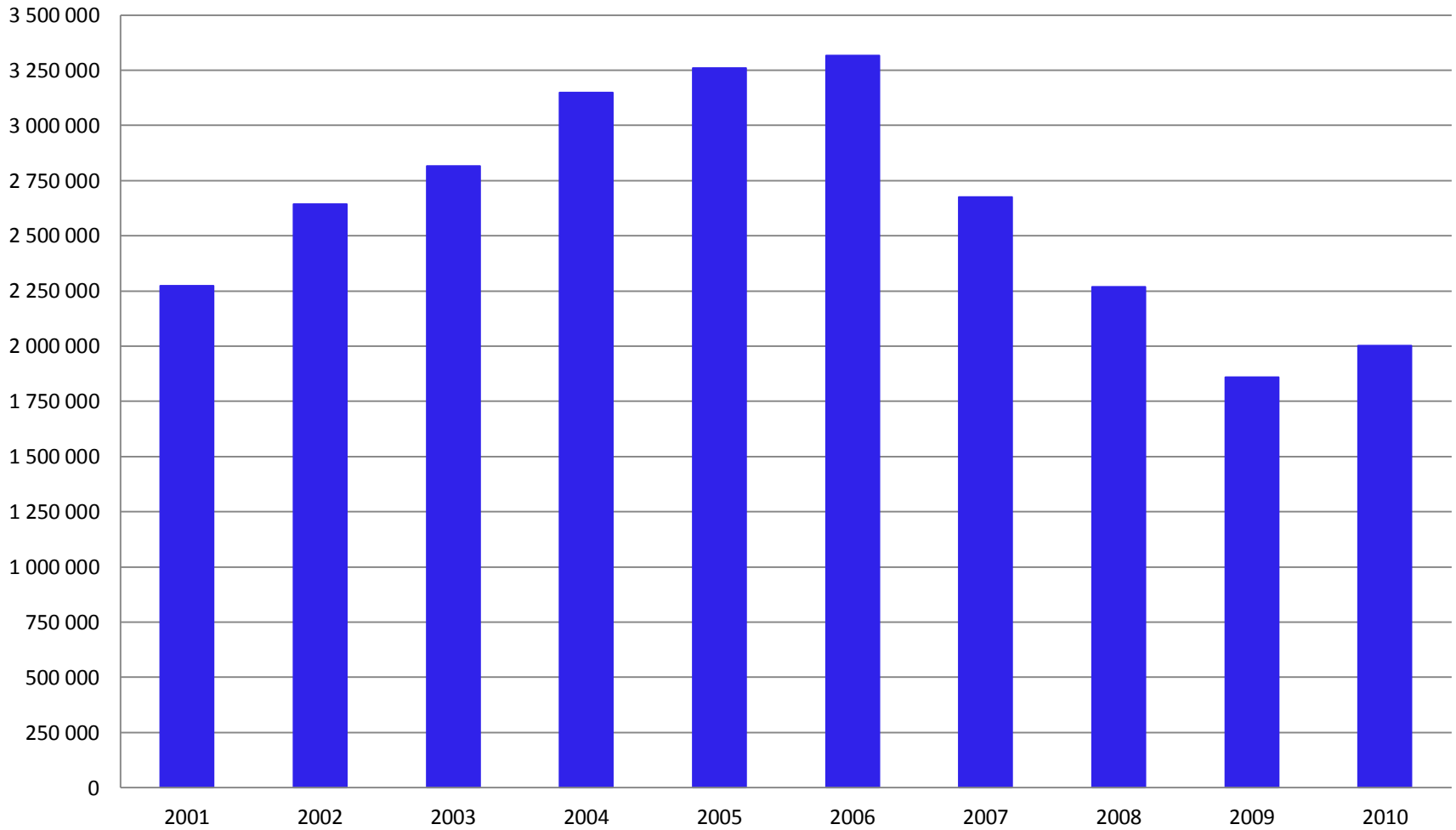


U.S. Ceramic Tile Industry

U.S. Tile Consumption Overview

- Through 2Q 2011 YTD, U.S. tile consumption was 1.04 billion sq. ft. (+1.9% vs. 2Q 2010 YTD).
- Though U.S. tile consumption was up last year and at the midway point of 2011, according to the U.S. Census Bureau, consumption was still very low compared to recent years.

U.S. Ceramic Tile Consumption (in thousands of sq. ft.)



