Americas Materials

Results					Analysis of change				
€ million	% Change	2012	2011	Total Change	Organic	Acquisitions	Divestments	Restructuring	Exchange
Sales revenue	+13%	**4,971**	4,395	**+576**	+40	+168	-	-	+368
EBITDA	+7%	**566**	530	**+36**	-25	+20	-	-5	+46
Operating profit	+7%	**282**	264	**+18**	-12	+12	-	-5	+23
EBITDA/sales		**11.4%**	12.1%						
Op.profit/sales		**5.7%**	6.0%						

EBITDA and operating profit exclude profit on disposals

Restructuring costs amounted to €14 million (2011: €9 million)
No impairment charges were incurred (2011: nil)

Benign weather conditions early in the year contributed to increased first-half volumes. However, second-half trading proved more challenging with a slower pace of highway contract awards and severe disruption to activity in the northeastern United States in late October/early November due to Hurricane Sandy. Despite this challenging backdrop, which saw a slight reduction in underlying volumes and higher input costs, the combination of focussed commercial and cost actions with solid acquisition contributions resulted in US Dollar operating profit being broadly in line with 2011.

Americas Materials completed 16 acquisitions in 2012 at a total cost of €230 million (spend €108 million net of deferred payments), adding 560 million tonnes of reserves, seven operating quarries, 17 asphalt plants and 11 readymixed concrete plants with annual production of 4.6 million tonnes of aggregates, 1.8 million tonnes of asphalt and 0.4 million cubic metres of readymixed concrete.

Energy and related costs: The proportion that these costs represented of sales was maintained at 2011 levels due to efficiency improvements combined with increased use of recycled materials. The price of bitumen, a key component of asphalt mix, rose by 7% in 2012 following a 14% increase in 2011. Prices for diesel and gasoline, important inputs to aggregates, readymixed concrete and paving operations, increased by 3% and 2% respectively. The price of energy used at our asphalt plants, consisting of fuel oil, recycled oil, electricity and natural gas, decreased by 9% as many of our facilities converted to lower cost natural gas. Recycled asphalt and shingles accounted for 20% of total asphalt requirements, an increase from 18% in 2011. Wider use of warm mix asphalt continues to deliver cost benefits while also providing customers with a more workable and eco-friendly product.

Aggregates: Total volumes including acquisitions were flat, with like-for-like volumes down 2%. Compared with 2011, average prices increased by 2% on both an overall and like-for-like basis; however, margins declined slightly due to higher input costs.

Asphalt: While total volumes increased by 2%, like-for-like volumes fell by 2%. Despite the 7% increase in bitumen costs, we were able to limit unit cost increases to 4% due to lower energy input costs and greater use of recycled materials. With an average like-for-like asphalt price increase of 5%, our overall asphalt margin improved in 2012.

Readymixed Concrete: Total volumes including acquisitions increased by 2%, with like-for-like volumes flat compared with 2011. In a very competitive environment, average like-for-like prices increased by 1% but, with a 3% increase in unit cost, margins declined. Operating profit was similar to 2011 driven by acquisitions and lower fixed overhead.

Paving and Construction Services: Overall sales revenue increased by 5% and by 1% on a like-for-like basis. Pricing remained under pressure in a competitive bidding environment; however, efficiency improvements enabled us to maintain overall margins in this segment at 2011 levels.

Regional Performance

East (65% of EBITDA)

The East region, comprising operations in 22 states, the most important being Ohio, New York, Florida, Michigan, New Jersey, Pennsylvania and West Virginia, is organised into four divisions. Our Central division delivered improved profits with price increases and moderate volume growth offsetting higher costs. Our Mid-Atlantic division was bolstered by new acquisitions in 2012 as we focussed on expanding operations in this key market. An improving residential market positively impacted our Southeast division and led to better volumes, prices and profit growth. The Northeast division experienced a decline in operating profit due mainly to the disruption caused by Hurricane Sandy. Overall US Dollar operating profit in our East region was slightly lower than in 2011.

West (35% of EBITDA)

The West region also has operations in 22 states, the most important of which are Utah, Texas, Washington, Missouri, Iowa, Kansas and Mississippi, and is organised into three divisions. Both the core Central West and the Mountain West divisions delivered higher operating profit driven by strong asphalt pricing. The Northwest division experienced difficult market conditions in 2012 and the absence of large infrastructure projects combined with a tepid residential market led to lower profits. Overall operating profit for our West region was maintained in 2012.

Outlook

We expect GDP growth in 2013 to be similar to 2012 and the residential market to continue its recovery. The approval of MAP-21 during 2012 provides stability and certainty regarding levels of highway funding through September 2014. In addition, the increase in the Transportation Infrastructure Finance and Innovation Act (TIFIA) funding will give states greater opportunity to benefit from private sector involvement in highway projects; however, the actual impact on near-term investment remains to be seen. With the roll-off of the final element of the ARRA stimulus package, we expect federal funding to be slightly down in 2013; this is expected to be mostly offset by higher state spending on much needed repair and maintenance.

Overall, we expect 2013 volumes for our mix of business to be relatively flat compared with 2012. Our focus is to achieve further price increases and efficiency improvements and, given a continuation of the relative stability seen in the energy markets over recent months, for operating margin to move ahead.