MARTIN MARIETTA MATERIALS INC
Form 10-Q
May 05, 2015

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 10-Q

(Mark One)

x QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the quarterly period ended March 31, 2015

OR

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

Commission File Number 1-12744

MARTIN MARIETTA MATERIALS, INC.

(Exact name of registrant as specified in its charter)

North Carolina	56-1848578
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification Number)

2710 Wycliff Road, Raleigh, NC	27607-3033
(Address of principal executive offices)	(Zip Code)

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

Former name: None

Former name, former address and former fiscal year, if changes since last report.

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes þ No o

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

Yes þ No o

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

Large accelerated filer þ	Accelerated filer o
Non-accelerated filer o	Smaller reporting company o

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes o No þ

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

Class	Outstanding as of May 1, 2015
Common Stock, $0.01 par value	67,481,231

MARTIN MARIETTA MATERIALS, INC. AND CONSOLIDATED SUBSIDIARIES

FORM 10-Q

For the Quarter Ended March 31, 2015

PART I. FINANCIAL INFORMATION
Item 1. Financial Statements.

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

	March 31, 2015 (Unaudited)	December 31, 2014 (Audited)	March 31, 2014 (Unaudited)
	(Dollars in Thousands, Except Per Share Data)		
ASSETS			
Current Assets:			
Cash and cash equivalents	$56,366	$108,651	$35,801
Accounts receivable, net	381,389	421,001	242,587
Inventories, net	505,047	484,919	354,718
Current deferred income tax benefits	235,367	244,638	73,320
Other current assets	103,560	29,607	51,788
Total Current Assets	1,281,729	1,288,816	758,214
Property, plant and equipment	5,694,546	5,691,676	4,001,505
Allowances for depreciation, depletion and amortization	(2,329,440)	(2,288,906)	(2,207,969)
Net property, plant and equipment	3,365,106	3,402,770	1,793,536
Goodwill	2,071,471	2,068,799	616,621
Operating permits, net	497,841	499,487	16,935
Other intangibles, net	94,113	95,718	30,808
Other noncurrent assets	107,386	108,802	39,143
Total Assets	$7,417,646	$7,464,392	$3,255,257
LIABILITIES AND EQUITY			
Current Liabilities:			
Bank overdraft	$—	$183	$—
Accounts payable	184,066	202,476	98,775
Accrued salaries, benefits and payroll taxes	23,590	36,576	12,904
Pension and postretirement benefits	6,637	6,953	2,356
Accrued insurance and other taxes	58,742	58,356	27,265
Current maturities of long-term debt and short-term facilities	14,406	14,336	12,403
Accrued interest	22,461	16,136	18,077
Other current liabilities	33,653	61,632	21,978
Total Current Liabilities	343,555	396,648	193,758
Long-term debt	1,566,617	1,571,059	1,055,541
Pension, postretirement and postemployment benefits	252,923	249,333	80,457
Noncurrent deferred income taxes	753,727	734,583	272,346
Other noncurrent liabilities	158,641	160,021	108,862
Total Liabilities	3,075,463	3,111,644	1,710,964
Equity:			

Common stock, par value $0.01 per share	673	671	462
Preferred stock, par value $0.01 per share	—	—	—
Additional paid-in capital	3,255,809	3,243,619	442,551
Accumulated other comprehensive loss	(106,723)	(106,159)	(42,744)
Retained earnings	1,190,807	1,213,035	1,108,516
Total Shareholders' Equity	4,340,566	4,351,166	1,508,785
Noncontrolling interests	1,617	1,582	35,508
Total Equity	4,342,183	4,352,748	1,544,293
Total Liabilities and Equity	$7,417,646	$7,464,392	$3,255,257

See accompanying notes to the consolidated financial statements.