Source: U.S. Census Bureau

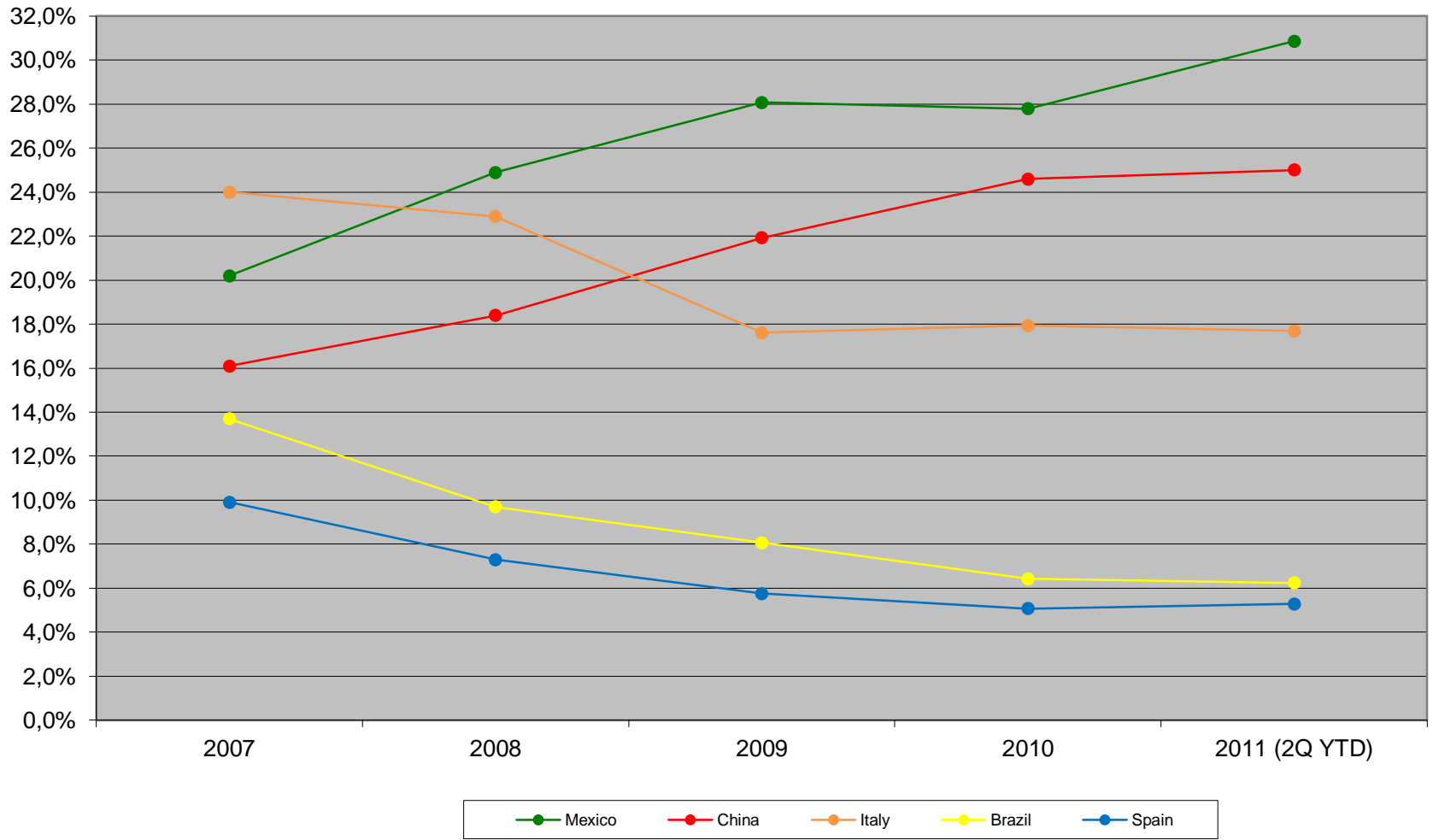
U.S. Import Trends (in sq. ft.)

- Import penetration has fallen in each of the last five years and through 2Q 2011 YTD was at 68.8%, the lowest it has been since 1998.
- Through 2Q 2011 YTD, Mexico remained the top exporter to the U.S. (in sq. ft.) with a 30.9% share of U.S. imports, its highest share on record.
- Mexico has held the top position since 2008, and its share of U.S. imports has increased each of the last eight years.

U.S. Import Trends (in sq. ft.)

- China held the second position comprising 25.0% of U.S. imports (in sq. ft.), its highest share on record.
- Chinese-produced tile has gained market share every year since 1999, and its share of U.S. imports has doubled in the last five years.
- Italy was in third place with a 17.7% share (in sq. ft.), though consumption of Italian tile has fallen significantly over the past decade.
- Italy's share through 2Q 2011 YTD (in sq. ft.) was roughly half of what it was ten years ago.

% Share of U.S. Imports Top 5 Countries (by sq. ft.)

