ARMSTRONG WORLD INDUSTRIES INC

FORM 10-Q
(Quarterly Report)

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Address	2500 COLUMBIA AVE LANCASTER, PA 17603
Telephone	7173970611
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Industry	Constr. - Supplies & Fixtures
Sector	Capital Goods
Fiscal Year	12/31

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

(Mark One)

☒ **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the quarterly period ended March 31, 2013

OR

☐ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the transition period from __________to __________

Commission File Number 1-2116

ARMSTRONG WORLD INDUSTRIES, INC.
(Exact name of registrant as specified in its charter)

Pennsylvania **(State or other jurisdiction of incorporation or organization)**	**23-0366390** **(I.R.S. Employer Identification No.)**
2500 Columbia Avenue, Lancaster, Pennsylvania **(Address of principal executive offices)**	**17603** **(Zip Code)**

Registrant's telephone number, including area code (717) 397-0611

Indicate by check mark whether the registrant; (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☒ No ☐

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter time period that the registrant was required to submit and post such files). Yes ☒ No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act (Check one):

Large accelerated filer	☐	Accelerated filer	☒
Non-accelerated filer	☐	Smaller reporting company	☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ☐ No ☒

Number of shares of Armstrong World Industries, Inc.'s common stock outstanding as of April 23, 2013 – 59,146,248.

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CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

Certain statements in this report and the documents incorporated by reference may constitute forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. Those forward-looking statements are subject to various risks and uncertainties and include all statements that are not historical statements of fact and those regarding our intent, belief or expectations, including, but not limited to, our expectations concerning our residential and commercial markets and their effect on our operating results; our expectations regarding the payment of dividends, and our ability to increase revenues, earnings and EBITDA (as such terms are defined by documents incorporated by reference herein). Words such as “anticipate,” “expect,” “intend,” “plan,” “target,” “project,” “predict,” “believe,” “may,” “will,” “would,” “could,” “should,” “seek,” “estimate” and similar expressions are intended to identify such forward-looking statements. These statements are based on management’s current expectations and beliefs and are subject to a number of factors that could lead to actual results materially different from those described in the forward-looking statements. Although we believe that the assumptions underlying the forward-looking statements are reasonable, we can give no assurance that our expectations will be attained. Factors that could have a material adverse effect on our operations and future prospects or which could cause actual results to differ materially from our expectations include, but are not limited to:

• global economic conditions including inflation, deflation, interest rates, availability of capital, consumer spending rates, energy availability and costs, and the effects of governmental initiatives to manage economic conditions;

• the risk that downturns in construction activity could adversely affect our business and results of operations;

• the risk that our indebtedness and degree of leverage could adversely affect our cash flow and our ability to operate our business, make payments on our indebtedness and declare dividends on our capital stock;

• the possibility that a number of covenants contained in the agreements that govern our indebtedness, impose significant operating and financial restrictions on our business;

• the possibility that our indebtedness may increase our vulnerability to negative unforeseen events;

• the effect of our indebtedness on our liquidity;

• our ability to generate sufficient cash flow from operations to fund our needs and remain in compliance with our debt covenants;

• the risk that the availability of raw materials and energy decreases or that the costs of these materials increase and we are unable to pass along the increased costs;

• the possibility that competition can reduce demand for our products or cause us to lower prices;

• the risk that we may lose sales to one of our major customers;

• the risk that the costs of construction and operation of our new manufacturing plants may exceed our projections;

• the risk that adverse judgments in regulatory actions, product claims, environmental claims and other litigation may not be covered by insurance in all circumstances;

• the risk that our intellectual property rights may not provide meaningful commercial protection for our products or brands;

• integration obstacles or costs associated with the pursuit or consummation of strategic transactions;

• the risk that our restructuring actions and LEAN initiatives may not achieve expected savings in our operating costs or improve operating results;

• the risk of changes in foreign currency exchange rates, interest rates and commodity prices;

• changes in the political, regulatory and business environments of our international markets, including changes in trade regulations;

• the risk that increased costs of labor, labor disputes, work stoppages or union organizing activity could delay or impede production and reduce sales and profits;

• the risk that our decision to outsource our information technology infrastructure and certain finance and accounting functions will make us more dependent upon third parties;

• the risk that our principal shareholders could significantly influence our management and our affairs;

• the cost and difficulty of complying with increasing and evolving regulation; and

• other risks detailed from time to time in our filings with the Securities and Exchange Commission (the "SEC"), press releases and other communications, including those set forth under "Risk Factors" included elsewhere in this Annual Report on Form 10-K and in the documents incorporated by reference.

Such forward-looking statements speak only as of the date they are made. We expressly disclaim any obligation to release publicly any updates or revisions to any forward-looking statements to reflect any change in our expectations with regard thereto or change in events, conditions or circumstances on which any statement is based.

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PART I —FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

Armstrong World Industries, Inc., and Subsidiaries
Condensed Consolidated Statements of Earnings and Comprehensive Income
(amounts in millions, except per share data)
Unaudited

	Three Months Ended March 31, 2013	Three Months Ended March 31, 2012
Net sales	$ 622.3	$ 636.0
Cost of goods sold	477.8	496.0
Gross profit	144.5	140.0
Selling, general and administrative expenses	112.7	110.7
Restructuring charges, net	—	0.2
Equity earnings from joint venture	(15.2)	(13.6)
Operating income	47.0	42.7
Interest expense	33.2	11.2
Other non-operating (income)	(1.3)	(0.8)
Earnings from continuing operations before income taxes	15.1	32.3
Income tax expense	11.9	13.3
Earnings from continuing operations	3.2	19.0
Net loss from discontinued operations, net of tax benefit of $ - and ($0.3)	—	(0.8)
Loss on sale of discontinued business, net of tax benefit of ($0.1) and $ -	(0.2)	—
Net loss from discontinued operations	(0.2)	(0.8)
Net earnings	$ 3.0	$ 18.2
Other comprehensive income (loss), net of tax:		
Foreign currency translation adjustments	(6.2)	5.3
Derivative gain (loss)	4.3	(2.3)
Pension and postretirement adjustments	8.9	2.4
Total other comprehensive income	7.0	5.4
Total comprehensive income	$ 10.0	$ 23.6
Earnings per share of common stock, continuing operations:		
Basic	$ 0.05	$ 0.32
Diluted	$ 0.05	$ 0.32
Loss per share of common stock, discontinued operations:		
Basic	—	($0.01)
Diluted	—	($0.01)
Net earnings per share of common stock:		
Basic	$ 0.05	$ 0.31
Diluted	$ 0.05	$ 0.31
Average number of common shares outstanding:		
Basic	59.2	58.6
Diluted	59.8	59.1
Dividend declared per common share	—	$ 8.55

See accompanying notes to Condensed Consolidated Financial Statements beginning on page 9.

