual Report on Form 10-K (the "Report") of Martin Marietta Materials, Inc. (the "Registrant"), as filed with the Securities and Exchange Commission, I, Anne H. Lloyd, the Chief Financial Officer of the Registrant, certify that:

- (1) the Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and
- (2) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Registrant.

/s/ Anne H. Lloyd

Anne H. Lloyd

Chief Financial Officer

Date: February 29, 2012

A signed original of this written statement required by Section 906 has been provided to Martin Marietta Materials, Inc. and will be retained by Martin Marietta Materials, Inc. and furnished to the Securities and Exchange Commission or its staff upon request.

**MINE SAFETY DISCLOSURE EXHIBIT**

The operation of the Company's U.S. aggregate quarries and mines is subject to regulation by the federal Mine Safety and Health Administration (MSHA) under the Federal Mine Safety and Health Act of 1977 (the "Mine Act"). MSHA inspects the Company's quarries and mines on a regular basis and issues various citations and orders when it believes a violation has occurred under the Mine Act. Whenever MSHA issues a citation or order, it also generally proposes a civil penalty, or fine, related to the alleged violation. Citations or orders can be contested and appealed, and as part of that process, are often reduced in severity and amount, and are sometimes dismissed.

Under the Dodd-Frank Wall Street Reform and Consumer Protection Act (the Dodd-Frank Act), the Company is required to present information regarding certain mining safety and health citations which MSHA has issued with respect to its aggregates mining operations in its periodic reports filed with the Securities and Exchange Commission (the "SEC"). In evaluating this information, consideration should be given to factors such as: (i) the number of citations and orders will vary depending on the size of the quarry or mine and type of operations (underground or surface), (ii) the number of citations issued will vary from inspector to inspector and location to location, and (iii) citations and orders can be contested and appealed, and in that process, may be reduced in severity and amount, and are sometimes dismissed.

The SEC recently issued final rules and regulations implementing the mine safety disclosure requirements of Section 1503(a) of the Dodd-Frank Act. We have provided information below in response to the rules and regulations of the SEC issued under these provisions of the Dodd-Frank Act. The disclosures reflect U.S. mining operations only, as the requirements of the Dodd-Frank Act and the SEC rules and regulations thereunder do not apply to our quarries and mines operated outside the United States.

The Company presents the following items regarding certain mining safety and health matters for the year ended December 31, 2011 (Appendix 1):

- Total number of violations of mandatory health or safety standards that could significantly and substantially contribute to the cause and effect of a mine safety or health hazard under section 104 of the Mine Act for which the Company received a citation from MSHA (hereinafter, "Section 104 S&S Citations"). If MSHA determines that a violation of a mandatory health or safety standard is reasonably likely to result in a reasonably serious injury or illness under the unique circumstance contributed to by the violation, MSHA will classify the violation as a "significant and substantial" violation (commonly referred to as a "S&S" violation). MSHA inspectors will classify each citation or order written as a "S&S" violation or not.

- Total number of orders issued under section 104(b) of the Mine Act (hereinafter, “Section 104(b) Orders”). These orders are issued for situations in which MSHA determines a previous violation covered by a Section 104(a) citation has not been totally abated within the prescribed time period, so a further order is needed to require the mine operator to immediately withdraw all persons (except certain authorized persons) from the affected area of a quarry or mine.
- Total number of citations and orders for unwarrantable failure of the mine operator to comply with mandatory health or safety standards under Section 104(d) of the Mine Act (hereinafter, “Section 104(d) Citations and Orders”). These violations are similar to those described above, but the standard is that the violation could significantly and substantially contribute to the cause and effect of a safety or health hazard, but the conditions do not cause imminent danger, and the MSHA inspector finds that the violation is caused by an unwarranted failure of the operator to comply with the health and safety standards.
- Total number of flagrant violations under section 110(b)(2) of the Mine Act (hereinafter, “Section 110(b)(2) Violations”). These violations are penalty violations issued if MSHA determines that violations are “flagrant”, for which civil penalties may be assessed. A “flagrant” violation means a reckless or repeated failure to make reasonable efforts to eliminate a known violation of a mandatory health or safety standard that substantially and proximately caused, or reasonably could have been expected to cause, death or serious bodily injury.
- Total number of imminent danger orders issued under section 107(a) of the Mine Act (hereinafter, “Section 107(a) Orders”). These orders are issued for situations in which MSHA determines an imminent danger exists in the quarry or mine and results in orders of immediate withdrawal of all persons (except certain authorized persons) from the area of the quarry or mine affected by its condition until the imminent danger and the underlying conditions causing the imminent danger no longer exist.
- Total Dollar Value of MSHA Assessments Proposed. These are the amounts of proposed assessments issued by MSHA with each citation or order for the time period covered by the report. Penalties are assessed by MSHA according to a formula that considers a number of factors, including the mine operator’s history, size, negligence, gravity of the violation, good faith in trying to correct the violation promptly, and the effect of the penalty on the operator’s ability to continue in business.
- Total Number of Mining-Related Fatalities. Mines subject to the Mine Act are required to report all fatalities occurring at their facilities unless the fatality is determined to be “non-chargeable” to the mining industry. The final rules of the SEC require disclosure of mining-related fatalities at mines subject to the Mine Act. Only fatalities determined by MSHA not to be mining-related may be excluded.
- Receipt of written notice from MSHA of a pattern (or a potential to have such a pattern) of

