

### BUSINESS REVIEW—4th Quarter 2012

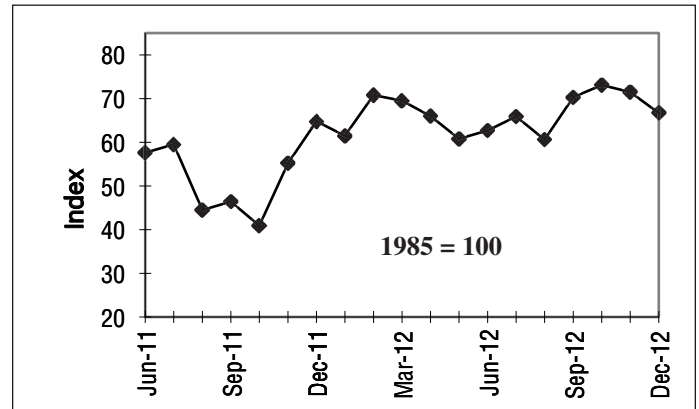
The positive sales results for the independent paint and decorating retailer continued throughout 2012, with the fourth quarter showing a boost in overall store sales of 3.5 percent when compared to the fourth quarter of 2011. Leading the way was an especially robust window coverings category, which experienced double-digit sales growth for the quarter. Paint and sundries did well, too, with sales increases of 4 percent and 5.1 percent respectively. Wallcoverings was the lone decliner, at a 3.2-percent drop.

Independent retailers' total store sales for the year ended at a 4.1 percent uptick, when compared to total store sales from 2011. Window coverings ended a winner, up for the year by 7.7 percent. Paint and sundries performed between 4 and 5 percent better than last year, while wallcoverings' sluggishness was apparent throughout the entire calendar year with a 2.3 percent decline.

The Northeast and South continued to post the best sales results (in the range of 5.2 to 6.2 percent) when looking at the fourth quarter and the year as a whole. The Midwest was just a couple percentage points off that pace, while the West was barely in positive territory for the fourth quarter and for the year as a whole. Canada had a setback in the fourth quarter, posting a decline of 2.5 percent in comparison to fourth quarter 2011. That brought Canadian sales results for the overall year down to 1.9 percent when comparing 2012 to 2011.

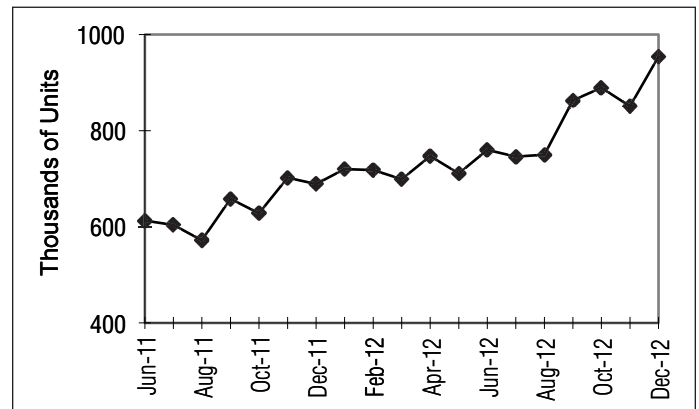
The fourth-quarter economic picture was influenced by two major events: the 2012 Presidential Election and the devastation of Hurricane Sandy, which ravaged the East Coast. Consumer confidence ticked down a bit in the fourth quarter as Congress and the newly re-elected president sparred over the fiscal cliff.

Used home sales reached the 5 million mark in November, but fell back a bit in December. New housing starts continued the incremental increases that began in August 2011, when the index was below 600,000 units. The index now stands at slightly below 1 million units. This is still only about half of the levels of 2005, when housing starts topped 2 million units. If the current trend line holds, it will take about three years to reach the 2-million mark again.



**Consumer Confidence**

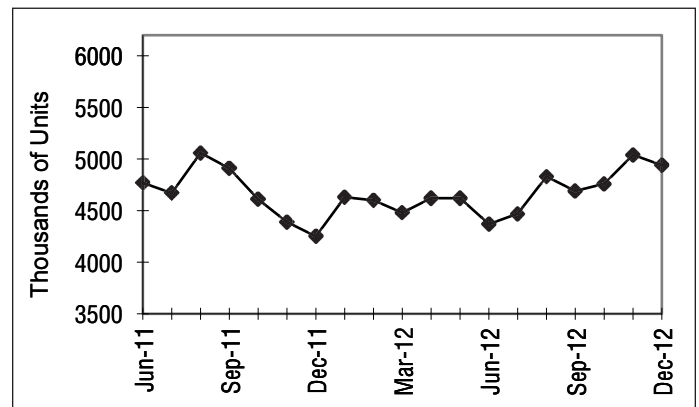
Source: The Conference Board



**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 4th Quarter 2011 to 4th Quarter 2012

	<u>U.S. National</u>	<u>Northeast</u> <sup>(1)</sup>	<u>South</u> <sup>(2)</sup>	<u>Midwest</u> <sup>(3)</sup>	<u>West</u> <sup>(4)</sup>	<u>Canada</u> <sup>(5)</sup>
	%	%	%	%	%	%
Paint	4.0	5.7	6.8	1.9	1.4	- 4.0
Wallcovering	- 3.2	8.6	- 6.5	- 0.1	- 8.2	6.5
Window Coverings	13.2	18.0	13.3	21.1	- 7.6	na
Sundries	5.1	7.5	7.2	3.8	3.2	- 2.9
Total Store Sales*	3.5	6.0	6.2	2.3	0.5	- 2.5

\* 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> <sup>(1)</sup>	<u>South</u> <sup>(2)</sup>	<u>Midwest</u> <sup>(3)</sup>	<u>West</u> <sup>(4)</sup>	<u>Canada</u> <sup>(5)</sup>
	%	%	%	%	%	%
Paint	4.3	6.2	7.0	4.2	1.6	0.7
Wallcovering	- 2.3	- 0.6	- 4.6	4.3	- 7.7	- 7.1
Window Coverings	7.7	8.8	- 4.9	18.1	12.3	na
Sundries	4.8	7.7	8.3	2.4	0	- 1.3
Total Store Sales*	4.1	6.2	5.2	3.2	0.5	1.9

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

## U.S. & Canadian Regions Defined

<u>Northeast U.S.</u> <sup>(1)</sup>	<u>South U.S.</u> <sup>(2)</sup>	<u>Midwest U.S.</u> <sup>(3)</sup>	<u>West U.S.</u> <sup>(4)</sup>	<u>Canada</u> <sup>(5)</sup>
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			