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Armstrong World Industries, Inc., and Subsidiaries
Condensed Consolidated Balance Sheets
(amounts in millions, except share data)

	Unaudited March 31, 2013	December 31, 2012
Assets		
Current assets:		
Cash and cash equivalents	$ 278.0	$ 336.4
Accounts and notes receivable, net	237.1	204.6
Inventories, net	395.3	369.8
Deferred income taxes	53.8	49.9
Income tax receivable	14.8	16.9
Other current assets	46.2	42.3
Total current assets	1,025.2	1,019.9
Property, plant, and equipment, less accumulated depreciation and amortization of $592.5 and $583.8, respectively	1,013.7	1,005.0
Prepaid pension costs	50.1	39.6
Investment in joint venture	134.0	133.5
Intangible assets, net	530.1	527.7
Deferred income taxes	35.7	35.1
Other noncurrent assets	80.9	93.5
Total assets	$ 2,869.7	$ 2,854.3
Liabilities and Shareholders' Equity		
Current liabilities:		
Current installments of long-term debt	$ 4.8	$ 33.0
Accounts payable and accrued expenses	346.2	346.3
Income tax payable	2.6	4.1
Deferred income taxes	1.3	1.3
Total current liabilities	354.9	384.7
Long-term debt, less current installments	1,065.3	1,038.0
Postretirement benefit liabilities	245.5	248.5
Pension benefit liabilities	239.5	247.9
Other long-term liabilities	81.7	86.6
Income taxes payable	69.5	63.3
Deferred income taxes	78.5	66.2
Total noncurrent liabilities	1,780.0	1,750.5
Shareholders' equity:		
Common stock, $0.01 par value per share, authorized 200 million shares; issued 59,146,248 shares in 2013 and 58,934,050 shares in 2012	0.6	0.6
Capital in excess of par value	1,082.5	1,076.8
Retained earnings	116.1	113.1
Accumulated other comprehensive (loss)	(464.4)	(471.4)
Total shareholders' equity	734.8	719.1
Total liabilities and shareholders' equity	$ 2,869.7	$ 2,854.3

See accompanying notes to Condensed Consolidated Financial Statements beginning on page 9.

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Armstrong World Industries, Inc., and Subsidiaries
Condensed Consolidated Statements of Shareholders' Equity
(amounts in millions, except share data)
Unaudited

	Three Months Ended March 31, 2013					
	Common Stock		Additional Paid-In Capital	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Total
	Shares	Amount				
Balance at beginning of period	58,934,050	$ 0.6	$1,076.8	$113.1	($471.4)	$ 719.1
Stock issuance	212,198					
Share-based employee compensation			5.7			5.7
Net earnings				3.0		3.0
Other comprehensive income					7.0	7.0
Balance at end of period	59,146,248	$ 0.6	$1,082.5	$116.1	($464.4)	$ 734.8

	Three Months Ended March 31, 2012					
	Common Stock		Additional Paid-In Capital	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Total
	Shares	Amount				
Balance at beginning of period	58,424,691	$ 0.6	$1,467.5	$ 77.1	($415.0)	$1,130.2
Stock issuance	337,368					
Share-based employee compensation			11.4			11.4
Net earnings				18.2		18.2
Dividends declared				(95.3)		(95.3)
Dividends declared in excess of retained earnings			(412.9)			(412.9)
Other comprehensive income					5.4	5.4
Balance at end of period	58,762,059	$ 0.6	$1,066.0	$ —	($409.6)	$ 657.0

See accompanying notes to Condensed Consolidated Financial Statements beginning on page 9.

Armstrong World Industries, Inc., and Subsidiaries
Condensed Consolidated Statements of Cash Flows
(amounts in millions)
Unaudited

	Three Months Ended March 31, 2013	Three Months Ended March 31, 2012
Cash flows from operating activities:		
Net earnings	$ 3.0	$ 18.2
Adjustments to reconcile net earnings to net cash used for operating activities:		
Depreciation and amortization	25.4	34.2
Write off of debt financing costs	18.9	—
Fixed asset impairment	—	4.6
Deferred income taxes	2.4	5.8
Share-based compensation	5.1	4.2
Equity earnings from joint venture	(15.2)	(13.6)
U.S. pension credit	(0.5)	(3.1)
Restructuring charges, net	—	0.2
Restructuring payments	(0.1)	(1.4)
Changes in operating assets and liabilities:		
Receivables	(35.2)	(35.1)
Inventories	(29.6)	(11.8)
Other current assets	(3.5)	(14.2)
Other noncurrent assets	(6.0)	0.9
Accounts payable and accrued expenses	16.5	(21.3)
Income taxes payable	6.7	6.6
Other long-term liabilities	(5.2)	(11.7)
Other, net	3.3	4.6
Net cash (used for) operating activities	(14.0)	(32.9)
Cash flows from investing activities:		
Purchases of property, plant and equipment	(52.3)	(34.4)
Restricted cash	—	1.3
Return of investment from joint venture	14.9	17.6
Proceeds from (payment of) company owned life insurance, net	0.1	(0.2)
Net cash (used for) investing activities	(37.3)	(15.7)
Cash flows from financing activities:		
Payments on revolving credit facility and other debt	—	(1.4)
Proceeds from long-term debt	1,025.0	251.9
Payments of long-term debt	(1,026.0)	(1.5)
Financing costs	(7.2)	(7.6)
Special dividends paid	(0.7)	(0.1)
Proceeds from exercised stock options	2.7	8.3
Net cash (used for) provided by financing activities	(6.2)	249.6
Effect of exchange rate changes on cash and cash equivalents	(0.9)	1.7
Net (decrease) increase in cash and cash equivalents	(58.4)	202.7
Cash and cash equivalents at beginning of year	336.4	480.6
Cash and cash equivalents at end of period	$ 278.0	$683.3
Supplemental Cash Flow Disclosures:		
Interest paid	$ 11.1	$ 9.5
Income taxes paid (refunded), net	2.6	(0.5)
Amounts in accounts payable for capital expenditures	14.9	12.0

See accompanying notes to Condensed Consolidated Financial Statements beginning on page 9.