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

	Three Months Ended March 31,	
	2015	2014
	(In Thousands, Except Per Share Data) (Unaudited)	
Net Sales	$631,876	$379,678
Freight and delivery revenues	59,471	48,951
Total revenues	691,347	428,629
Cost of sales	557,615	353,843
Freight and delivery costs	59,471	48,951
Total cost of revenues	617,086	402,794
Gross Profit	74,261	25,835
Selling, general & administrative expenses	49,450	34,247
Acquisition-related expenses, net	1,604	9,512
Other operating income, net	(2,364)	(2,026)
Earnings (Loss) from Operations	25,571	(15,898)
Interest expense	19,331	12,201
Other nonoperating expenses, net	893	3,463
Earnings (Loss) from continuing operations before taxes on income	5,347	(31,562)
Income tax benefit	(812)	(8,424)
Earnings (Loss) from Continuing Operations	6,159	(23,138)
Loss on discontinued operations, net of related tax benefit of $1	—	(15)
Consolidated net earnings (loss)	6,159	(23,153)
Less: Net earnings (loss) attributable to noncontrolling interests	33	(1,535)
Net Earnings (Loss) Attributable to Martin Marietta Materials, Inc.	$6,126	$(21,618)
Net Earnings (Loss) Attributable to Martin Marietta Materials, Inc.:		
Earnings (Loss) from continuing operations	$6,126	$(21,603)
Loss from discontinued operations	—	(15)
	$6,126	$(21,618)
Consolidated Comprehensive Earnings (Loss): (See Note 1)		
Earnings (Loss) attributable to Martin Marietta Materials, Inc.	$5,562	$(20,248)
Earnings (Loss) attributable to noncontrolling interests	35	(1,534)
	$5,597	$(21,782)
Net Earnings (Loss) Attributable to Martin Marietta Materials, Inc. Per Common Share:		
Basic from continuing operations attributable to common shareholders	$0.07	$(0.47)
Discontinued operations attributable to common shareholders	—	—
	$0.07	$(0.47)

Diluted from continuing operations attributable to common shareholders	$0.07	$(0.47)
Discontinued operations attributable to common shareholders	—	—
	$0.07	$(0.47)
Weighted-Average Common Shares Outstanding:		
Basic	67,411	46,315
Diluted	67,676	46,315
Cash Dividends Per Common Share	$0.40	$0.40

See accompanying notes to the consolidated financial statements.

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

	Three Months Ended March 31,	
	2015	2014
	(Dollars in Thousands) (Unaudited)	
Cash Flows from Operating Activities:		
Consolidated net earnings (loss)	$6,159	$(23,153)
Adjustments to reconcile consolidated net earnings (loss) to net cash provided by operating activities:		
Depreciation, depletion and amortization	67,268	42,466
Stock-based compensation expense	2,907	1,409
Gains on divestitures and sales of assets	(1,576)	(1,106)
Deferred income taxes	27,774	(5,063)
Excess tax benefits from stock-based compensation transactions	(109)	(636)
Other items, net	1,192	1,223
Changes in operating assets and liabilities, net of effects of acquisitions and divestitures:		
Accounts receivable, net	40,006	2,834
Inventories, net	(19,071)	(7,411)
Accounts payable	(20,328)	(4,825)
Other assets and liabilities, net	(69,097)	874
Net Cash Provided by Operating Activities	35,125	6,612
Cash Flows from Investing Activities:		
Additions to property, plant and equipment	(56,085)	(36,913)
Acquisitions, net	(10,589)	(50)
Proceeds from divestitures and sales of assets	1,475	1,401
Repayments from affiliate	1,808	—
Net Cash Used for Investing Activities	(63,391)	(35,562)
Cash Flows from Financing Activities:		
Borrowings of long-term debt	—	60,000
Repayments of long-term debt	(4,738)	(23,125)
Payments on capital lease obligations	(795)	(525)
Change in bank overdraft	(183)	(2,556)
Dividends paid	(28,354)	(18,604)
Issuances of common stock	9,942	6,488
Excess tax benefits from stock-based compensation transactions	109	636
Net Cash (Used for) Provided by Financing Activities	(24,019)	22,314
Net Decrease in Cash and Cash Equivalents	(52,285)	(6,636)
Cash and Cash Equivalents, beginning of period	108,651	42,437
Cash and Cash Equivalents, end of period	$56,366	$35,801
Supplemental Disclosures of Cash Flow Information:		

Cash paid for interest	$11,417	$1,633
Cash paid for income taxes	$18,678	$53

See accompanying notes to the consolidated financial statements.