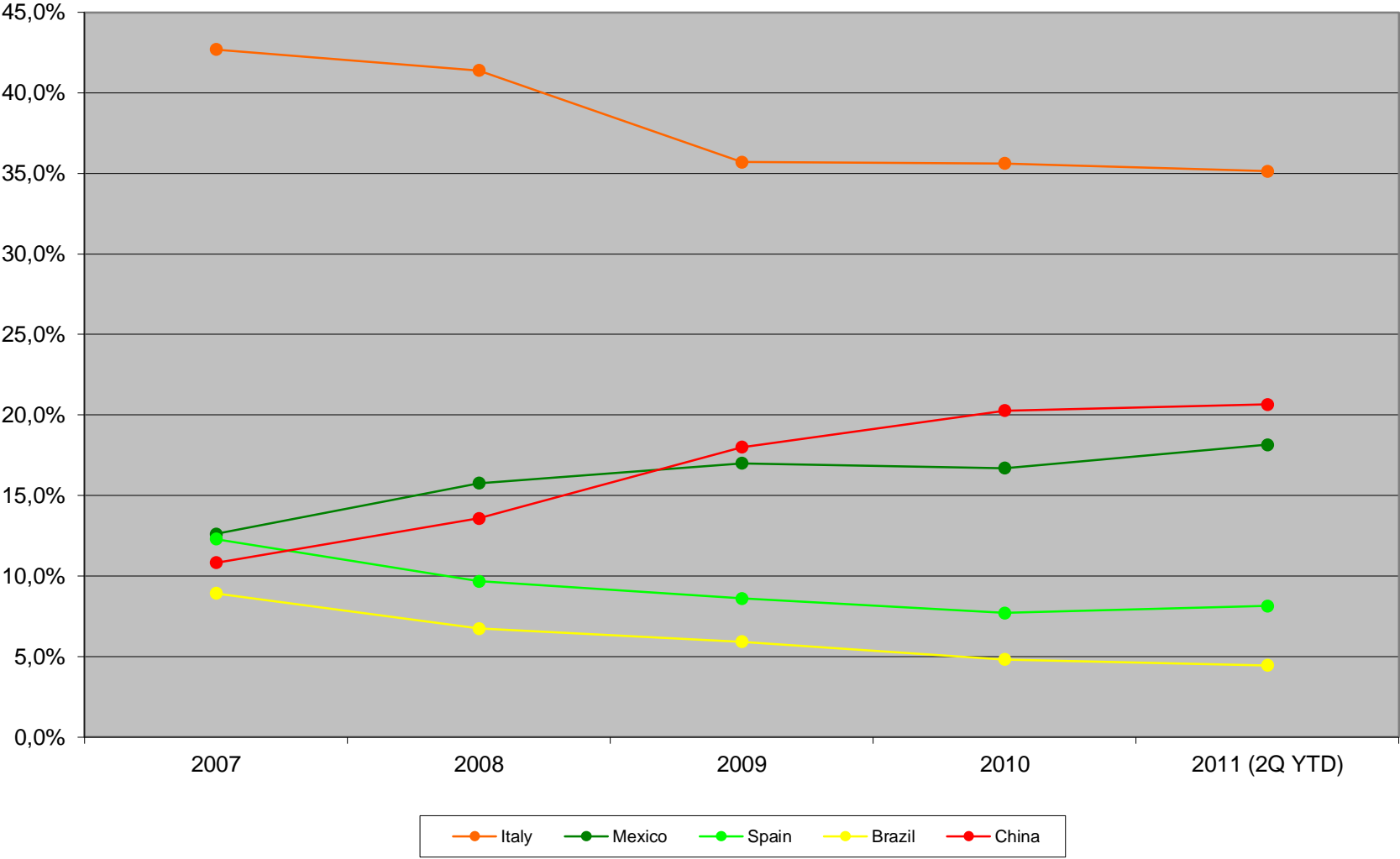


Source: U.S. Census Bureau

U.S. Import Trends (in \$ Value)

- Italy remained the largest exporter to the U.S. in \$ value through 2Q 2011 YTD with a 35.1% share, down from 2Q 2010 YTD, in which it comprised 36.2% of imports (in \$ value).
- China and Mexico had the next highest shares in \$ value, comprising 20.6% and 18.2%, respectively.
- The per unit value of all U.S. tile imports increased from \$0.89 (2Q 2010 YTD) to \$0.94 through 2Q 2011 YTD.