Armstrong World Industries, Inc., and Subsidiaries
Notes to Condensed Consolidated Financial Statements (Unaudited)
(dollar amounts in millions)

NOTE 1. BUSINESS AND BASIS OF PRESENTATION

Armstrong World Industries, Inc. (“AWI”) is a Pennsylvania corporation incorporated in 1891. When we refer to “we”, “our” and “us” in these notes, we are referring to AWI and its subsidiaries. We use the term “AWI” when we are referring solely to Armstrong World Industries, Inc.

In December 2000, AWI filed a voluntary petition for relief (the “Filing”) under Chapter 11 of the U.S. Bankruptcy Code (the “Bankruptcy Code”) in the United States Bankruptcy Court for the District of Delaware (the “Bankruptcy Court”) in order to use the court-supervised reorganization process to achieve a resolution of AWI’s asbestos-related liability. On October 2, 2006, AWI’s court-approved plan of reorganization (“POR”) became effective and AWI emerged from Chapter 11. All claims in AWI’s Chapter 11 case have been resolved and closed.

On October 2, 2006, the Armstrong World Industries, Inc. Asbestos Personal Injury Settlement Trust (“Asbestos PI Trust”) was created to address AWI’s personal injury (including wrongful death) asbestos-related liability. All present and future asbestos-related personal injury claims against AWI, including contribution claims of co-defendants but excluding certain foreign claims against subsidiaries, arising directly or indirectly out of AWI’s pre-Filing use of, or other activities involving, asbestos are channeled to the Asbestos PI Trust.

In August 2009, Armor TPG Holdings LLC (“TPG”) and the Asbestos PI Trust entered into agreements whereby TPG purchased 7,000,000 shares of AWI common stock from the Asbestos PI Trust and acquired an economic interest in an additional 1,039,777 shares from the Asbestos PI Trust. The Asbestos PI Trust and TPG together hold more than 50% of AWI’s outstanding shares and have a shareholders’ agreement, pursuant to which they agree to vote their shares together on certain matters. During the fourth quarter of 2012, the Asbestos PI Trust and TPG together sold 5,980,000 of their shares in a secondary public offering. We did not sell any shares and did not receive any proceeds from the offering, and the total number of common shares outstanding did not change as a result of the offering.

In September 2012, we entered into a definitive agreement to sell our cabinets business for $27 million. The sale was completed in October 2012. The transaction is subject to working capital adjustments which are expected to be completed in the second quarter of 2013. The financial results of the cabinets business, which have previously been shown as a separate reporting segment, have been reclassified as discontinued operations for all periods presented. See Note 3 to the Condensed Consolidated Financial Statements for additional financial information related to discontinued operations. The Notes to Condensed Consolidated Financial Statements in this Form 10-Q have been recast to reflect continuing operations, unless otherwise noted.

The accounting policies used in preparing the Condensed Consolidated Financial Statements in this Form 10-Q are the same as those used in preparing the Consolidated Financial Statements for the year ended December 31, 2012. These statements should therefore be read in conjunction with the Consolidated Financial Statements and notes that are included in the Form 10-K for the fiscal year ended December 31, 2012. In the opinion of management, all adjustments of a normal recurring nature have been included to provide a fair statement of the results for the reporting periods presented. Quarterly results are not necessarily indicative of annual earnings, primarily due to the different level of sales in each quarter of the year and the possibility of changes in general economic conditions.

Certain amounts in the prior year’s Condensed Consolidated Financial Statements have been recast to conform to the 2013 presentation.

These Condensed Consolidated Financial Statements are prepared in accordance with U.S. generally accepted accounting principles (“U.S. GAAP”). The statements include management estimates and judgments, where appropriate. Management utilizes estimates to record many items including certain asset values, allowances for bad debts, inventory obsolescence and lower of cost or market charges, warranty, workers’ compensation, general liability and environmental claims and income taxes. When preparing an estimate, management determines the amount based upon the consideration of relevant information. Management may confer with outside parties, including outside counsel. Actual results may differ from these estimates.

Armstrong World Industries, Inc., and Subsidiaries
Notes to Condensed Consolidated Financial Statements (Unaudited)
(dollar amounts in millions)

In February 2013, the Financial Accounting Standards Board ("FASB") issued new guidance that is now part of Accounting Standards Codification ("ASC") 220: " *Comprehensive Income – Reporting of Amounts Reclassified Out of Accumulated Other Comprehensive Income*". The new guidance requires an entity to disclose in a single location the effects of reclassifications out of accumulated other comprehensive income "("AOCI"). For items reclassified out of AOCI and into net income in their entirety, entities must disclose the effect of the reclassification on each affected net income item. For AOCI reclassification items that are not reclassified in their entirety into net income, entities must provide a cross reference to other required U.S. GAAP disclosures. The standard does not change the items which must be reported in other comprehensive income. These provisions are to be applied prospectively and were effective for us January 1, 2013. There was no impact on our financial condition, results of operations or cash flows as a result of the adoption of this guidance.

The FASB also recently issued new guidance that limits the scope of instruments subject to Accounting Standards Update ("ASU") 2011-11: *"Balance sheet – Disclosures about Offsetting Assets and Liabilities"* originally issued in December 2011. The new guidance limits the scope of this ASU to derivatives, repurchase and reverse repurchase agreements, and securities borrowing and lending agreements subject to master netting arrangements or similar agreements. This guidance is to be applied retrospectively and was effective for us beginning January 1, 2013. Since this guidance impacts presentation only, it had no effect on our financial condition, results of operations or cash flows.

Operating results for the first quarter of 2013 and 2012 included in this report are unaudited. However, these Condensed Consolidated Financial Statements have been reviewed by an independent registered public accounting firm in accordance with standards of the Public Company Accounting Oversight Board (United States) for a limited review of interim financial information.

NOTE 2. SEGMENT RESULTS

	Three Months Ended March 31, 2013	2012
Net sales to external customers		
Building Products	$292.8	$303.1
Resilient Flooring	214.8	227.3
Wood Flooring	114.7	105.6
Total net sales to external customers	$622.3	$636.0

	Three Months Ended March 31, 2013	2012
Segment operating income (loss)		
Building Products	$ 59.3	$ 43.3
Resilient Flooring	6.4	10.7
Wood Flooring	0.5	2.5
Unallocated Corporate (expense)	(19.2)	(13.8)
Total consolidated operating income	$ 47.0	$ 42.7

	Three Months Ended March 31, 2013	2012
Total consolidated operating income	$ 47.0	$ 42.7
Interest expense	33.2	11.2
Other non-operating income	(1.3)	(0.8)
Earnings from continuing operations before income taxes	$ 15.1	$ 32.3

Armstrong World Industries, Inc., and Subsidiaries
Notes to Condensed Consolidated Financial Statements (Unaudited)
(dollar amounts in millions)

	March 31, 2013	December 31, 2012
Segment assets		
Building Products	$ 1,000.2	$ 975.1
Resilient Flooring	651.5	617.6
Wood Flooring	343.2	326.4
Unallocated Corporate	874.8	935.2
Total consolidated assets	$ 2,869.7	$ 2,854.3

Impairment testing of our tangible assets occurs whenever events or changes in circumstances indicate that the carrying amount of the assets may not be recoverable.