MARTIN MARIETTA MATERIALS, INC. AND CONSOLIDATED SUBSIDIARIES
CONSOLIDATED STATEMENT OF TOTAL EQUITY
(Unaudited)

(in thousands)	Shares of Common Stock	Common Stock	Additional Paid-in Capital	Accumulated Other Comprehensive Loss	Retained Earnings	Total Shareholders' Equity	Noncontrolling Interests	Total Equity
Balance at December 31, 2014	67,293	$ 671	$ 3,243,619	$ (106,159)	$ 1,213,035	$ 4,351,166	$ 1,582	$ 4,352,748
Consolidated net earnings	—	—	—	—	6,126	6,126	33	6,159
Other comprehensive (loss) earnings	—	—	—	(564)	—	(564)	2	(562)
Dividends declared	—	—	—	—	(28,354)	(28,354)	—	(28,354)
Issuances of common stock for stock award plans	182	2	9,284	—	—	9,286	—	9,286
Stock-based compensation expense	—	—	2,906	—	—	2,906	—	2,906
Balance at March 31, 2015	67,475	$ 673	$ 3,255,809	$ (106,723)	$ 1,190,807	$ 4,340,566	$ 1,617	$ 4,342,183

See accompanying notes to the consolidated financial statements.

MARTIN MARIETTA MATERIALS, INC. AND CONSOLIDATED SUBSIDIARIES

FORM 10-Q

For the Quarter Ended March 31, 2015

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. Significant Accounting Policies
Organization

Martin Marietta Materials, Inc. (the “Corporation” or “Martin Marietta”) is engaged principally in the construction aggregates business. The aggregates product line accounted for 58% of 2014 consolidated net sales and includes crushed stone, sand and gravel, and is used for construction of highways and other infrastructure projects, and in the nonresidential and residential construction industries. Aggregates products are also used in the railroad, agricultural, utility and environmental industries. These aggregates products, along with the Corporation’s aggregates-related downstream product lines, which accounted for 25% of 2014 consolidated net sales and include asphalt products, ready mixed concrete and road paving construction services, are sold and shipped from a network of more than 400 quarries, distribution facilities and plants to customers in 32 states, Canada, the Bahamas and the Caribbean Islands. The aggregates and aggregates-related downstream product lines are reported collectively as the “Aggregates business”.

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

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

The Corporation has a Cement segment, which was acquired July 1, 2014 and accounted for 8% of 2014 consolidated net sales, with production facilities located in Midlothian, Texas, south of Dallas/Fort Worth; Hunter Texas, south of

San Antonio; and Oro Grande, near Los Angeles, California. The cement business produces Portland and specialty cements, such as masonry and oil well cements. Similar to the Aggregates business, cement is used in infrastructure projects, nonresidential and residential construction, and the railroad, agricultural, utility and environmental industries. The limestone reserves used as a raw material are a part of owned property adjacent to each of the plants. The Corporation also operates cement terminals, a packaging facility and cement grinding facility at the Crestmore plant near Riverside, California.

The Corporation has a Magnesia Specialties segment with manufacturing facilities in Manistee, Michigan and Woodville, Ohio. The Magnesia Specialties segment, which accounted for 9% of 2014 consolidated net sales, produces magnesia-based chemicals products used in industrial, agricultural and environmental applications and dolomitic lime sold primarily to customers in the steel industry.

MARTIN MARIETTA MATERIALS, INC. AND CONSOLIDATED SUBSIDIARIES

FORM 10-Q

For the Quarter Ended March 31, 2015

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

1. Significant Accounting Policies (continued)
Basis of Presentation

The accompanying unaudited consolidated financial statements of the Corporation have been prepared in accordance with generally accepted accounting principles for interim financial information and with the instructions to the Quarterly Report on Form 10-Q and in Article 10 of Regulation S-X. The Corporation has continued to follow the accounting policies set forth in the audited consolidated financial statements and related notes thereto included in the Corporation's Annual Report on Form 10-K for the year ended December 31, 2014. In the opinion of management, the interim consolidated financial information provided herein reflects all adjustments, consisting of normal recurring accruals, necessary for a fair presentation of the results of operations, financial position and cash flows for the interim periods. The consolidated results of operations for the three months ended March 31, 2015 are not indicative of the results expected for other interim periods or the full year. The consolidated balance sheet at December 31, 2014 has been derived from the audited consolidated financial statements at that date but does not include all of the information and notes required by generally accepted accounting principles for complete financial statements. These consolidated financial statements should be read in conjunction with the audited consolidated financial statements and notes thereto included in the Corporation's Annual Report on Form 10-K for the year ended December 31, 2014.

Revenue Recognition Standard

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

Consolidated Comprehensive Earnings/Loss and Accumulated Other Comprehensive Loss

Consolidated comprehensive earnings/loss for the Corporation consist of consolidated net earnings or loss; adjustments for the funded status of pension and postretirement benefit plans; foreign currency translation adjustments; and the amortization of the value of terminated forward starting interest rate swap agreements into interest expense, and are presented in the Corporation's consolidated statements of earnings and comprehensive earnings.