% Share of U.S. Imports Top 5 Countries (by \$ Value)



Source: U.S. Census Bureau

Domestic Shipments

- Through 2Q 2011 YTD, domestic shipments were at 357 million sq. ft., up 13.3% from 2Q 2010 YTD (315 million sq. ft.).
- Over this same timeframe U.S. imports were down 2.9% (in sq. ft.).
- This continues the trend of the last five years, in which domestically produced tile has consistently outperformed imports.
- Domestic shipments in 2010 were down slightly (-1.4%) vs. 2005, while U.S. imports were down 47.1% vs. 2005.

U.S. Exports

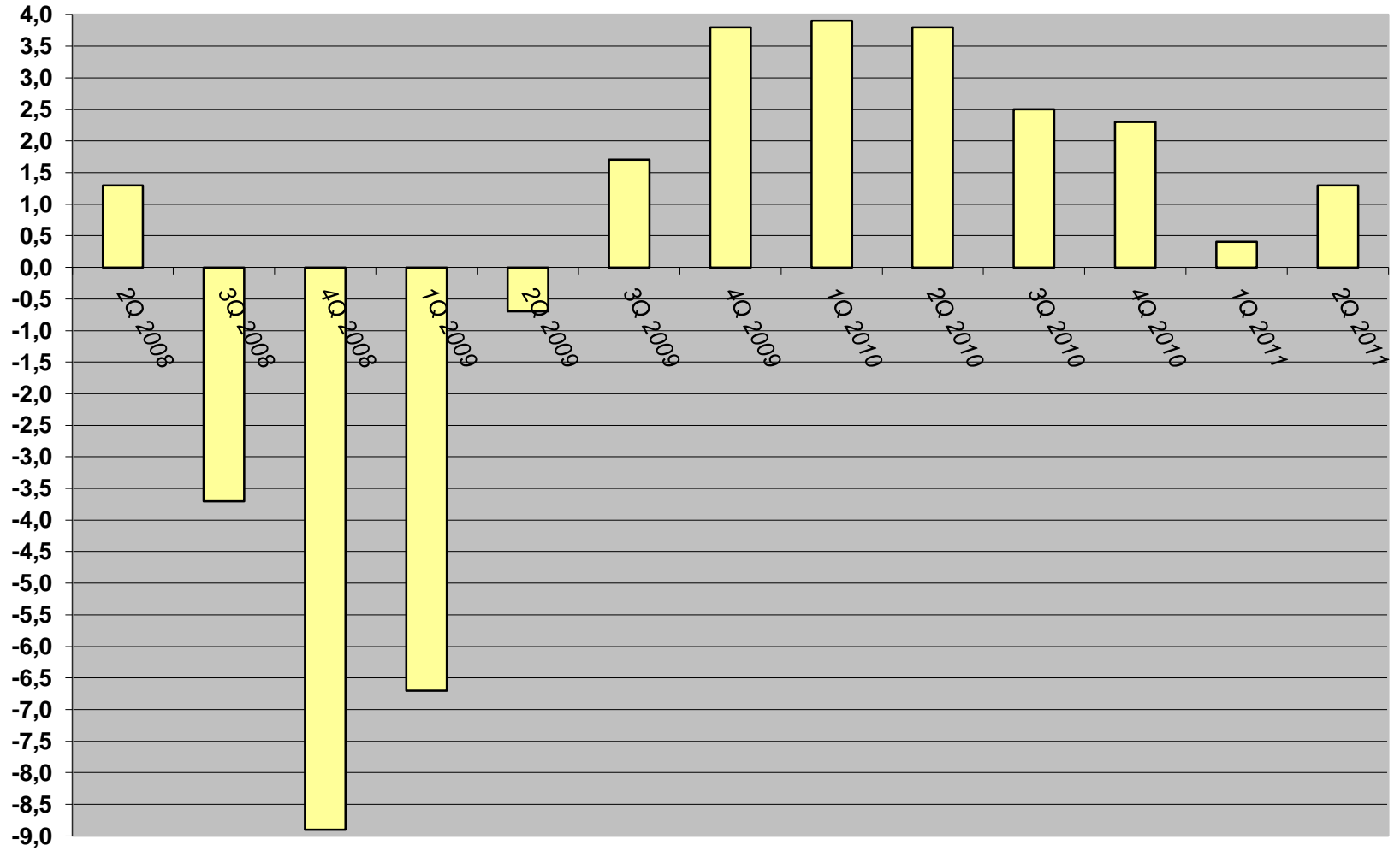
- U.S. ceramic tile exports were at 23.5 million sq. ft. through 2Q 2011 YTD, up 4.0% from 2Q 2010 YTD.
- The vast majority of these exports were to Canada (46.9%), China (18.1%), and Mexico (9.4%).