violations of mandatory health or safety standards that are of such nature as could have significantly and substantially contributed to the cause and effect of other mine health or safety hazards under section 104(e) of the Mine Act. If MSHA determines that a mine has a "pattern" of these types of violations, or the potential to have such a pattern, MSHA is required to notify the mine operator of the existence of such a thing.

- Legal Actions Pending as of the Last Day of Period.
- Legal Actions Initiated During Period.
- Legal Actions Resolved During Period.

The Federal Mine Safety and Health Review Commission (the "Commission") is an independent adjudicative agency that provides administrative trial and appellate review of legal disputes arising under the Mine Act. The cases may involve, among other questions, challenges by operators to citations, orders and penalties they have received from MSHA, or complaints of discrimination by miners under Section 105 of the Mine Act. Appendix 1 shows, for each of the Company's quarries and mines identified, as of December 31, 2011, the number of legal actions pending before the Commission, along with the number of legal actions initiated before the Commission during the year as well as resolved during the year. In addition, Appendix 1 includes a footnote to the column for legal actions before the Commission pending as of the last day of the period, which footnote breaks down that total number of legal actions pending by categories according to the type of proceeding in accordance with various categories established by the Procedural Rules of the Commission.

Appendix 1 attached

Location	MSHA ID	Section 104 S&S Citations (#)	Section 104(b) Orders (#)	Section 104(d) Citations and Orders (#)	Section 110(b)(2) Violations (#)	Section 107(a) Orders (#)	Total Dollar Value of MSHA Assessment/\$ Proposed	Total Number of Mining Related Fatalities (#)	Received Notice of Pattern of Violation Under Section 104(e) (yes/no)	Received Notice of Potential to have Pattern under Section 104(e) (yes/no)	Legal Actions Pending as of Last Day of Period (#)*	Legal Actions Initiated During Period (#)	Legal Actions Resolved During Period (#)
(45) North													
Indianapolis													
SURFACE	1200002	3	0	0	0	0	\$ 884	0	no	no	0	0	0
211 Quarry	4103829	0	0	0	0	0	\$ 100	0	no	no	0	0	0
Alabaster Quarry	103068	0	0	0	0	0	\$ 0	0	no	no	0	0	0
Alden Portable Sand	1302037	0	0	0	0	0	\$ 0	0	no	no	0	0	0
Alden Portable Plant													
1	1302031	0	0	0	0	0	\$ 425	0	no	no	0	0	0
Alden Portable Plant													
2	1302033	2	0	0	0	0	\$ 1,696	0	no	no	3	3	0
Alden Portable Wash	1302122	0	0	0	0	0	\$ 0	0	no	no	0	0	0
Alden Quarry	1300228	0	0	0	0	0	\$ 0	0	no	no	0	0	0
Alden Shop	1302320	0	0	0	0	0	\$ 100	0	no	no	0	0	0
American Stone													
Quarry	3100189	0	0	0	0	0	\$ 0	0	no	no	0	0	0
Ames Mine	1300014	13	0	1	0	0	\$ 50,405	0	no	no	0	4	9
Anderson Creek	4402963	1	0	0	0	0	\$ 290	0	no	no	0	1	1
Apple Grove	3301676	1	0	0	0	0	\$ 5,896	0	no	no	0	0	0
Appleton/Perryville**	2300070	0	0	0	0	0	\$ 0	0	no	no	0	0	0
Appling Quarry	901083	0	0	0	0	0	\$ 0	0	no	no	0	0	0
Arrowood	3100059	0	0	0	0	0	\$ 1,136	0	no	no	0	0	0
Asheboro Quarry	3100066	6	0	0	0	0	\$ 390	0	no	no	0	0	0
Auburn, Al Quarry	100006	2	0	1	0	0	\$ 512	0	no	no	2	2	0
Auburn, GA Quarry	900436	2	0	0	0	0	\$ 552	0	no	no	0	0	0
Augusta Quarry-GA	900065	6	0	0	0	0	\$ 24,087	0	no	no	6	7	1
Augusta Quarry-KS	1400126	2	0	0	0	0	\$ 761	0	no	no	0	0	0
Bakers	3100071	5	0	0	0	0	\$ 669	0	no	no	0	0	0
Beaver Lake Quarry	4503347	0	0	0	0	0	\$ 208	0	no	no	0	0	0
Beckman Quarry	4101335	1	0	0	0	0	\$ 508	0	no	no	0	0	0
Bedrock Plant	4103283	1	0	0	0	0	\$ 276	0	no	no	0	0	0
Belgrade Quarry	3100064	0	0	0	0	0	\$ 200	0	no	no	0	0	0