Comprehensive earnings attributable to Martin Marietta is as follows:

	Three Months Ended March 31,	
	2015	2014
	(Dollars in Thousands)	
Net earnings (loss) attributable to Martin Marietta Materials, Inc.	$6,126	$(21,618)
Other comprehensive (loss) earnings, net of tax	(564)	1,370
Comprehensive earnings (loss) attributable to Martin Marietta Materials, Inc.	$5,562	$(20,248)

MARTIN MARIETTA MATERIALS, INC. AND CONSOLIDATED SUBSIDIARIES

FORM 10-Q

For the Quarter Ended March 31, 2015

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

1. Significant Accounting Policies (continued)

Consolidated Comprehensive Earnings/Loss and Accumulated Other Comprehensive Loss (continued)

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

	Three Months Ended March 31, 2015	Three Months Ended March 31, 2014
	(Dollars in Thousands)	
Net earnings (loss) attributable to noncontrolling interests	$ 33	$ (1,535)
Other comprehensive earnings, net of tax	2	1
Comprehensive earnings (loss) attributable to noncontrolling interests	$ 35	$ (1,534)

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

	Pension and Postretirement Benefit Plans	Foreign Currency	Unamortized Value of Terminated Forward Starting Interest Rate Swap	Accumulated Other Comprehensive Loss
	(Dollars in Thousands)			
	Three Months Ended March 31, 2015			
Balance at beginning of period	$(106,688)	$ 3,278	$ (2,749)	$ (106,159)
Other comprehensive loss before reclassifications, net of tax	—	(2,288)	—	(2,288)
Amounts reclassified from accumulated other comprehensive loss, net of tax	1,537	—	187	1,724
Other comprehensive earnings (loss), net of tax	1,537	(2,288)	187	(564)

Balance at end of period	$(105,151)	$990	$ (2,562)	$ (106,723)
	Three Months Ended March 31, 2014			
Balance at beginning of period	$(44,549)	$3,902	$ (3,467)	$ (44,114)
Other comprehensive earnings before reclassifications, net of tax	—	914	—	914
Amounts reclassified from accumulated other comprehensive loss, net of tax	282	—	174	456
Other comprehensive earnings, net of tax	282	914	174	1,370
Balance at end of period	$(44,267)	$4,816	$ (3,293)	$ (42,744)

MARTIN MARIETTA MATERIALS, INC. AND CONSOLIDATED SUBSIDIARIES

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For the Quarter Ended March 31, 2015

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

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

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

	(Dollars in Thousands)		
	Pension and Postretirement Benefit Plans	Unamortized Value of Terminated Forward Starting Interest Rate Swap	Net Noncurrent Deferred Tax Assets
	Three Months Ended March 31, 2015		
Balance at beginning of period	$68,568	$ 1,799	$ 70,367
Tax effect of other comprehensive earnings	(1,016)	(120)	(1,136)
Balance at end of period	$67,552	$ 1,679	$ 69,231
	Three Months Ended March 31, 2014		
Balance at beginning of period	$29,198	$ 2,269	$ 31,467
Tax effect of other comprehensive earnings	(182)	(114)	(296)
Balance at end of period	$29,016	$ 2,155	$ 31,171

Reclassifications out of accumulated other comprehensive loss are as follows:

	Three Months Ended March 31,		Affected line items in the consolidated statements of earnings and comprehensive earnings
	2015	2014	
	(Dollars in Thousands)		
Pension and postretirement benefit plans			
Amortization of:			
Prior service credit	$ (471)	$ (703)	
Actuarial loss	3,026	1,167	
	2,555	464	Cost of sales; Selling, general and administrative expenses
Tax benefit	(1,016)	(182)	Income tax benefit
	$ 1,539	$ 282	

Unamortized value of terminated forward starting interest rate swap			
Additional interest expense	$ 307	$ 288	Interest expense
Tax benefit	(120)	(114)	Income tax benefit
	$ 187	$ 174	