Key U.S. Economic Indicators

U.S. GDP

- U.S. GDP has increased for eight consecutive quarters.
- GDP has increased in each of the last eight quarters, though the rate of growth has been relatively weak.

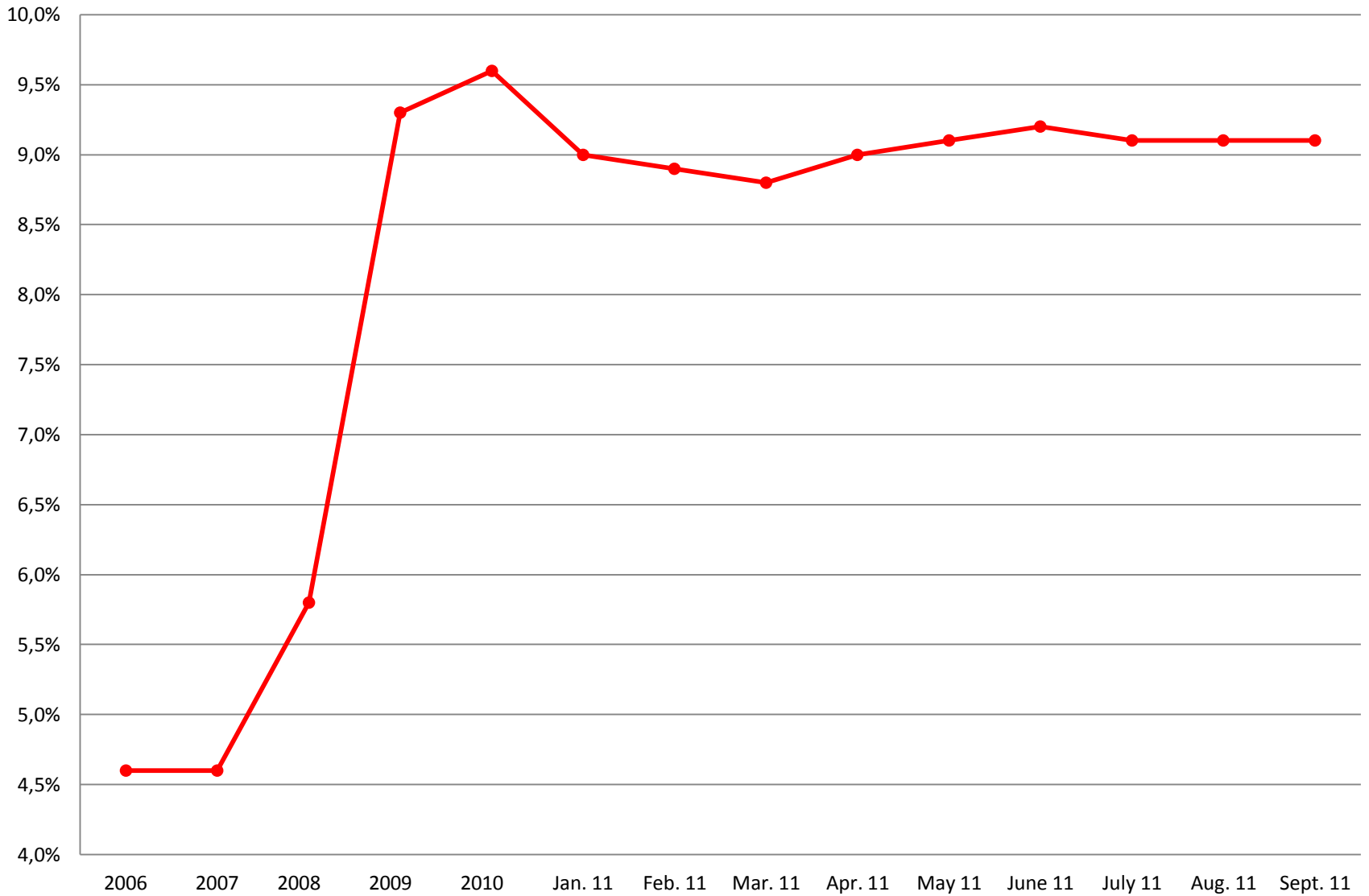
GDP: % Change from Previous Period



U.S. Unemployment

- As of Sept. 2011, the U.S. unemployment rate was at 9.1%.
- While down from 9.6% last year, unemployment has remained at a very high rate historically.
- In fact, since WWII the only years in which unemployment was greater than 9.0% were 1982-83.