Location	MSHA ID	Section 104 S&S Citations (#)	Section 104(b) Orders (#)	Section 104(d) Citations and Orders (#)	Section 110(b)(2) Violations (#)	Section 107(a) Orders (#)	Total Dollar Value of MSHA Assessment/\$ Proposed	Total Number of Mining Related Fatalities (#)	Received Notice of Pattern of Violation Under Section 104(e) (yes/no)	Received Notice of Potential to have Pattern under Section 104(e) (yes/no)	Legal Actions Pending as of Last Day of Period (#)*	Legal Actions Initiated During Period (#)	Legal Actions Resolved During Period (#)
Belmont Sand	1201911	0	0	0	0	0	\$ 0	0	no	no	0	0	0
Benson Quarry	3101979	0	0	0	0	0	\$ 338	0	no	no	0	0	0
Berkeley Quarry	3800072	1	0	0	0	0	\$ 1,077	0	no	no	0	0	0
Bessemer City	3101105	2	0	0	0	0	\$ 650	0	no	no	0	0	0
Big Springs	1400184	0	0	0	0	0	\$ 0	0	no	no	0	0	0
Birmingham Shop	102096	0	0	0	0	0	\$ 0	0	no	no	0	0	0
Black Ankle													
Quarry	3102220	0	0	0	0	0	\$ 0	0	no	no	0	0	0
Black Rock Quarry	300011	0	0	0	0	0	\$ 200	0	no	no	0	0	0
Black Spur Quarry	4104159	0	0	0	0	0	\$ 334	0	no	no	0	0	0
Blake Quarry	1401584	3	0	0	0	0	\$ 2,038	0	no	no	3	3	0
Blue Rock	3300016	0	0	0	0	0	\$ 0	0	no	no	0	0	0
Bonds	3101963	0	0	0	0	0	\$ 300	0	no	no	0	0	0
Boonsboro	1800024	0	0	0	0	0	\$ 900	0	no	no	0	1	1
Broken Bow													
SandG	3400460	3	0	0	0	0	\$ 1,098	0	no	no	0	0	0
Burlington Quarry	3100042	1	0	0	0	0	\$ 390	0	no	no	0	0	0
Burning Springs	4608862	0	0	0	0	0	\$ 408	0	no	no	4	0	2
Cabbage Grove													
Quarry	800008	0	0	0	0	0	\$ 0	0	no	no	0	0	0
Caldwell Quarry	3101869	0	0	0	0	0	\$ 100	0	no	no	0	0	0
Camak Quarry	900075	3	0	0	0	0	\$ 4,048	0	no	no	4	4	0
Carmel Church													
Quarry	4405633	0	0	0	0	0	\$ 0	0	no	no	0	0	0
Carmel SandG	1202124	0	0	0	0	0	\$ 200	0	no	no	0	0	0
Castle Hayne													
Quarry	3100063	2	0	0	0	0	\$ 2,706	0	no	no	4	4	0
Cayce Quarry	3800016	0	0	0	0	0	\$ 300	0	no	no	0	0	0
Cedar Rapids													
Quarry	1300122	0	0	0	0	0	\$ 0	0	no	no	0	0	0
Cedarville	3304072	0	0	0	0	0	\$ 300	0	no	no	0	0	0
Central Rock													
Quarry	3100050	0	0	0	0	0	\$ 445	0	no	no	1	1	1