In March 2012, we made the decision to permanently close a previously idled ceiling tile plant in Mobile, AL. As a result, during the first quarter of 2012 we recorded accelerated depreciation of $9.3 million for machinery and equipment and a $4.6 million impairment charge for buildings in cost of goods sold. The preliminary fair values were determined by management estimates and an independent valuation based on information available at that time (considered Level 2 inputs in the fair value hierarchy).

NOTE 3. – DISCONTINUED OPERATIONS

In September 2012, we entered into a definitive agreement to sell our cabinets business to American Industrial Partners ("AIP") for $27 million in cash. During the third quarter, we recorded an impairment charge of $17.5 million on the cabinets' assets to reflect the expected proceeds from the sale. The sale was completed in October 2012. The transaction is subject to working capital adjustments which are expected to be completed in the second quarter of 2013.

The financial results of the cabinets business have been reclassified as discontinued operations for all periods presented. The Condensed Consolidated Statement of Cash Flows does not separately report the cash flows of the discontinued operation.

The following is a summary of the operating results of the cabinets business, (previously shown as the Cabinets reporting segment), which are included in discontinued operations.

	Three Months Ended March 31,	
	2013	2012
Net Sales	—	$ 32.0
(Loss) before income tax	($0.3)	($1.1)
Income tax benefit	0.1	0.3
Net (loss) from discontinued operations	($0.2)	($0.8)

Armstrong World Industries, Inc., and Subsidiaries
Notes to Condensed Consolidated Financial Statements (Unaudited)
(dollar amounts in millions)

NOTE 4. ACCOUNTS AND NOTES RECEIVABLE

	March 31, 2013	December 31, 2012
Customer receivables	$ 262.5	$ 228.1
Customer notes	3.1	4.5
Miscellaneous receivables	7.3	7.6
Less allowance for warranties, discounts and losses	(35.8)	(35.6)
Accounts and notes receivable, net	$ 237.1	$ 204.6

Generally, we sell our products to select, pre-approved customers whose businesses are affected by changes in economic and market conditions. We consider these factors and the financial condition of each customer when establishing our allowance for losses from doubtful accounts.

NOTE 5. INVENTORIES

	March 31, 2013	December 31, 2012
Finished goods	$ 281.9	$ 265.9
Goods in process	21.4	27.6
Raw materials and supplies	128.6	107.8
Less LIFO and other reserves	(36.6)	(31.5)
Total inventories, net	$ 395.3	$ 369.8

NOTE 6. OTHER CURRENT ASSETS

	March 31, 2013	December 31, 2012
Prepaid expenses	$ 39.5	$ 39.0
Assets held for sale	—	1.8
Fair value of derivative assets	0.6	0.3
Other	6.1	1.2
Total other current assets	$ 46.2	$ 42.3

NOTE 7. EQUITY INVESTMENT

Investment in joint venture at March 31, 2013 reflected our 50% equity interest in our Worthington Armstrong Venture (“WAVE”) joint venture with Worthington Industries, Inc. Condensed income statement data for WAVE is summarized below:

	Three Months Ended March 31,	
	2013	2012
Net sales	$ 91.9	$ 90.8
Gross profit	43.3	40.2
Net earnings	33.8	30.6

Armstrong World Industries, Inc., and Subsidiaries
Notes to Condensed Consolidated Financial Statements (Unaudited)
(dollar amounts in millions)

NOTE 8. INTANGIBLE ASSETS

The following table details amounts related to our intangible assets as of March 31, 2013 and December 31, 2012.

		March 31, 2013		December 31, 2012	
	Estimated Useful Life	Gross Carrying Amount	Accumulated Amortization	Gross Carrying Amount	Accumulated Amortization
Amortizing intangible assets					
Customer relationships	20 years	$165.4	$ 53.9	$165.4	$ 51.9
Developed technology	15 years	82.0	35.2	81.9	33.8
Other	Various	20.8	1.5	15.0	1.3
Total		$268.2	$ 90.6	$262.3	$ 87.0
Non-amortizing intangible assets					
Trademarks and brand names	Indefinite	352.5		352.4	
Total intangible assets		$620.7		$614.7	

	Three Months Ended March 31, 2013	2012
Amortization expense	$ 3.6	$ 3.5

NOTE 9. SEVERANCES AND RELATED COSTS

In the first quarter of 2013, we recorded $5.2 million for severance and related costs to reflect approximately 40 position eliminations in our European Resilient Flooring business ($1.8 million in cost of goods sold and $1.0 million in selling, general and administrative expense) and approximately 40 position eliminations in our Resilient Flooring business in Australia ($2.4 million in cost of goods sold).

NOTE 10. INCOME TAX EXPENSE

	Three Months Ended March 31, 2013	2012
Earnings from continuing operations before income taxes	$ 15.1	$ 32.3
Income tax expense	11.9	13.3
Effective tax rate	78.8%	41.2%

The effective tax rate for the first quarter of 2013 was higher than the comparable period of 2012, primarily due to the provision of valuation allowances reducing deferred tax assets generated in the quarter related to increased losses of certain foreign affiliates and other items. In certain foreign jurisdictions, we are in a net operating loss carryforward position and the related deferred tax assets are subject to a full valuation allowance. Therefore, any pretax losses in those jurisdictions do not generate a corresponding income tax benefit.

Deferred income tax assets and liabilities are recognized by applying enacted tax rates to temporary differences that exist as of the balance sheet date. We reduce the carrying amounts of deferred tax assets by a valuation allowance if, based on the available evidence, it is more likely than not that such assets will not be realized. In assessing the requirement for, and amount of, a valuation allowance in accordance with the more likely than not standard, we give appropriate consideration to all positive and negative evidence related to the realization of the deferred tax assets. This assessment considers, among other matters, the nature, frequency and severity of current and cumulative losses, forecasts of future profitability and foreign source income, the duration of statutory carryforward periods, and our experience with operating loss and tax credit carryforward expirations. A history of cumulative losses is a significant piece of negative evidence used in our assessment. If a history of cumulative losses was incurred for a tax jurisdiction, forecasts of future profitability are not used as positive evidence related to the realization of the deferred tax assets in our assessment. Specifically with respect to the foreign net operating losses generated in the quarter, we considered the history of cumulative losses in assessing the need for a valuation allowance.

