

未知なるチャンスを求めて、 北アメリカからアジア、ヨーロッパ市場へ進出

STEPPING BEYOND NORTH AMERICAN MARKETS TO GROWTH OPPORTUNITIES IN ASIA AND EUROPE

NUTZUNG ZUSÄTZLICHER WACHSTUMSCHANCEN IN ASIEN UND EUROPA ÜBER DIE
GRENZEN DES NORDAMERIKANISCHEN MARKTES HINAUS

OLTRE AL NORD AMERICA, CI STIAMO FOCALIZZANDO SULLE
OPPORTUNITA' DI CRESCITA IN ASIA E IN EUROPA







WOOD PRODUCTS OPERATIONS

On July 22, 1998, Triangle Pacific, the world's largest manufacturer of hardwood flooring and a major manufacturer of kitchen and bathroom cabinets, became part of Armstrong and is now Armstrong's Wood Products Operations. We believe this powerful combination of Armstrong and Triangle Pacific will take these products, widely acclaimed for their beauty and quality, and their powerful brand names — Bruce, Hartco, Robbins, Premier, Traffic Zone and IXL — to an even broader array of markets and customers around the world.

Wood Products Operations manufactures and markets the industry's broadest selection of solid and engineered hardwood flooring products, and imports and distributes laminate flooring products. We also manufacture and distribute higher end cabinets for single-family and multifamily dwellings. Hardwood flooring, new to Armstrong's product mix, is a rapidly growing segment of the flooring industry and complements Armstrong's vinyl strength. Armstrong's existing presence in commercial and international markets should enhance the significant growth opportunities for wood. We also anticipate cost savings in logistics and marketing functions.

With approximately 90 percent of our sales in the U.S. market, we continually strive to better serve our wholesale and retail customers who sell to floor covering retailers, builders, installation contractors and homeowners. We introduced three new marketing programs in 1998 to motivate and reward those independent flooring retailer customers who promote our brand name by displaying our products —

Bruce's Master Showcase Dealer program and Hartco's Elite Retailer program. The equally competitive Regency Program was launched by our Robbins brand in mid-December. Our goal is to increase sales, brand awareness and penetration in retail stores by providing our valued customers with merchandising and business development tools, enabling them to continue to aggressively grow their businesses. By the end of 1998, 3,311 dealers were participating in the Bruce program and 1,883 in the Hartco program, representing more than 80 percent and 75 percent, respectively, of our sign-up targets.

A revolutionary new product called Simply Natural was introduced under the Bruce brand in 1998. This engineered hardwood plank has factory-applied adhesive strips that eliminate the need for gluing, making the product clean and easy to install, even for do-it-yourselfers. A proprietary product which gives us a competitive edge in this fast-growing business, Simply Natural is currently sold exclusively through a major home center customer and will become available to all customer groups in 1999.

In recent years our cabinet business has been completely reinvented, shifting from a heavy orientation toward the high volume, lower margin multifamily market to focus on the single family and high-end multifamily builder markets where sales growth is more modest but profit margins are much better. Innovative new combinations of raw materials have enabled us to produce a lower cost, higher quality product with enhanced value to the consumer.

Together, hardwood flooring and kitchen and bathroom cabinets should make Wood Products Operations an important and growing contributor to future sales and profitability.

**HARDWOOD FLOORING, NEW TO
ARMSTRONG'S PRODUCT MIX,
IS A RAPIDLY GROWING
SEGMENT OF THE FLOORING
INDUSTRY AND COMPLEMENTS
ARMSTRONG'S VINYL STRENGTH.**