Location	MSHA ID	Section 104 S&S Citations (#)	Section 104(b) Orders (#)	Section 104(d) Citations and Orders (#)	Section 110(b)(2) Violations (#)	Section 107(a) Orders (#)	Total Dollar Value of MSHA Assessment/\$ Proposed	Total Number of Mining Related Fatalities (#)	Received Notice of Pattern of Violation Under Section 104(e) (yes/no)	Received Notice of Potential to have Pattern under Section 104(e) (yes/no)	Legal Actions Pending as of Last Day of Period (#)*	Legal Actions Initiated During Period (#)	Legal Actions Resolved During Period (#)
Charlotte	3100057	2	0	0	0	0	\$ 1,192	0	no	no	0	0	0
Chattanooga													
Quarry	4003159	1	0	0	0	0	\$ 200	0	no	no	2	0	0
Chesterfield													
Quarry	3800682	1	0	0	0	0	\$ 1,445	0	no	no	0	0	0
Chico	4103360	0	0	0	0	0	\$ 100	0	no	no	0	0	0
Clarks Quarry	3102009	0	0	0	0	0	\$ 0	0	no	no	0	0	1
Clinton County	3304546	0	0	0	0	0	\$ 0	0	no	no	0	0	0
Cloverdale	1201744	1	0	0	0	0	\$ 363	0	no	no	1	1	0
Cobey	4104140	0	0	0	0	0	\$ 200	0	no	no	0	0	0
Colfax Sand and													
Gravel	1300814	0	0	0	0	0	\$ 0	0	no	no	0	0	0
Cook Road	3304534	0	0	0	0	0	\$ 100	0	no	no	0	0	0
Cumberland													
Quarry	3102237	0	0	0	0	0	\$ 0	0	no	no	0	0	0
Davis	3401299	2	0	0	0	0	\$ 2,156	0	no	no	0	0	0
Denham Springs													
Gravel	1601352	0	0	0	0	0	\$ 0	0	no	no	0	0	0
Denver	3101971	0	0	0	0	0	\$ 254	0	no	no	0	0	0
Des Moines													
Portable	1300150	1	0	0	0	0	\$ 645	0	no	no	0	0	0
Doswell	4400045	0	0	0	0	0	\$ 1,034	0	no	no	0	0	1
Dredge Lucas	4603800	0	0	0	0	0	\$ 0	0	no	no	0	0	0
Dubois Quarry	2501046	1	0	0	0	0	\$ 872	0	no	no	0	0	0
Durham Mine	1301225	9	0	0	0	0	\$ 32,432	0	no	no	0	2	2
Earlham Quarry	1302123	0	0	0	0	0	\$ 527	0	no	no	0	0	0
East Alamance	3102021	0	0	0	0	0	\$ 0	0	no	no	0	0	0
E-Town SandG	3304279	0	0	0	0	0	\$ 317	0	no	no	0	1	1
Fairborn Gravel	3301388	0	0	0	0	0	\$ 400	0	no	no	0	0	0
Fairfield	3301396	0	0	0	0	0	\$ 200	0	no	no	0	0	0
Ferguson Quarry	1300124	0	0	0	0	0	\$ 0	0	no	no	0	0	0
Forsyth Quarry	901035	0	0	0	0	0	\$ 100	0	no	no	0	0	0

Location	MSHA ID	Section 104 S&S Citations (#)	Section 104(b) Orders (#)	Section 104(d) Citations and Orders (#)	Section 110(b)(2) Violations (#)	Section 107(a) Orders (#)	Total Dollar Value of MSHA Assessment/\$ Proposed	Total Number of Mining Related Fatalities (#)	Received Notice of Pattern of Violation Under Section 104(e) (yes/no)	Received Notice of Potential to have Pattern under Section 104(e) (yes/no)	Legal Actions Pending as of Last Day of Period (#)*	Legal Actions Initiated During Period (#)	Legal Actions Resolved During Period (#)
Fort Calhoun	2500006	1	0	0	0	0	\$ 8,486	0	no	no	0	0	0
Fort Dodge Mine	1300032	4	0	0	0	0	\$ 8,820	0	no	no	2	3	1
Fountain Quarry	3100065	1	0	0	0	0	\$ 1,667	0	no	no	0	0	0
Franklin Gravel	3302940	0	0	0	0	0	\$ 0	0	no	no	0	0	0
Franklin Quarry	3102130	1	0	0	0	0	\$ 676	0	no	no	0	0	0
Fredonia Quarry**	1500022	1	0	0	0	0	\$ 100	0	no	no	1	0	3
Fuquay Quarry	3102055	0	0	0	0	0	\$ 0	0	no	no	0	0	0
Garner Quarry	3100072	3	0	0	0	0	\$ 3,552	0	no	no	1	1	0
Garwood	4102886	0	0	0	0	0	\$ 338	0	no	no	0	0	0
Georgetown II	3800525	2	0	0	0	0	\$ 176	0	no	no	0	0	0
Granite Canyon Quarry	4800018	3	0	0	0	0	\$ 950	0	no	no	0	0	4
Greenwood	2300141	1	0	0	0	0	\$ 407	0	no	no	1	1	1
Guernsey	4800004	9	0	0	0	0	\$ 5,351	0	no	no	0	0	0
Hamilton Gravel	3301394	0	0	0	0	0	\$ 0	0	no	no	0	0	0
Harrison	3301395	0	0	0	0	0	\$ 0	0	no	no	0	0	0
Hatton Quarry	301614	0	0	0	0	0	\$ 100	0	no	no	0	0	0
Helotes	4103137	0	0	0	0	0	\$ 300	0	no	no	0	0	0
Hickory Quarry	3100043	2	0	0	0	0	\$ 514	0	no	no	0	0	0
Hicone Quarry	3102088	0	0	0	0	0	\$ 0	0	no	no	0	0	0
Hondo	4104708	0	0	0	0	0	\$ 200	0	no	no	0	0	0
Hondo-1	4104090	0	0	0	0	0	\$ 100	0	no	no	0	0	0
Hugo	3400061	0	0	0	0	0	\$ 300	0	no	no	0	0	0
Hwy 10 Quarry	2300925	0	0	0	0	0	\$ 0	0	no	no	0	0	0
Idabel	3400507	0	0	0	0	0	\$ 0	0	no	no	0	0	0
Iowa Grading	1302316	0	0	0	0	0	\$ 0	0	no	no	0	0	0
Iowa Grading 26810	1302126	0	0	0	0	0	\$ 0	0	no	no	0	0	0

