

BUSINESS REVIEW—3rd Quarter 2012

Independent paint and decorating stores continue to outpace their sales performance of a year ago, with third-quarter sales ratcheting up 3.7 percent when compared to the same quarter in 2011. All regions of the U.S. were in positive territory, with the exception of a dip in the Northeast. However, the Northeast is in positive territory overall for 2012, with a year-to-date sales increase of slightly more than 6 percent when compared to the first three quarters of 2011.

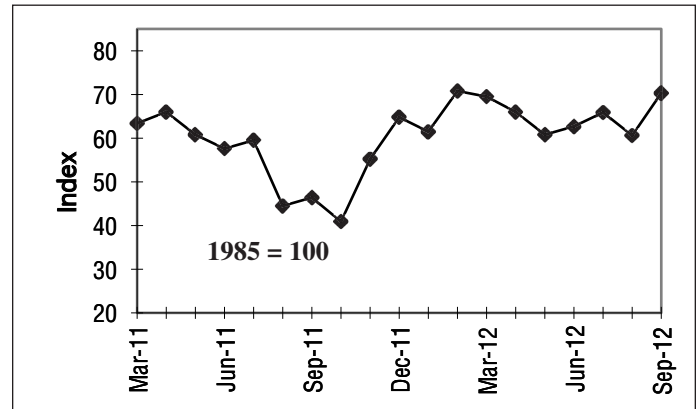
In Canada, sales for the third quarter were also slightly lower for 2012 in comparison to last year. In contrast, year-to-date sales in Canada still put retailers in positive territory when compared to 2011.

Factors in this mostly positive sales report could be an uptick in consumer confidence and some encouraging news from the housing market. Consumer confidence, at the end of the second quarter, showed a slight turn-around from the three-month downward trend started in March of this year. February had seen the index climb over 70 for the first time in 48 months. A slight dip in the mid-year reversed itself, when the index made it back over the 70-mark in September. Looking at longer-term trends, the Consumer Confidence Index has remained above 60 since the start of 2012.

New housing starts were another positive, continuing the growth trend of the past 18 months. September in particular showed a strong upturn, zooming over 800,000 units for the first time since September 2008.

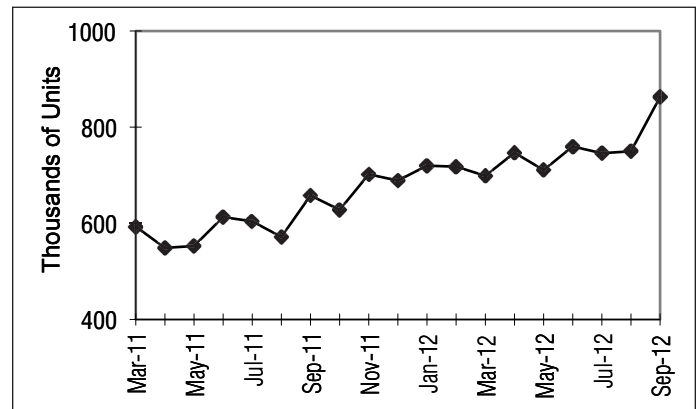
Tempering this bright news is the continued sluggishness in the existing housing market, with used home sales remaining below 5 million units. From June of this year, a climb toward 5 million units looked promising, but was thwarted when sales fell back to 4.69 million units in September.

Looking at the sales performance of specific product categories at independent stores, paint, sundries and window coverings all enjoyed sales growth when comparing third-quarter and year-to-date sales of the past two years. Wallcovering sales, however, declined between 2 and 3 percent in the same period.



Consumer Confidence

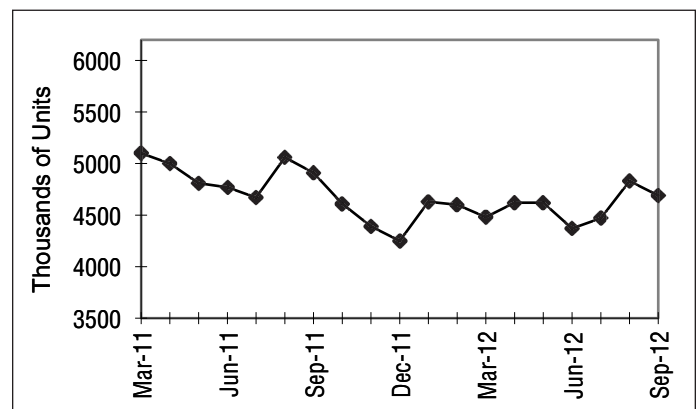
Source: The Conference Board



New Housing Starts

Seasonally Adjusted Annual Rate

Source: U.S. Department of Housing and Urban Development



Used Home Sales

Seasonally Adjusted Annual Rate

Source: National Association of Realtors

Sales Through Independent Paint and Decorating Retailers

Change from 3rd Quarter 2011 to 3rd Quarter 2012

	<u>U.S. National</u>	<u>Northeast</u> ⁽¹⁾	<u>South</u> ⁽²⁾	<u>Midwest</u> ⁽³⁾	<u>West</u> ⁽⁴⁾	<u>Canada</u> ⁽⁵⁾
	%	%	%	%	%	%
Paint	3.8	1.3	3.6	7.1	2.5	- 2.2
Wallcovering	- 2.3	- 15.9	- 2.2	8.3	- 4.2	8.9
Window Coverings	2.9	- 3.2	- 8.1	2.1	21.4	18.7
Sundries	1.9	- 0.9	8.5	- 3.6	0.1	- 1.9
Total Store Sales*	3.7	- 1.8	5.6	5.8	2.9	- 1.5

* Total Store Sales includes all merchandise and/or services sold through the store.

Sales Through Independent Paint and Decorating Retailers

Change from year-to-date 2011 to year-to-date 2012

	<u>U.S. National</u>	<u>Northeast</u> ⁽¹⁾	<u>South</u> ⁽²⁾	<u>Midwest</u> ⁽³⁾	<u>West</u> ⁽⁴⁾	<u>Canada</u> ⁽⁵⁾
	%	%	%	%	%	%
Paint	5.3	6.8	7.2	5.5	1.7	2.3
Wallcovering	- 2.6	- 7.4	- 3.4	5.5	- 5.4	7.4
Window Coverings	4.9	4.2	- 10.8	4.5	18.4	10.2
Sundries	4.4	7.8	8.7	2.1	- 0.9	0.4
Total Store Sales*	4.4	6.3	4.9	3.4	0.4	2.7

* Total Store Sales includes all merchandise and/or services sold through the store.

U.S. & Canadian Regions Defined

<u>Northeast U.S.</u> ⁽¹⁾	<u>South U.S.</u> ⁽²⁾	<u>Midwest U.S.</u> ⁽³⁾	<u>West U.S.</u> ⁽⁴⁾	<u>Canada</u> ⁽⁵⁾
Connecticut	Alabama	Illinois	Alaska	All provinces are included in the Canadian region
Maine	Arkansas	Indiana	Arizona	
Massachusetts	Delaware	Iowa	California	
New Hampshire	District of Columbia	Kansas	Colorado	
New Jersey	Florida	Michigan	Hawaii	
New York	Georgia	Minnesota	Idaho	
Pennsylvania	Kentucky	Missouri	Montana	
Rhode Island	Louisiana	Nebraska	Nevada	
Vermont	Maryland	North Dakota	New Mexico	
	Mississippi	Ohio	Oregon	
	North Carolina	South Dakota	Utah	
	Oklahoma	Wisconsin	Washington	
	South Carolina		Wyoming	
	Tennessee			
	Texas			
	Virginia			
	West Virginia			