We do not expect to record any material changes during 2013 to unrecognized tax benefits that were claimed on tax returns covering tax years ending on or before December 31, 2012.

As of March 31, 2013, we consider foreign unremitted earnings to be permanently reinvested.

NOTE 11. DEBT

On March 15, 2013, we refinanced our $1.3 billion senior credit facility and amended the underlying credit agreement. The new facility is composed of a $250 million revolving credit facility (with a $150 million sublimit for letters of credit), a $550 million Term Loan A and a $475 million Term Loan B. The terms of the facility resulted in a lower interest rate spread (2.5% vs. 3.0%) than our previous facility. We also extended the maturity of Term Loan A from November 2015 to March 2018 and of Term Loan B from March 2018 to March 2020.

The primary covenant change resulting from the refinancing related to mandatory prepayments required under the senior credit facility. This is an annual leverage test beginning with the year ending December 31, 2013, where, if our ratio of consolidated funded indebtedness minus AWI and domestic subsidiary unrestricted cash and cash equivalents up to $100 million to consolidated EBITDA ("Consolidated Net Leverage Ratio") is greater than or equal to 3.5 to 1.0, we would be required to make a prepayment of 50% of fiscal year Consolidated Excess Cash Flow, as defined by the credit agreement. If our Consolidated Net Leverage Ratio is less than 3.5 to 1.0, no prepayment would be required. This test is on a fiscal year basis, except for the first period ending December 31, 2013, for which the Consolidated Excess Cash Flow is calculated for the period April 1, 2013 to December 31, 2013. During the first three months of 2013, we were in compliance with all covenants of the previous and amended senior credit facilities.

In connection with the refinancing, we incurred $8.1 million for bank, legal, and other fees, of which $7.2 million was capitalized and is being amortized into interest expense over the life of the loans. Additionally, we wrote off $18.9 million of unamortized debt financing costs related to our previous credit facility to interest expense.

On March 28, 2013, we amended our $100 million Securitization facility with Bank of Nova Scotia. We decreased the facility to $75 million to reduce commitment fees on unused capacity. The maturity was extended to March 2016. The balance of the subordinated notes payable, which is eliminated in consolidation, totaled $126.4 million as of March 31, 2013.

(dollar amounts in millions)

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NOTE 12. PENSIONS AND OTHER BENEFIT PROGRAMS

Following are the components of net periodic benefit costs (credits):

	Three Months Ended March 31,	
	2013	2012
U.S. defined-benefit plans:		
Pension benefits		
Service cost of benefits earned during the period	$ 4.2	$ 3.9
Interest cost on projected benefit obligation	19.9	22.7
Expected return on plan assets	(34.1)	(35.0)
Amortization of prior service cost	0.5	0.5
Amortization of net actuarial loss	10.2	5.8
Net periodic pension cost (credit)	$ 0.7	($2.1)
Retiree health and life insurance benefits		
Service cost of benefits earned during the period	$ 0.3	$ 0.3
Interest cost on projected benefit obligation	2.4	2.4
Amortization of prior service credit	(0.2)	(0.1)
Amortization of net actuarial gain	(0.9)	(3.0)
Net periodic postretirement benefit cost (credit)	$ 1.6	($0.4)
Non-U.S. defined-benefit pension plans		
Service cost of benefits earned during the period	$ 0.7	$ 0.5
Interest cost on projected benefit obligation	3.3	3.9
Expected return on plan assets	(2.4)	(2.5)
Amortization of net actuarial loss	0.7	0.3
Net periodic pension cost	$ 2.3	$ 2.2

NOTE 13. FINANCIAL INSTRUMENTS

We do not hold or issue financial instruments for trading purposes. The estimated fair values of our financial instruments are as follows:

	March 31, 2013		December 31, 2012	
	Carrying amount	Estimated fair value	Carrying amount	Estimated fair value
Liabilities, net:				
Total debt, including current portion	($1,070.1)	($1,076.4)	($1,071.0)	($1,075.9)
Foreign currency contract obligations	(0.5)	(0.5)	(1.8)	(1.8)
Natural gas contracts	(0.2)	(0.2)	(2.7)	(2.7)
Interest rate swap contracts	(23.2)	(23.2)	(25.7)	(25.7)

The carrying amounts of cash and cash equivalents of $278.0 million at March 31, 2013 and $336.4 million at December 31, 2012 (composed of bank deposits), receivables, accounts payable and accrued expenses, short-term debt and current installments of long-term debt approximate fair value because of the short-term maturity of these instruments. The fair value estimates of long-term debt were based upon quotes from a major financial institution of recently observed trading levels of our Term Loan B debt. The fair value estimates of foreign currency contract obligations are estimated from market quotes provided by a well recognized national market data provider. The fair value estimates of natural gas contracts are estimated using internal valuation models with verification by obtaining quotes from major financial institutions. For natural gas swap transactions, fair value is calculated using NYMEX market quotes provided by a well recognized national market data provider. For natural gas option based strategies, fair value is calculated using an industry standard Black-Scholes model with market based inputs, including but not limited to, underlying asset price, strike price, implied volatility, discounted risk free rate and time to expiration, provided by a well recognized national market data provider.

(dollar amounts in millions)

The fair value estimates for interest rate swap contracts are estimated by obtaining quotes from major financial institutions with verification by internal valuation models.

Fair value is defined as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants at the measurement date. U.S. GAAP establishes a three-level fair value hierarchy that prioritizes the inputs used to measure fair value. The three levels of inputs used to measure fair value are as follows:

Level 1 — Quoted prices in active markets for identical assets or liabilities.

Level 2 — Observable inputs other than quoted prices included in Level 1, such as quoted prices for similar assets and liabilities in active markets; quoted prices for identical or similar assets and liabilities in markets that are not active; or other inputs that are observable or can be corroborated by observable market data.

Level 3 — Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities. This includes certain pricing models, discounted cash flow methodologies and similar techniques that use significant unobservable inputs.