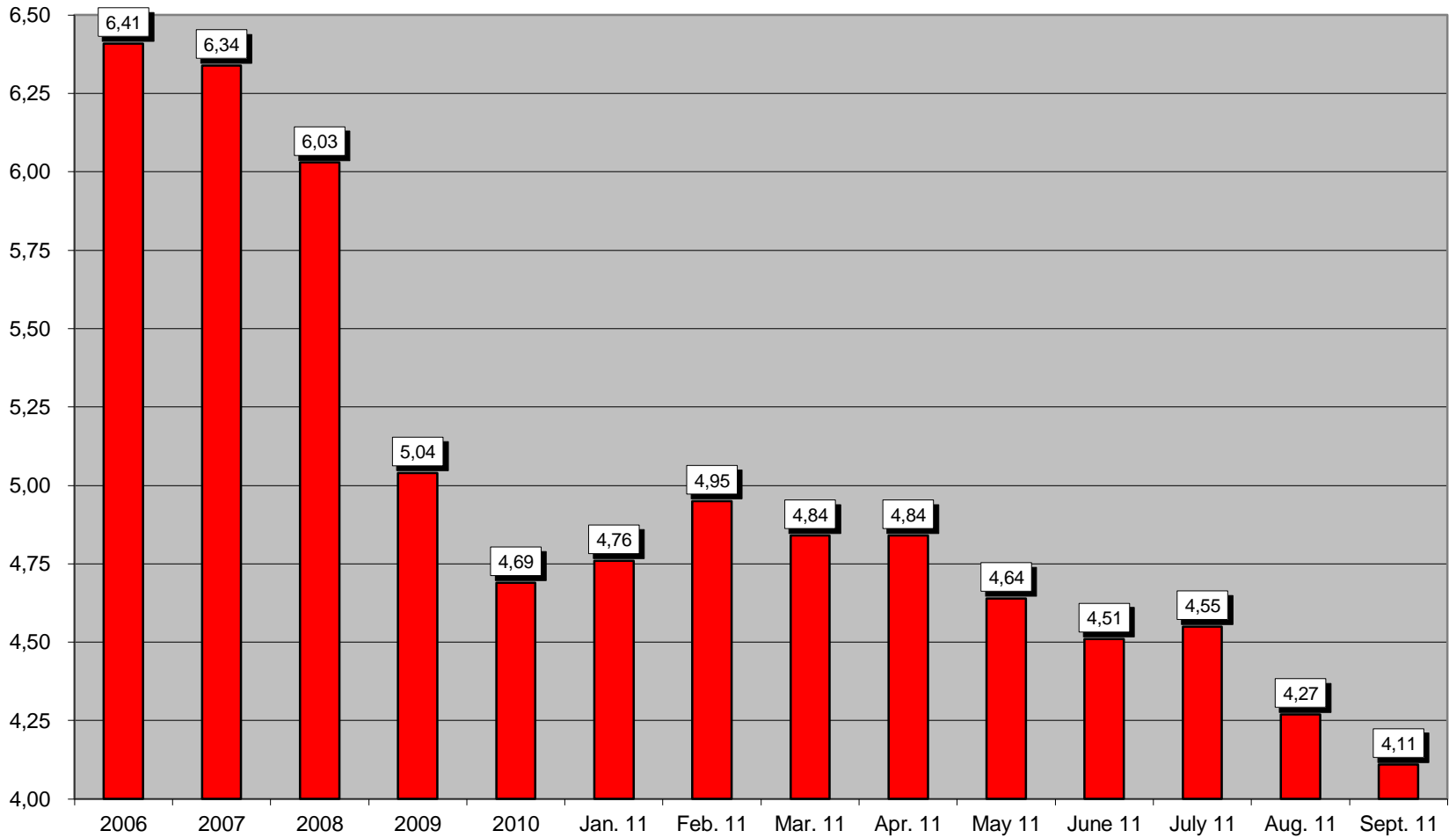
U.S. Unemployment Rate



30-Yr. Fixed Mortgage Rates

- 30-year fixed mortgage rates in Sept. 2011 were at 4.11%, the lowest rate on record.
- A year ago (Sept. 2010) the 30-year rate was 4.35%, which at the time was also an all-time low.

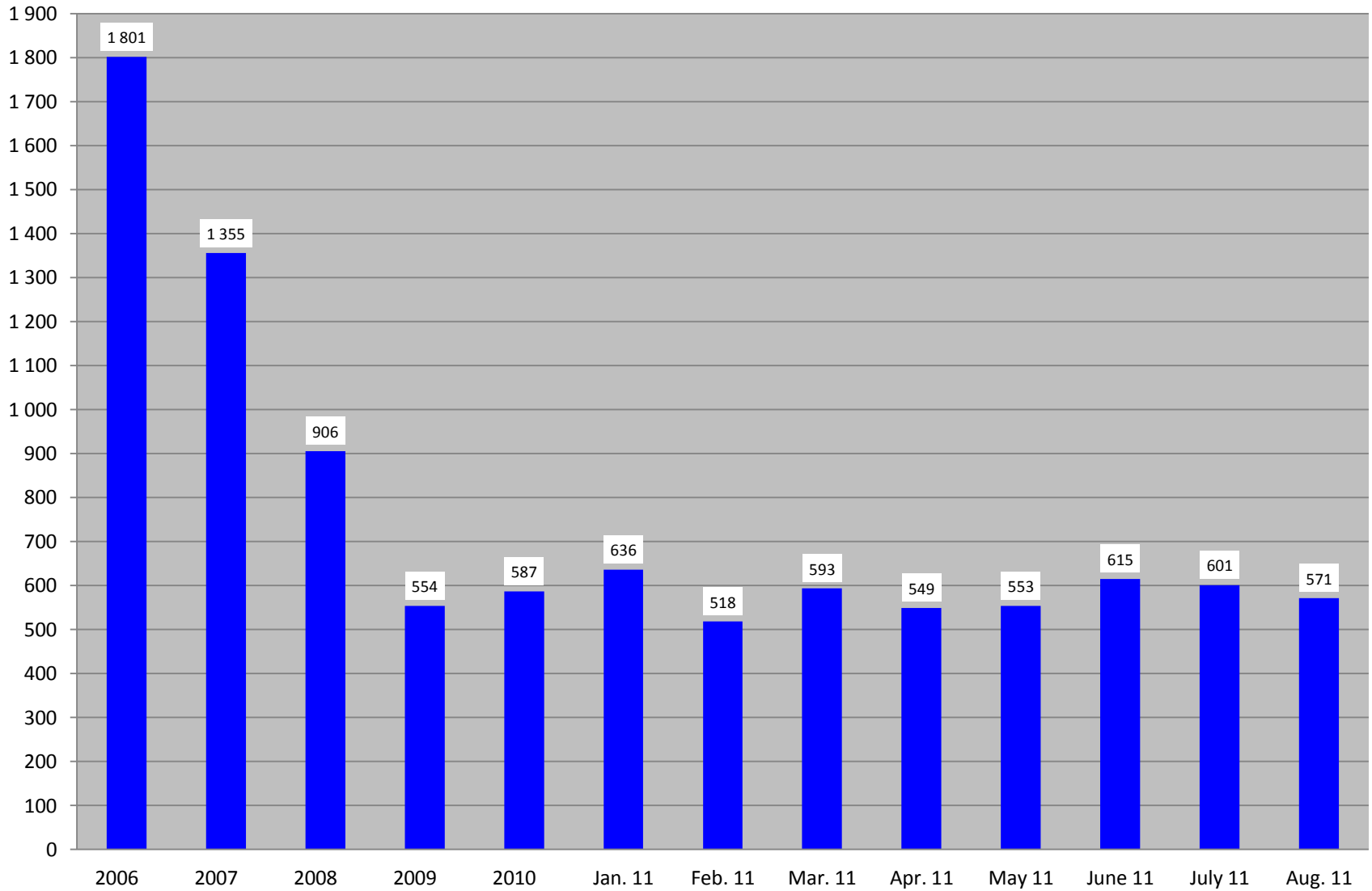
30-Yr. Fixed Mortgage Rates



New Housing Starts

- August 2011 new home starts were at a seasonally-adjusted annual rate of 571,000 units, down 5.8% from one year ago (Aug. 2010).
- Single family housing starts in Aug. 2011 were at an annual rate of 417,000 units (-2.3% vs. Aug. 2010) and comprised 73.0% of total new housing starts.