Location	MSHA ID	Section 104 S&S Citations (#)	Section 104(b) Orders (#)	Section 104(d) Citations and Orders (#)	Section 110(b)(2) Violations (#)	Section 107(a) Orders (#)	Total Dollar Value of MSHA Assessment/\$ Proposed	Total Number of Mining Related Fatalities (#)	Received Notice of Pattern of Violation Under Section 104(e) (yes/no)	Received Notice of Potential to have Pattern under Section 104(e) (yes/no)	Legal Actions Pending as of Last Day of Period (#)*	Legal Actions Initiated During Period (#)	Legal Actions Resolved During Period (#)
Jamestown Quarry	3100051	1	0	0	0	0	\$ 1,261	0	no	no	0	0	0
Jefferson Quarry	901106	1	0	0	0	0	\$ 634	0	no	no	0	0	0
Jones Mill Quarry	301586	0	0	0	0	0	\$ 100	0	no	no	0	0	0
Junction City Quarry	901029	0	0	0	0	0	\$ 100	0	no	no	0	0	0
Kannapolis	3100070	0	0	0	0	0	\$ 0	0	no	no	0	0	0
Kansas Portable	1401659	0	0	0	0	0	\$ 0	0	no	no	0	0	0
Kaskaskia Mine**	1100213	0	0	0	0	0	\$ 0	0	no	no	0	0	0
Kentucky Ave Mine	1201762	3	0	0	0	0	\$ 1,255	0	no	no	0	0	1
Kings Mountain	3100047	0	0	0	0	0	\$ 200	0	no	no	0	0	0
Kokomo Mine	1202105	0	0	0	0	0	\$ 200	0	no	no	0	0	0
Kokomo Sand	1202203	0	0	0	0	0	\$ 0	0	no	no	0	0	0
Kokomo Stone	1200142	0	0	0	0	0	\$ 300	0	no	no	0	0	0
LeGrand Portable	1302317	0	0	0	0	0	\$ 0	0	no	no	0	0	0
Lemon Springs Quarry	3101104	4	0	0	0	0	\$ 9,576	0	no	no	5	5	0
Linn County Sand	1302208	0	0	0	0	0	\$ 0	0	no	no	0	0	0
Loamy Sand & Gravel	3800721	0	0	0	0	0	\$ 217	0	no	no	0	0	0
Lynchburg Quarry	3304281	0	0	0	0	0	\$ 0	0	no	no	0	0	0
Maiden Quarry	3102125	0	0	0	0	0	\$ 300	0	no	no	0	0	0
Malcom Mine	1300112	5	0	0	0	0	\$ 919	0	no	no	0	1	1
Mallard Creek	3102006	0	0	0	0	0	\$ 100	0	no	no	0	0	0
Marshalltown Sand	1300718	1	0	0	0	0	\$ 250	0	no	no	0	0	0
Matthews	3102084	0	0	0	0	0	\$ 100	0	no	no	0	0	0
Maylene Quarry	100634	0	0	0	0	0	\$ 654	0	no	no	0	0	0
Midlothian	4403767	1	0	0	0	0	\$ 138	0	no	no	0	0	0
Milford	4202177	5	0	0	0	0	\$ 3,086	0	no	no	0	0	0
Mill Creek	3401285	1	0	0	0	0	\$ 1,523	0	no	no	0	0	0

Location	MSHA ID	Section 104 S&S Citations (#)	Section 104(b) Orders (#)	Section 104(d) Citations and Orders (#)	Section 110(b)(2) Violations (#)	Section 107(a) Orders (#)	Total Dollar Value of MSHA Assessment/\$ Proposed	Total Number of Mining Related Fatalities (#)	Received Notice of Pattern of Violation Under Section 104(e) (yes/no)	Received Notice of Potential to have Pattern under Section 104(e) (yes/no)	Legal Actions Pending as of Last Day of Period (#)*	Legal Actions Initiated During Period (#)	Legal Actions Resolved During Period (#)
Moore Quarry	1302188	0	0	0	0	0	\$ 1,150	0	no	no	0	0	0
Mustang Quarry	2602484	0	0	0	0	0	\$ 0	0	no	no	0	0	0
New Braunfels Quarry	4104264	2	0	1	0	0	\$ 3,157	0	no	no	2	2	0
New Harvey Sand	1301778	1	0	0	0	0	\$ 150	0	no	no	0	0	0
Noblesville SandG	1201994	0	0	0	0	0	\$ 0	0	no	no	0	0	0
Noblesville Stone	1202176	1	0	0	0	0	\$ 5,707	0	no	no	1	1	1
North Columbia Quarry	3800146	0	0	0	0	0	\$ 0	0	no	no	0	0	0
North Indianapolis	1201993	1	0	0	0	0	\$ 2,189	0	no	no	0	0	0
North Marion Quarry	1401506	0	0	0	0	0	\$ 0	0	no	no	0	0	0
North Troy	3401905	0	0	0	0	0	\$ 0	0	no	no	0	0	0
Ohio Recycle	3304394	0	0	0	0	0	\$ 0	0	no	no	0	0	0
Ohio Stripping	N354	0	0	0	0	0	\$ 0	0	no	no	0	0	0
O'Neal	103076	0	0	0	0	0	\$ 100	0	no	no	0	0	0
Onslow Quarry	3102120	0	0	0	0	0	\$ 138	0	no	no	0	0	0
Ottawa Quarry	1401590	0	0	0	0	0	\$ 1,045	0	no	no	0	0	0
Pacific Quarry	4500844	0	0	0	0	0	\$ 1,482	0	no	no	0	0	0
Parkville Mine	2301883	3	0	0	0	0	\$ 1,397	0	no	no	1	1	0
Paulding Quarry	901107	1	0	0	0	0	\$ 393	0	no	no	0	0	0
Peculiar Mine	2300765	0	0	0	0	0	\$ 0	0	no	no	0	0	0
Pederson Quarry	1302192	3	0	0	0	0	\$ 1,028	0	no	no	0	0	0
Perry Quarry	801083	0	0	0	0	0	\$ 0	0	no	no	0	0	2
Perryville Quarry**	2301413	0	0	0	0	0	\$ 100	0	no	no	0	0	0
Petersburg	1516895	0	0	0	0	0	\$ 612	0	no	no	0	0	0
Phillipsburg	3300006	0	0	0	0	0	\$ 200	0	no	no	0	0	0
Pinesburg	1800021	1	0	0	0	0	\$ 1,273	0	no	no	1	0	0
Pomona Quarry	3100052	1	0	0	0	0	\$ 925	0	no	no	0	0	1

Location	MSHA ID	Section 104 S&S Citations (#)	Section 104(b) Orders (#)	Section 104(d) Citations and Orders (#)	Section 110(b)(2) Violations (#)	Section 107(a) Orders (#)	Total Dollar Value of MSHA Assessment/\$ Proposed	Total Number of Mining Related Fatalities (#)	Received Notice of Pattern of Violation Under Section 104(e) (yes/no)	Received Notice of Potential to have Pattern under Section 104(e) (yes/no)	Legal Actions Pending as of Last Day of Period (#)*	Legal Actions Initiated During Period (#)	Legal Actions Resolved During Period (#)
Portable Crushing	4104204	1	0	0	0	0	\$ 785	0	no	no	0	0	3
Poteet (Sand Plant)	4101342	0	0	0	0	0	\$ 100	0	no	no	2	0	1
Raccoon River													
Sand	1302315	0	0	0	0	0	\$ 200	0	no	no	0	0	0
Raleigh Durham													
Quarry	3101941	1	0	0	0	0	\$ 787	0	no	no	1	1	1
Randolph Deep													
Mine	2302308	2	0	0	0	0	\$ 869	0	no	no	1	1	1
Recycling 801	1202198	0	0	0	0	0	\$ 0	0	no	no	0	0	0
Recycling 802	1202199	0	0	0	0	0	\$ 0	0	no	no	0	0	0
Red Hill	4400072	0	0	0	0	0	\$ 300	0	no	no	0	0	0
Red Oak Quarry	900069	0	0	0	0	0	\$ 576	0	no	no	0	0	0
Reidsville Quarry	3100068	0	0	0	0	0	\$ 108	0	no	no	0	0	0
Rio Medina	4103594	0	0	0	0	0	\$ 200	0	no	no	0	0	0
River Portable**	1103052	0	0	0	0	0	\$ 0	0	no	no	0	0	0
Rock Hill	3800026	0	0	0	0	0	\$ 2,282	0	no	no	0	0	0
Rock Springs													
Quarry	4700053	0	0	0	0	0	\$ 0	0	no	no	0	0	0
Rocky Point													
Quarry	3101956	6	0	2	0	0	\$ 10,214	0	no	no	1	1	0
Rocky River	3102033	0	0	0	0	0	\$ 100	0	no	no	0	0	0
Rosiclare Quarry**	1100009	0	0	0	0	0	\$ 138	0	no	no	0	0	1
Ross Gravel	3301587	0	0	0	0	0	\$ 0	0	no	no	0	0	0
R-S Sand and													
Gravel	2200381	1	0	0	0	0	\$ 463	0	no	no	0	0	1
Ruby Quarry	900074	0	0	0	0	0	\$ 0	0	no	no	0	0	0
S.T. Porter Pit	4102673	0	0	0	0	0	\$ 0	0	no	no	0	0	0
Salem Stone													
Company	3102038	1	0	0	0	0	\$ 263	0	no	no	0	0	0
Salisbury Shop	3101235	0	0	0	0	0	\$ 200	0	no	no	0	0	0
San Pedro Quarry	4101337	0	0	0	0	0	\$ 0	0	no	no	0	0	2
Sawyer	3401634	0	0	0	0	0	\$ 700	0	no	no	0	0	0
Saylorville Sand	1302290	0	0	0	0	0	\$ 0	0	no	no	0	0	0

Location	MSHA ID	Section 104 S&S Citations (#)	Section 104(b) Orders (#)	Section 104(d) Citations and Orders (#)	Section 110(b)(2) Violations (#)	Section 107(a) Orders (#)	Total Dollar Value of MSHA Assessment/\$ Proposed	Total Number of Mining Related Fatalities (#)	Received Notice of Pattern of Violation Under Section 104(e) (yes/no)	Received Notice of Potential to have Pattern under Section 104(e) (yes/no)	Legal Actions Pending as of Last Day of Period (#)*	Legal Actions Initiated During Period (#)	Legal Actions Resolved During Period (#)
Shorter Sand and													
Gravel	102852	0	0	0	0	0	\$ 100	0	no	no	0	0	0
Siler City Quarry	3100044	0	0	0	0	0	\$ 0	0	no	no	0	0	0
Six Mile Quarry	901144	0	0	0	0	0	\$ 100	0	no	no	0	0	0
Snyder	3401651	1	0	0	0	0	\$ 407	0	no	no	2	2	0
Spanish Springs													
Quarry	2600803	5	0	0	0	0	\$ 8,697	0	no	no	1	1	1
Springfield Quarry	2501103	0	0	0	0	0	\$ 0	0	no	no	0	0	0
St Cloud Quarry	2100081	0	0	0	0	0	\$ 100	0	no	no	0	0	0
Stamper Mine	2302232	6	0	0	0	0	\$ 2,869	0	no	no	0	0	0
Statesville Quarry	3100055	0	0	0	0	0	\$ 0	0	no	no	0	0	0
Sully Mine	1300063	1	0	0	0	0	\$ 5,518	0	no	no	0	1	1
Sunflower	1401556	0	0	0	0	0	\$ 300	0	no	no	1	1	1
Table Mountain													
Quarry	404847	0	0	0	0	0	\$ 0	0	no	no	0	0	0
Thomasville													
Quarry	3101475	0	0	0	0	0	\$ 0	0	no	no	0	0	0
Three Rivers													
Quarry**	1500100	6	0	0	0	0	\$ 23,255	0	no	no	11	0	1
Troy	3401581	0	0	0	0	0	\$ 0	0	no	no	0	0	0
Troy Gravel	3301678	0	0	0	0	0	\$ 0	0	no	no	0	0	0
Tyrone Quarry	900306	0	0	0	0	0	\$ 227	0	no	no	0	0	0
Vance Quarry	103022	0	0	0	0	0	\$ 0	0	no	no	1	1	1
W. Des Moines S	1300932	0	0	0	0	0	\$ 100	0	no	no	0	0	0
Warrenton Quarry	900580	0	0	0	0	0	\$ 138	0	no	no	1	1	3
Waverly Sand	1202038	0	0	0	0	0	\$ 0	0	no	no	0	0	0
Weeping Water													
Mine	2500998	16	0	0	0	0	\$ 32,234	0	no	no	3	2	1
Willis	3401949	0	0	0	0	0	\$ 0	0	no	no	0	0	0
Wilson Quarry	3102230	1	0	0	0	0	\$ 599	0	no	no	0	0	0
Woodbine Quarry	1400085	0	0	0	0	0	\$ 0	0	no	no	0	0	0
Woodleaf Quarry	3100069	0	0	0	0	0	\$ 0	0	no	no	0	0	1

Location	MSHA ID	Section 104 S&S Citations (#)	Section 104(b) Orders (#)	Section 104(d) Citations and Orders (#)	Section 110(b)(2) Violations (#)	Section 107(a) Orders (#)	Total Dollar Value of MSHA Assessment/\$ Proposed	Total Number of Mining Related Fatalities (#)	Received Notice of Pattern of Violation Under Section 104(e) (yes/no)	Received Notice of Potential to have Pattern under Section 104(e) (yes/no)	Legal Actions Pending as of Last Day of Period (#)*	Legal Actions Initiated During Period (#)	Legal Actions Resolved During Period (#)
Woodville	3300156	5	0	0	0	0	\$ 10,566	0	no	no	0	0	0
Xenia	3301393	0	0	0	0	0	\$ 300	0	no	no	0	0	0
Yellow Medicine Quarry	2100033	0	0	0	0	0	\$ 100	0	no	no	0	0	0
Port. Plant # 1 (Idle)***	504359	0	0	0	0	0	\$ 0	0	no	no	0	0	0
Port. Plant #2 Riverbend Rec.***	504360	0	0	0	0	0	\$ 0	0	no	no	0	0	0
Port. Plant #3 (Idle)***	504361	0	0	0	0	0	\$ 0	0	no	no	0	0	0
Port. Plant #4 Gypsum Wash***	504320	0	0	0	0	0	\$ 0	0	no	no	0	0	0
Port. Plant #6 35th Ave. Crush***	503215	1	0	0	0	0	\$ 162	0	no	no	0	0	0
Port. Plant #10***	503984	0	0	0	0	0	\$ 0	0	no	no	0	0	0
Port. Plant #11 Gypsum Crush***	504059	0	0	0	0	0	\$ 0	0	no	no	0	0	0
Port. Plant #12 Treiber,Warson Crush***	504526	1	0	0	0	0	\$ 0	0	no	no	0	0	0
Port. Plant #14 35th Ave. Wash***	504613	0	0	0	0	0	\$ 100	0	no	no	0	0	0
Port. Plant #15 Mamm Creek***	504647	1	0	0	0	0	\$ 2,170	0	no	no	0	0	0
Port. Plant #17 Treiber, Warson Wash***	504735	0	0	0	0	0	\$ 0	0	no	no	0	0	0
Port. Plant # 18 Gordon Recycle***	501057	0	0	0	0	0	\$ 0	0	no	no	0	0	0
Port. Plant #19 Powers Wash***	504832	0	0	0	0	0	\$ 0	0	no	no	0	0	0
Port. Plant # 20 Powers Crush***	504531	0	0	0	0	0	\$ 0	0	no	no	0	0	0
Port. Plant # 21 Santa Ana Crush***	504520	0	0	0	0	0	\$ 0	0	no	no	0	0	0
Cottonwood Sand & Gravel***	504418	0	0	0	0	0	\$ 200	0	no	no	0	0	0
Riverbend Sand & Gravel***	504841	0	0	0	0	0	\$ 0	0	no	no	0	0	0

Location	MSHA ID	Section 104 S&S Citations (#)	Section 104(b) Orders (#)	Section 104(d) Citations and Orders (#)	Section 110(b)(2) Violations (#)	Section 107(a) Orders (#)	Total Dollar Value of MSHA Assessment/\$ Proposed	Total Number of Mining Related Fatalities (#)	Received Notice of Pattern of Violation Under Section 104(e) (yes/no)	Received Notice of Potential to have Pattern under Section 104(e) (yes/no)	Legal Actions Pending as of Last Day of Period (#)*	Legal Actions Initiated During Period (#)	Legal Actions Resolved During Period (#)
Spec Agg Sand & Gravel***	500860	0	0	0	0	0	\$ 0	0	no	no	0	0	0
Fountain Sand & Gravel***	503821	0	0	0	0	0	\$ 200	0	no	no	0	0	0
<b>Totals</b>		<b>198</b>	<b>0</b>	<b>5</b>	<b>0</b>	<b>0</b>	<b>\$ 328,187</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>70</b>	<b>61</b>	<b>55</b>

\* Of the 70 legal actions pending on December 31, 2011, 21 were contests of citations or orders referenced in Subpart B of CFR Part 2700, which includes contests of citations and orders issued under Section 104 of the Mine Act and contests of imminent danger orders under Section 107 of the Mine Act, 48 were contests of proposed penalties referenced in Subpart C of 29 CFR Part 2700, which are administrative proceedings before the Commission challenging a civil penalty that MSHA has proposed for the violation contained in a citation or order, and one was a complaint of discharge, discrimination or interference referenced in Subpart E of 29 CFR Part 2700, which is a complaint under Section 105 of the Mine Act by a worker involving discrimination proceedings and relating proceedings.

\*\* Sites disposed of by the Company on December 9, 2011 as part of divesting the River District Operations. Represents citations, orders, violations, assessments, etc. with respect to the period of ownership by the Company from January 1, 2011 through December 9, 2011.

\*\*\* Sites acquired by the Company effective December 10, 2011 as part of the asset swap with Lafarge. Represents citations, orders, violations, assessments, etc. with respect to both the period of ownership by Lafarge from January 1, 2011 through December 9, 2011 and the period of ownership by the Company from December 10, 2011 through December 31, 2011.