Liabilities are summarized below:

	March 31, 2013 Fair value based on		December 31, 2012 Fair value based on	
	Quoted, active markets Level 1	Other observable inputs Level 2	Quoted, active markets Level 1	Other observable inputs Level 2
Liabilities, net:				
Total debt, including current portion	($478.0)	($598.4)	($792.4)	($283.5)
Foreign currency contract obligations	(0.5)	—	(1.8)	—
Natural gas contracts	—	(0.2)	—	(2.7)
Interest rate swap contracts	—	(23.2)	—	(25.7)

We do not have any financial assets or liabilities that are valued using Level 3 (unobservable) inputs.

NOTE 14. DERIVATIVE FINANCIAL INSTRUMENTS

We are exposed to market risk from changes in foreign exchange rates, interest rates and commodity prices that could impact our results of operations, cash flows and financial condition. We use forward swaps and option contracts to hedge these exposures. Exposure to individual counterparties is controlled and derivative financial instruments are entered into with a diversified group of major financial institutions. Forward swaps and option contracts are entered into for periods consistent with underlying exposure and do not constitute positions independent of those exposures. At inception, hedges that we designate as hedging instruments are formally documented as either (1) a hedge of a forecasted transaction or “cash flow” hedge, or (2) a hedge of the fair value of a recognized liability or asset or “fair value” hedge. We also formally assess both at inception and at least quarterly thereafter, whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in either the fair value or cash flows of the hedged item. If it is determined that a derivative ceases to be a highly effective hedge, or if the anticipated transaction is no longer probable of occurring, we discontinue hedge accounting, and any future mark to market adjustments are recognized in earnings. We use derivative financial instruments as risk management tools and not for speculative trading purposes.

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Counterparty Risk

We only enter into derivative transactions with established counterparties having a credit rating of BBB or better. We monitor counterparty credit default swap levels and credit ratings on a regular basis. All of our derivative transactions with counterparties are governed by master International Swap and Derivatives Association agreements (“ISDAs”) with netting arrangements. These agreements can limit our exposure in situations where we have gain and loss positions outstanding with a single counterparty. We do not post nor do we receive cash collateral with any counterparty for our derivative transactions. As of March 31, 2013, we had no cash collateral posted or received for any of our derivative transactions. These ISDAs do not have any credit contingent features; however, a default under our bank credit facility would trigger a default under these agreements. Exposure to individual counterparties is controlled, and thus we consider the risk of counterparty default to be negligible.

Commodity Price Risk

We purchase natural gas for use in the manufacture of ceiling tiles and other products, and to heat many of our facilities. As a result, we are exposed to fluctuations in the price of natural gas. We have a policy to reduce cost volatility for North American natural gas purchases by purchasing natural gas forward contracts and swaps, purchased call options, and zero-cost collars up to 24 months forward to reduce our overall exposure to natural gas price movements. There is a high correlation between the hedged item and the hedged instrument. The gains and losses on these transactions offset gains and losses on the transactions being hedged. These instruments are designated as cash flow hedges. At March 31, 2013 and December 31, 2012, the notional amount of these hedges was $17.9 million and $21.5 million, respectively. The mark-to-market gain or loss on qualifying hedges is included in other comprehensive income to the extent effective, and reclassified into cost of goods sold in the period during which the underlying gas is consumed. The mark-to-market gains or losses on ineffective portions of hedges are recognized in cost of goods sold immediately. The earnings impact of the ineffective portion of these hedges was not material for the first quarter of 2013 and 2012. The contracts are based on forecasted usage of natural gas measured in mmBtu’s.

Currency Rate Risk – Sales and Purchases

We manufacture and sell our products in a number of countries throughout the world and, as a result, we are exposed to movements in foreign currency exchange rates. To a large extent, our global manufacturing and sales provide a natural hedge of foreign currency exchange rate movement, as foreign currency expenses generally offset foreign currency revenues. We manage our cash flow exposures on a net basis and use derivatives to hedge the majority of our unmatched foreign currency cash inflows and outflows. As of March 31, 2013, our major foreign currency exposures are to the Canadian dollar, the Australian dollar, and the Euro.

We use foreign currency forward exchange contracts to reduce our exposure to the risk that the eventual net cash inflows and outflows resulting from the sale of products to foreign customers and purchases from foreign suppliers will be adversely affected by changes in exchange rates. These derivative instruments are used for forecasted transactions and are classified as cash flow hedges. Cash flow hedges are executed quarterly, generally up to 15 months forward, and allow us to further reduce our overall exposure to exchange rate movements, since gains and losses on these contracts offset gains and losses on the transactions being hedged. The notional amount of these hedges was $131.2 million and $129.7 million at March 31, 2013 and December 31, 2012, respectively. Gains and losses on these instruments are recorded in other comprehensive income, to the extent effective, until the underlying transaction is recognized in earnings. The earnings impact of the ineffective portion of these hedges was not material for the first quarter of 2013 and 2012.

Currency Rate Risk—Intercompany Loans and Dividends

We also use foreign currency forward exchange contracts to hedge exposures created by cross-currency intercompany loans and dividends. The translation adjustments related to these loans are recorded in other non-operating income or expense. The offsetting gains or losses on the related derivative contracts are also recorded in other non-operating income or expense. These contracts are decreased or increased as repayments are made or additional intercompany loans are extended or adjusted for intercompany dividend activity as necessary. We did not have any open hedges related to intercompany loans and dividends as of March 31, 2013 and December 31, 2012.

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Interest Rate Risk

We utilize interest rate swaps to minimize the fluctuations in earnings caused by interest rate volatility. Interest expense on variable-rate liabilities increases or decreases as a result of interest rate fluctuations. The following table summarizes our interest rate swaps:

Trade Date	Notional Amount	Interest Rate Paid	Coverage Period	Risk Coverage
March 31, 2011	$100.0	2.303%	March 2011 to November 2015	Term Loan A
March 31, 2011	$200.0	2.523%	March 2011 to November 2015	Term Loan B
March 27, 2012	$250.0	1.928%	March 2012 to March 2018	Term Loan B
March 27, 2012	$200.0	2.810%	November 2015 to March 2018	Term Loan B
April 16, 2013	$250.0	1.398%	November 2015 to March 2018	Term Loan A

Under the terms of the Term Loan A swaps we receive 3-month LIBOR and pay a fixed rate over the hedged period. Under the terms of the Term Loan B swaps, we receive the greater of 3-month LIBOR or the 1% LIBOR Floor and pay a fixed rate over the hedged period. These swaps are designated as cash flow hedges against changes in LIBOR for a portion of our variable rate debt.