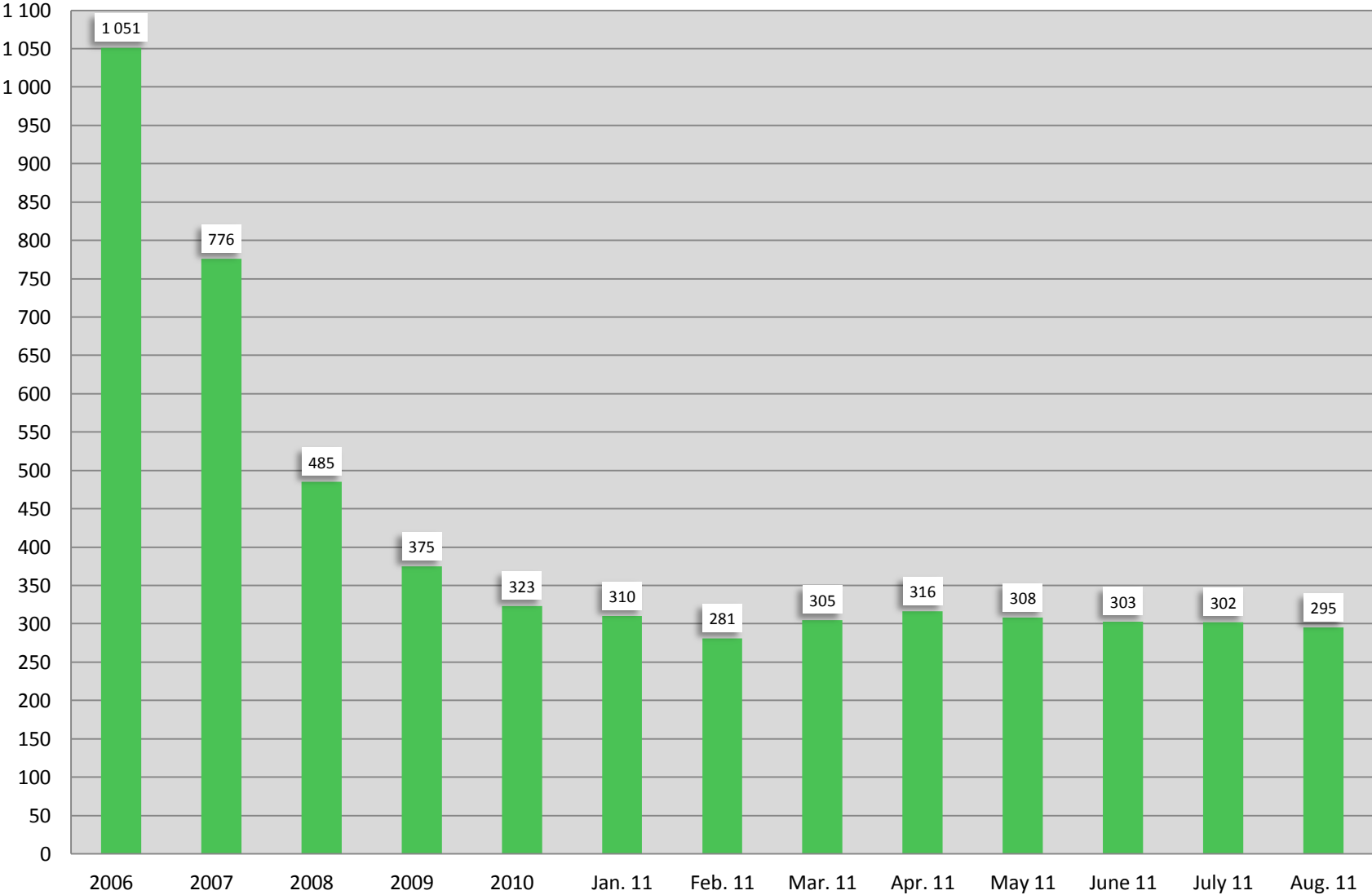
New Housing Starts (in thousands of units)



New Single Family Home Sales

- New single-family home sales continue to cause concern, given the historical correlation between new home sales and tile sales.
- New single family home sales were 75% lower in 2010 than in 2005 and are on pace to decline this year to a new historical low.
- As of August 2011 new home sales were at an annual rate of 295,000 units, down for the fourth month in a row.

New Single Family Home Sales (in thousands of units)



Summary & Outlook

- Many of the same issues that have led to the decline in tile consumption over the last five years continue to negatively affect the market, such as:
- Struggling commercial construction and residential housing markets, despite historically-low mortgage rates
- High unemployment and low housing prices, which lead to less purchasing power for consumers
- Weak economic growth
- Historically low new home sales

Summary & Outlook

- Based on the small growth in tile consumption so far this year reported by the Census Bureau and what we've heard from U.S. manufacturers regarding 3Q sales, we feel consumption for the year will be flat at best.
- For any meaningful and sustained growth to occur, the aforementioned issues must first be resolved.

National Developments

- Continued serious concerns with quality issues for installation.
- Implementing labor certification program to promote labor quality.
- TCNA officially endorsing use of qualified labor including certified installers.
- Developed standard for sustainable tiles and tile installation materials.
- Developing program for certification of sustainable tile products
- New standard for glass tile
- Research on thin tile



Major Issues - Continued

- Significant progress on anti-microbial standard
- Progress on backerboard standards after Chinese drywall problem
- Porcelain certification continues to gain ground with major big box chain requiring certification for all porcelain sold by them
- Continued uncertainty in market due to EPA focus on plant emissions
- However, discussion of carbon credits has been shelved for now
- Recent state immigration changes are causing surprising labor shifts of which the long term consequences are unknown