MARTIN MARIETTA MATERIALS, INC. AND CONSOLIDATED SUBSIDIARIES

FORM 10-Q

For the Quarter Ended March 31, 2015

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

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

The numerator for basic and diluted earnings (loss) per common share is net earnings/loss attributable to Martin Marietta reduced by dividends and undistributed earnings attributable to the Corporation's unvested restricted stock awards and incentive stock awards. If there is a net loss, no amount of the undistributed loss is attributed to unvested participating securities. The denominator for basic earnings per common share is the weighted-average number of common shares outstanding during the period. Diluted earnings per common share are computed assuming that the weighted-average number of common shares is increased by the conversion, using the treasury stock method, of awards to be issued to employees and nonemployee members of the Corporation's Board of Directors under certain stock-based compensation arrangements if the conversion is dilutive. For the three months ended March 31, 2015, the diluted per-share computations reflect a change in the number of common shares outstanding to include the number of additional shares that would have been outstanding if the potentially dilutive common shares had been issued. For the three months ended March 31, 2014, all such awards were antidilutive given the net loss attributable to Martin Marietta.

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

	Three Months Ended March 31, 2015	2014
	(In Thousands)	
Net earnings (loss) from continuing operations attributable to Martin Marietta Materials, Inc.	$6,126	$(21,603)
Less: Distributed and undistributed earnings attributable to unvested awards	1,369	67
Basic and diluted net earnings (loss) available to common shareholders from continuing operations attributable to Martin Marietta Materials, Inc.	4,757	(21,670)
Basic and diluted net loss available to common shareholders from discontinued operations	—	(15)
Basic and diluted net earnings (loss) available to common shareholders attributable to Martin Marietta Materials, Inc.	$4,757	$(21,685)

Basic weighted-average common shares outstanding	67,411	46,315
Effect of dilutive employee and director awards	265	—
Diluted weighted-average common shares outstanding	67,676	46,315

MARTIN MARIETTA MATERIALS, INC. AND CONSOLIDATED SUBSIDIARIES

FORM 10-Q

For the Quarter Ended March 31, 2015

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

2. Business Combinations and Assets Held for Sale

The Corporation acquired Texas Industries, Inc. ("TXI") on July 1, 2014. The Corporation has determined preliminary fair values of the assets acquired and liabilities assumed. Although initial accounting for the business combination has been recorded, certain amounts are subject to change based on the additional reviews performed, such as asset and liability verification. Specific accounts subject to ongoing purchase accounting adjustments include, but are not limited to, parts and supplies inventories; property, plant and equipment; other assets; goodwill; accounts payable; and deferred taxes. Therefore, the measurement period remains open as of March 31, 2015.

Total revenues and earnings from operations included in the Corporation's consolidated statement of earnings attributable to TXI operations as of March 31, 2015 are $224,059,000 and $9,314,000, respectively.

Acquisition integration expenses related to the TXI acquisition were $1,451,000 for the three months ended March 31, 2015.

Unaudited Pro Forma Financial Information

The unaudited pro forma financial information in the table below summarizes the combined consolidated results of operations for the Corporation and TXI as though the companies were combined as of January 1, 2014. Transactions between Martin Marietta and TXI during the periods presented in the pro forma financial statements have been eliminated as if Martin Marietta and TXI were consolidated affiliates during the periods. Financial information for periods prior to the July 1, 2014 acquisition date included in the pro forma earnings does not reflect any cost savings or associated costs to achieve such savings from operating efficiencies, synergies, debt refinancing, utilization of TXI net operating loss carryforwards or other restructuring that result from the combination. These amounts are reflected in the pro forma earnings for the quarter ended March 31, 2014.

The unaudited pro forma financial information for the three months ended March 31, 2014 includes TXI's historical operating results for the three months ended February 28, 2014 (due to a difference in TXI's historical reporting periods).

The pro forma financial statements do not purport to project the future financial position or operating results of the combined company. The pro forma financial information as presented below is for informational purposes only and is not indicative of the results of operations that would have been achieved if the acquisitions had taken place at the beginning of fiscal year 2014.

	Three Months Ended March 31, 2014 (Dollars in Thousands)

Net sales	$	563,228
Loss from continuing operations attributable to controlling interest	$	(74,591)

MARTIN MARIETTA MATERIALS, INC. AND CONSOLIDATED SUBSIDIARIES

FORM 10-Q

For the Quarter Ended March 31, 2015

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

2. Business Combinations and Assets Held for Sale (continued)

Assets Held for Sale

At March 31, 2015, the Corporation classified certain land at its Crestmore facility in California as assets held for sale. The land held for sale is included in other current assets on the consolidated balance sheet and has been reported as an asset within the Cement Group segment in Note 9.

3. Inventories, Net

	March 31, 2015	December 31, 2014	March 31, 2014
	(Dollars in Thousands)		
Finished products	$428,783	$ 413,766	$372,567
Products in process and raw materials	70,558	65,250	16,478
Supplies and expendable parts	125,547	125,092	64,093
	624,888	604,108	453,138
Less: Allowances	(119,841)	(119,189)	(98,420)
Total	$505,047	$ 484,919	$354,718

4. Long-Term Debt

	March 31, 2015	December 31, 2014	March 31, 2014
	(Dollars in Thousands)		
6.6% Senior Notes, due 2018	$299,182	$ 299,123	$298,949
7% Debentures, due 2025	124,508	124,500	124,478
6.25% Senior Notes, due 2037	228,194	228,184	228,157
4.25% Senior Notes, due 2024	395,410	395,309	—

Floating Rate Notes, due 2017, interest rate of 1.36% and 1.33% at March 31, 2015 and December 31, 2014, respectively	298,980	298,869	—
Term Loan Facility, due 2018, interest rate of 1.67% at March 31, 2015 and December 31, 2014; and 1.65% at March 31, 2014	233,213	236,258	245,395
Revolving Facility, interest rate of 1.89% at March 31, 2014	—	—	20,000
Trade Receivable Facility, interest rate of 0.75% at March 31, 2014	—	—	150,000
Other notes	1,536	3,152	965
Total debt	1,581,023	1,585,395	1,067,944
Less: Current maturities	(14,406)	(14,336)	(12,403)
Long-term debt	$1,566,617	$1,571,059	$1,055,541

MARTIN MARIETTA MATERIALS, INC. AND CONSOLIDATED SUBSIDIARIES

FORM 10-Q

For the Quarter Ended March 31, 2015

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

4. Long-Term Debt (continued)

The Corporation, through a wholly-owned special purpose subsidiary, has a $250,000,000 trade receivable securitization facility (the "Trade Receivable Facility"), which matures on September 30, 2016. The Trade Receivable Facility, with SunTrust Bank, Regions Bank, PNC Bank, National Association and certain other lenders that may become a party to the facility from time to time, is backed by eligible trade receivables, as defined, of $339,086,000, $369,575,000 and $232,566,000 at March 31, 2015, December 31, 2014 and March 31, 2014, respectively. These receivables are originated by the Corporation and then sold to the wholly-owned special purpose subsidiary by the Corporation. The Corporation continues to be responsible for the servicing and administration of the receivables purchased by the wholly-owned special purpose subsidiary. Borrowings under the Trade Receivable Facility bear interest at a rate equal to one-month LIBOR plus 0.7% and are limited to the lesser of the facility limit or the borrowing base, as defined, of $280,101,000, $313,428,000 and $177,233,000 at March 31, 2015, December 31, 2014 and March 31, 2014, respectively. The Trade Receivable Facility contains a cross-default provision to the Corporation's other debt agreements.

The Corporation's Credit Agreement, which provides a $250,000,000 senior unsecured term loan (the "Term Loan Facility") and a $350,000,000 five-year senior unsecured revolving facility (the "Revolving Facility"), requires the Corporation's ratio of consolidated debt to consolidated earnings before interest, taxes, depreciation, depletion and amortization ("EBITDA"), as defined by the Credit Agreement, for the trailing twelve months (the "Ratio") to not exceed 3.50x as of the end of any fiscal quarter, provided that the Corporation may exclude from the Ratio debt incurred in connection with certain acquisitions for a period of 180 days so long as the Corporation, as a consequence of such specified acquisition, does not have its rating on long-term unsecured debt fall below BBB by Standard & Poor's or Baa2 by Moody's and the Ratio calculated without such exclusion does not exceed 3.75x. Additionally, if no amounts are outstanding under both the Revolving Facility and the Trade Receivable Facility, consolidated debt, including debt for which the Corporation is a co-borrower, may be reduced by the Corporation's unrestricted cash and cash equivalents in excess of $50,000,000, such reduction not to exceed $200,000,000, for purposes of the covenant calculation.

In 2014, the Corporation amended the Credit Agreement to ensure the impact of the business combination with TXI does not impair liquidity available under the Term Loan Facility and the Revolving Facility. The amendment adjusts consolidated EBITDA to add back fees, costs or expenses relating to the TXI business combination incurred on or prior to the closing of the combination not to exceed $95,000,000; any integration or similar costs or expenses related to the TXI business combination incurred in any period prior to the second anniversary of the closing of the TXI business combination not to exceed $70,000,000; and any make-whole fees incurred in connection with the redemption of TXI's 9.25% senior notes due 2020. The Corporation was in compliance with this Ratio at March 31, 2015.

Available borrowings under the Revolving Facility are reduced by any outstanding letters of credit issued by the Corporation under the Revolving Facility. At March 31, 2015, December 31, 2014 and March 31, 2014, the Corporation had $2,507,000 of outstanding letters of credit issued under the Revolving Facility.

MARTIN MARIETTA MATERIALS, INC. AND CONSOLIDATED SUBSIDIARIES

FORM 10-Q

For the Quarter Ended March 31, 2015

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

4. Long-Term Debt (continued)
Accumulated other comprehensive loss includes the unamortized value of terminated forward starting interest rate swap agreements. For the three months ended March 31, 2015, the Corporation recognized $307,000 as additional interest expense. For the three months ended March 31, 2014, the Corporation recognized $288,000 as additional interest expense. The ongoing amortization of the terminated value of the forward starting interest rate swap agreements will increase annual interest expense by approximately $1,200,000 until the maturity of the 6.6% Senior Notes in 2018.

5. Financial Instruments
The Corporation's financial instruments include cash equivalents, accounts receivable, notes receivable, bank overdraft, accounts payable, publicly-registered long-term notes, debentures and other long-term debt.

Cash equivalents are placed primarily in money market funds, money market demand deposit accounts and Eurodollar time deposits. The Corporation's cash equivalents have maturities of less than three months. Due to the short maturity of these investments, they are carried on the consolidated balance sheets at cost, which approximates fair value.

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

Notes receivables are primarily promissory notes with customers and are not publicly traded. Management estimates that the fair value of notes receivables approximates the carrying amount. The estimated fair values of notes receivables approximate their carrying amounts due to the short-term nature of the receivables.

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

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

The carrying values and fair values of the Corporation's long-term debt were $1,581,023,000 and $1,691,478,000, respectively, at March 31, 2015; $1,585,395,000 and $1,680,584,000, respectively, at December 31, 2014; and $1,067,944,000 and $1,127,149,000, respectively, at March 31, 2014. The estimated fair value of the publicly-registered long-term notes was estimated based on Level 1 of the fair value hierarchy using quoted market prices. The fair value of the Notes was based on Level 2 of the fair value hierarchy using quoted market prices for similar debt instruments. The estimated fair value of other borrowings, which primarily represents variable-rate debt, approximates its carrying amount as the interest rates reset periodically.

MARTIN MARIETTA MATERIALS, INC. AND CONSOLIDATED SUBSIDIARIES

FORM 10-Q

For the Quarter Ended March 31, 2015

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

6. Income Taxes

	Three Months Ended March 31, 2015	2014
Estimated effective income tax rate:		
Continuing operations	(15.2)%	26.7 %
Discontinued operations	— %	6.3 %
Consolidated overall	(15.2)%	26.7 %

The Corporation's effective income tax rate reflects the effect of federal and state income taxes and the impact of differences in book and tax accounting arising from the net permanent benefits associated with the statutory depletion deduction for mineral reserves and the domestic production deduction. The effective income tax rates for discontinued operations reflect the tax effects of individual operations' transactions and are not indicative of the Corporation's overall effective income tax rate.

The decrease in the effective income tax rate is attributable to discrete events, which include the exercise of converted stock awards issued to former TXI personnel. Excluding discrete items, the estimated effective income tax rate would have been 31%, in line with annual guidance. For the year, the Corporation expects to utilize net operating loss, or NOL, carryforwards acquired with TXI.

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 and comprehensive earnings.

7. Pension and Postretirement Benefits

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

	Three Months Ended March 31,			
	Pension		Postretirement Benefits	
	2015	2014	2015	2014
	(Dollars in Thousands)			
Service cost	$6,290	$3,730	$ 39	$ 55
Interest cost	8,112	6,590	230	290

Expected return on assets	(9,104)	(7,698)	—	—
Amortization of:				
Prior service cost (credit)	105	111	(576)	(814)
Actuarial loss (gain)	3,108	1,202	(82)	(35)
Termination benefit charge	256	—	—	—
Net periodic benefit cost (credit)	$8,767	$3,935	$ (389	