Financial Statement Impacts

The following tables detail amounts related to our derivatives as of March 31, 2013 and December 31, 2012. Our derivative assets and liabilities not designated as hedging instruments were not material as of March 31, 2013 and December 31, 2012. The derivative asset and liability amounts below are shown in gross amounts; we have not netted assets with liabilities.

	Asset Derivatives			Derivative Liabilities		
		Fair Value			Fair Value	
	Balance Sheet Location	March 31, 2013	December 31, 2012	Balance Sheet Location	March 31, 2013	December 31, 2012
Derivatives designated as hedging instruments						
Natural gas commodity contracts	Other current assets	—	—	Accounts payable and accrued expenses	$ 0.2	$ 2.7
Foreign exchange contracts	Other current assets	$ 0.6	$ 0.3	Accounts payable and accrued expenses	1.1	2.1
Interest rate swap contracts	Other current assets	—	—	Other long-term liabilities	23.2	25.7
Total derivatives designated as hedging instruments		$ 0.6	$ 0.3		$ 24.5	$ 30.5

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	Amount of (Loss) Recognized in Accumulated Other Comprehensive Income ("AOCI") (Effective Portion)(a) Three Months Ended March 31, 2013	2012	Location of (Loss) Reclassified from AOCI into Income (Effective Portion)	(Loss) Reclassified from AOCI into Income (Effective Portion) Three Months Ended March 31, 2013	2012
Derivatives in Cash Flow Hedging Relationships					
Natural gas commodity contracts	($0.2)	($10.0)	Cost of goods sold	($1.7)	($2.7)
Foreign exchange contracts – purchases and sales	(0.5)	(0.4)	Cost of goods sold	(0.1)	(0.5)
Interest rate swap contracts	(23.2)	(15.5)	Interest Expense	—	—
Total	($23.9)	($25.9)		($1.8)	($3.2)

(a) As of March 31, 2013 the amount of existing losses in Accumulated OCI expected to be recognized in earnings over the next twelve months is $0.6 million.

	Location of Gain (Loss) Recognized in Income on Derivative (Ineffective Portion) (a)
Derivatives in Cash Flow Hedging Relationships	
Natural gas commodity contracts	Cost of goods sold
Foreign exchange contracts – purchases and sales	SG&A expense
Interest rate swap contracts	Interest expense

(a) The amount of gain (loss) recognized in income related to the ineffective portion of the hedging relationships was immaterial for the three months ended March 31, 2013 and March 31, 2012. No gains or losses are excluded from the assessment of the hedge effectiveness.

The amount of loss recognized in income for derivative instruments not designated as hedging instruments was $0.6 million for the first three months of 2012. No gain or loss was recognized in the first three months of 2013.

NOTE 15. PRODUCT WARRANTIES

We provide direct customer and end-user warranties for our products. These warranties cover manufacturing defects that would prevent the product from performing in line with its intended and marketed use. The terms of these warranties vary by product and generally provide for the repair or replacement of the defective product. We collect and analyze warranty claims data with a focus on the historic amount of claims, the products involved, the amount of time between the warranty claims and their respective sales and the amount of current sales. The following table summarizes the activity for the accrual of product warranties for the first three months of 2013 and 2012:

	2013	2012
Balance at January 1,	$11.5	$12.1
Reductions for payments	(4.4)	(4.7)
Current year warranty accruals	3.7	5.4
Preexisting warranty accrual changes	(0.3)	(0.1)
Balance at March 31,	$10.5	$12.7

The warranty provision and related reserve are recorded as a reduction of sales and accounts receivable.

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NOTE 16. ACCUMULATED OTHER COMPREHENSIVE INCOME

	Foreign Currency Translation Adjustments (1)	Derivative (Loss) Gain (1)	Pension and Postretirement Adjustments (1)	Total Accumulated Other Comprehensive (Loss) (1)
Balance, December 31, 2012	$ 30.1	($19.2)	($482.3)	($471.4)
Other comprehensive income before reclassifications, net of tax (expense) benefit of $ -, ($1.4), $0.2, and ($1.2)	(6.2)	3.1	2.2	(0.9)
Amounts reclassified from accumulated other comprehensive income	—	1.2	6.7	7.9
Net current period other comprehensive income	(6.2)	4.3	8.9	7.0
Balance, March 31, 2013	$ 23.9	($14.9)	($473.4)	($464.4)

(1) Amounts are net of tax

	Amounts Reclassified from Accumulated Other Comprehensive Income	Affected Line Item in the Consolidated Statement of Earnings and Comprehensive Income
Derivative (Loss) Gain:		
Natural gas commodity contracts	$ 1.7	Cost of goods sold
Foreign exchange contracts—purchases and sales	0.1	Cost of goods sold
Total before tax	1.8	
Tax impact	(0.6)	Income tax expense
Total net of tax	1.2	
Pension and Postretirement Adjustments:		
Prior service cost amortization	0.2	Cost of goods sold
Prior service cost amortization	0.1	SG&A
Amortization of net actuarial loss	5.3	Cost of goods sold
Amortization of net actuarial loss	4.7	SG&A
Total before tax	10.3	
Tax impact	(3.6)	Income tax expense
Total net of tax	6.7	
Total reclassifications for the period	$ 7.9	

NOTE 17. LITIGATION AND RELATED MATTERS

ENVIRONMENTAL MATTERS

Environmental Compliance

Our manufacturing and research facilities are affected by various federal, state and local requirements relating to the discharge of materials and the protection of the environment. We make expenditures necessary for compliance with applicable environmental requirements at each of our operating facilities. These regulatory requirements continually change, therefore we cannot predict with certainty future expenditures associated with compliance with environmental requirements.

Environmental Sites

Summary

We are actively involved in the investigation, closure and/or remediation of existing or potential environmental contamination under the Comprehensive Environmental Response, Compensation and Liability Act

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("CERCLA"), and state or international Superfund and similar type environmental laws at several domestically- and internationally-owned, formerly owned and non-owned locations allegedly resulting from past industrial activity. In a few cases, we are one of several potentially responsible parties ("PRPs") and have agreed to jointly fund the required investigation and remediation, while preserving our defenses to the liability. We may also have rights of contribution or reimbursement from other parties or coverage under applicable insurance policies.

Estimates of our future liability at the environmental sites are based on evaluations of currently available facts regarding each individual site. We consider factors such as our activities associated with the site, existing technology, presently enacted laws and regulations and prior company experience in remediating contaminated sites. Although current law imposes joint and several liability on all parties at Superfund sites, our contribution to the remediation of these sites is expected to be limited by the number of other companies potentially liable for site remediation. As a result, our estimated liability reflects only our expected share. In determining the probability of contribution, we consider the solvency of other parties, the site activities of other parties, whether liability is being disputed, the terms of any existing agreements and experience with similar matters, and the effect of our Chapter 11 reorganization upon the validity of the claim.

Specific Material Events

St Helens, OR

In August 2010, we entered into a Consent Orde **r** (the "Consent Order") with the Oregon Department of Environmental Quality ("ODEQ"), along with Kaiser Gypsum Company, Inc. ("Kaiser"), and Owens Corning Sales LLC ("OC"), with respect to our St. Helens, OR Building Products facility, which was previously owned by Kaiser and then OC. The Consent Order, which replaces a previous order of the ODEQ requiring us to investigate and remediate hazardous substances present at the facility, requires that we and Kaiser complete a remedial investigation and feasibility study ("RI/FS") on the portion of the site owned by us ("Owned Property"). The Consent Order further requires us, Kaiser and OC to conduct an RI/FS in the adjacent Scappoose Bay. We are currently in an investigation phase for both the Owned Property and the Scappoose Bay and are actively conducting sampling and analysis at these sites. We anticipate submitting a Remedial Investigation Report and Human Health and Ecological Risk Assessments to ODEQ in 2013. At this time, we have determined that it is probable that remedial action for certain portions of the Owned Property will be required. The current estimate of our future liability at the site includes the known investigation work required by the Consent Order and the current projected cost of possible remedies for certain portions of the Owned Property. At this time, we are unable to reasonably estimate any remediation costs that we may ultimately incur with respect to other portions of the Owned Property or the Scappoose Bay, although such costs may be material. If additional investigative or remedial action is required by ODEQ, it could result in additional costs greater than the amounts currently estimated and those costs may be material.

Costs and responsibilities for investigation, including the current RI/FS of the Owned Property continue to be shared with Kaiser pursuant to a cost sharing agreement with Kaiser. Contemporaneously with the execution of the Consent Order, we, Kaiser and OC also entered into a separate cost sharing agreement for both the investigation and possible remediation of the Scappoose Bay. Kaiser's shares under the cost sharing agreements are being funded by certain insurance policies, which comprise substantially all of Kaiser's assets. If Kaiser and OC are unwilling or unable to fulfill their obligations under the cost sharing agreements, or seek to contest or challenge the allocations, or if Kaiser's insurance policies are unable to fund Kaiser's shares, it could result in additional cost to us greater than the amounts currently estimated and those costs may be material.

The principal contaminants at the St. Helens site are arsenic and dioxin compounds from historic operations by prior owners of the plant. As part of the investigation on the site pursuant to the Consent Order, we conducted an analysis of the raw materials used in our manufacturing processes at the St. Helens facility to identify possible sources of these same contaminants. Our testing found low levels of naturally occurring dioxin in sourced clay, known as ball clay, used in the production of some of our fire-retardant products at our St. Helens manufacturing facility. Based on the data from the soil and sediment samples from our St. Helens property and the data from the ball clay, we do not believe that the presence of dioxin in our raw material will have a material impact on our ultimate liability at the site. In addition, consistent with our health and safety policies, we tested employee exposure levels at two facilities representative of our handling procedures at all plants that use this ball clay and, as a result of such testing, do not believe that the ball clay poses a hazard to our employees based on applicable regulatory standards. Based on the manufacturing process and the amount of raw material utilized, we also believe that the dioxin levels in our finished products do not pose a hazard to installers or consumers. While we have not received any claims related to this raw material or our fire-retardant products, there can be no assurance that the raw material or the finished products will not become the subject of legal claims or regulatory actions or that such claims or actions will not have a material adverse effect on our financial condition or results of operations.

Macon, GA

The U.S. Environmental Protection Agency ("EPA") has listed two landfills located on a portion of our Building Products facility in Macon, GA, along with the former Macon Naval Ordnance Plant landfill adjacent to our property, and portions of Rocky Creek (collectively, the "Macon Site") as a Superfund site on the National Priorities List due to the presence of contaminants, most notably PCBs. In September 2010, we entered into an Administrative Order on Consent for a Removal Action with the EPA to investigate PCB contamination in one of the landfills on our property, the Wastewater Treatment Plant Landfill (the "WWTP Landfill") that is a portion of the Superfund Site. We have concluded the investigative phase of the Removal Action for the WWTP Landfill and submitted our final Engineering Evaluation/Cost Analysis ("EE/CA") to the EPA, which included a proposed remedy. The EPA approved the EE/CA in the first quarter of 2013 and is holding a public comment period for the EE/CA. Following the public comment period, the EPA will finalize the remedy. Our estimate of future liability includes costs for remedial work for the WWTP Landfill. Additionally, it is probable that we will incur field investigation, engineering and oversight costs associated with a RI/FS with respect to the remainder of the Superfund site, including Rocky Creek (the "Remaining Site"). We have not yet entered into an Order with the EPA for the Remaining Site and, as a result, have not yet commenced an investigation of this portion of the site. Accordingly, we are able to estimate only a small portion of the probable costs that may be associated with the RI/FS for the Remaining Site. We anticipate, however, that the EPA may require significant investigative work for the Remaining Site and that we may ultimately incur costs in remediating any contamination discovered during the RI/FS. We are unable to reasonably estimate the total costs associated with the investigation work, or any resulting remediation therefrom, although such amounts may be material.

Mobile, AL

In the second quarter of 2012, we recorded a liability for probable and estimable costs associated with the clean closure of a non-hazardous containment pond located on the property of our previously idled Mobile, AL Building Products plant. We have received approval of the closure plan from the Alabama Department of Environmental Management ("ADEM") and have commenced work. As the work progresses, additional closure actions may become known and reasonably estimable. We are unable to anticipate any additional closure actions that may be required by the ADEM, although costs associated with such actions may be material.

Elizabeth City, NC

This site is a former cabinet manufacturing facility that was operated by Triangle Pacific Corporation, now known as Armstrong Wood Products, Inc. ("Triangle Pacific") from 1977 until 1996. The site was formerly owned by the U.S. Navy ("Navy") and Westinghouse, now CBS Corporation ("CBS"). We assumed ownership of the site when we acquired the stock of Triangle Pacific in 1998. Prior to our acquisition, the NC Department of Environment and Natural Resources listed the site as a hazardous waste site. In 1997, Triangle Pacific entered into a cost sharing agreement with Westinghouse whereby the parties agreed to share equally in costs associated with investigation and potential remediation. In 2000, