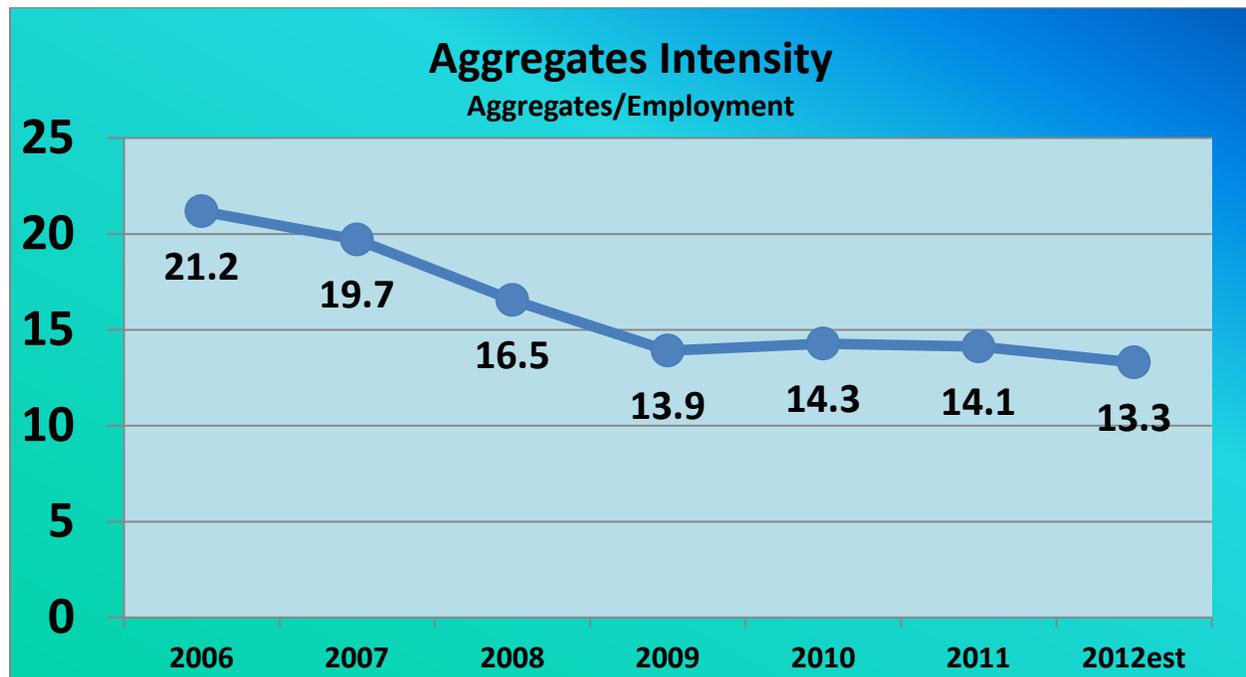


DCG Aggregates Forecast

The drop in aggregates consumption during the past five years has been unusually large due to the recession (of course) and the sharp decline in aggregates intensity. Aggregates intensity has dropped by over 37% since 2006. No doubt the high intensity level of 2006 was unsustainable but the low level we have today is also unsustainable. (Note: we are using Aggregates/Employment as a measure of intensity. It is also common to measure intensity as Aggregates/Population).



in millions	2006	2007	2008	2009	2010	2011	2012est
Agg	3057	2860	2402	1939	1988	1974	1876
Empl	144.4	145.2	145.2	139.4	139.2	139.7	141.1
Agg/Empl	21.2	19.7	16.5	13.9	14.3	14.1	13.3

If the intensity level for 2012 was the same as the 2008 level, which was not a good year for aggregates, the demand for U.S. aggregates would be 24% higher (2.3 billion metric tons instead of 1.88 billion).

The low aggregates intensity level in 2012 is one reason we are near a bottom in aggregates demand. The low volumes for 2012-2013 in the DCG forecast are due to the continuation of low intensity values. The slowdown in nonbuilding work, which has a higher aggregates intensity ratio, is the main reason for the low current levels. Since we think nonbuilding will be a lagging segment for construction activity for the next two years, aggregates demand remains in a holding pattern. When state and local budgets regain their balance as the economy recovers, the intensity ratio will once again move up. By 2016 the intensity level will recover to near its 2008 level. This means that aggregates demand will increase strongly after 2013 as aggregates plays catch-up to higher economic output.

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