

MARTIN MARIETTA MATERIALS INC

Form 10-Q

August 05, 2013

Table of Contents

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 10-Q

(Mark One)

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

OR

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

Commission File Number 1-12744

MARTIN MARIETTA MATERIALS, INC.

(Exact name of registrant as specified in its charter)

North Carolina
(State or other jurisdiction of

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

incorporation or organization)

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

27607-3033
(Zip Code)

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

Former name:

None

Former name, former address and former fiscal year,

if changes since last report.

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

Yes No

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

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

Yes

No

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

Large accelerated filer

Accelerated filer

Non-accelerated filer

Smaller reporting company

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

Yes

No

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

Class
Common Stock, \$0.01 par value

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

Table of Contents

MARTIN MARIETTA MATERIALS, INC. AND CONSOLIDATED SUBSIDIARIES

FORM 10-Q

For the Quarter Ended June 30, 2013

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

Table of Contents

PART I. FINANCIAL INFORMATION

Item 1. Financial Statements.

MARTIN MARIETTA MATERIALS, INC. AND CONSOLIDATED SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

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

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Equity:

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

See accompanying notes to consolidated financial statements.

Table of Contents

MARTIN MARIETTA MATERIALS, INC. AND CONSOLIDATED SUBSIDIARIES

CONSOLIDATED STATEMENTS OF EARNINGS AND COMPREHENSIVE EARNINGS

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

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

See accompanying notes to consolidated financial statements.

Table of Contents

MARTIN MARIETTA MATERIALS, INC. AND CONSOLIDATED SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

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

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Supplemental Disclosures of Cash Flow Information:

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

See accompanying notes to consolidated financial statements.

Page 5 of 55

Table of Contents

MARTIN MARIETTA MATERIALS, INC. AND CONSOLIDATED SUBSIDIARIES

CONSOLIDATED STATEMENT OF TOTAL EQUITY

(Unaudited)

<i>(in thousands)</i>	Shares of Common Stock	Common Stock	Additional Paid-in Capital	Accumulated Comprehensive Loss	Other Retained Earnings	Total Shareholders Equity	Noncontrolling Interests	Total Equity
Balance at December 31, 2012	46,002	\$ 459	\$ 414,657	\$ (106,169)	\$ 1,101,598	\$ 1,410,545	\$ 39,754	\$ 1,450,299
Consolidated net earnings	-	-	-	-	13,468	13,468	(1,230)	12,238
Other comprehensive (loss) earnings	-	-	-	(88)	-	(88)	5	(83)
Dividends declared	-	-	-	-	(37,068)	(37,068)	-	(37,068)
Issuances of common stock for stock award plans	230	2	11,298	-	-	11,300	-	11,300
Stock-based compensation expense	-	-	3,981	-	-	3,981	-	3,981
Balance at June 30, 2013	46,232	\$ 461	\$ 429,936	\$ (106,257)	\$ 1,077,998	\$ 1,402,138	\$ 38,529	\$ 1,440,667

See accompanying notes to consolidated financial statements.

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

For the Quarter Ended June 30, 2013

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

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

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

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

Washington and

West Virginia

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

Table of Contents

MARTIN MARIETTA MATERIALS, INC. AND CONSOLIDATED SUBSIDIARIES

FORM 10-Q

For the Quarter Ended June 30, 2013

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

1. Significant Accounting Policies (continued)

Basis of Presentation

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

Reclassifications

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

Consolidated Comprehensive Earnings/Loss and Accumulated Other Comprehensive Loss

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

Table of Contents

MARTIN MARIETTA MATERIALS, INC. AND CONSOLIDATED SUBSIDIARIES

FORM 10-Q

For the Quarter Ended June 30, 2013

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

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

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

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

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

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

Table of Contents

MARTIN MARIETTA MATERIALS, INC. AND CONSOLIDATED SUBSIDIARIES

FORM 10-Q

For the Quarter Ended June 30, 2013

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

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

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

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

	Three Months Ended June 30, 2012			
Balance at beginning of period	\$ (82,656)	\$ 5,275	\$ (4,610)	\$ (81,991)
Other comprehensive earnings before reclassifications, net of tax	(401)	(53)	-	(454)
Amounts reclassified from accumulated other comprehensive loss, net of tax	1,650	-	155	1,805
Other comprehensive earnings, net of tax	1,249	(53)	155	1,351

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Balance at end of period	\$	(81,407)	\$	5,222	\$	(4,455)	\$	(80,640)
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The other comprehensive loss before reclassifications for pension and postretirement benefit plans is net of tax of \$1,490,000 and \$260,000 for the three months ended June 30, 2013 and 2012, respectively.

Table of Contents

MARTIN MARIETTA MATERIALS, INC. AND CONSOLIDATED SUBSIDIARIES

FORM 10-Q

For the Quarter Ended June 30, 2013

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

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

(Dollars in Thousands)

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

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Balance at end of period	\$	(81,407)	\$	5,222	\$	(4,455)	\$	(80,640)
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The other comprehensive loss before reclassifications for pension and postretirement benefit plans is net of tax of \$1,512,000 and \$302,000 for the six months ended June 30, 2013 and 2012, respectively.

Table of Contents

MARTIN MARIETTA MATERIALS, INC. AND CONSOLIDATED SUBSIDIARIES

FORM 10-Q

For the Quarter Ended June 30, 2013

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

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

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

(Dollars in Thousands)

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

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

Page 12 of 55

Table of Contents

MARTIN MARIETTA MATERIALS, INC. AND CONSOLIDATED SUBSIDIARIES

FORM 10-Q

For the Quarter Ended June 30, 2013

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

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

Reclassifications out of accumulated other comprehensive loss are as follows:

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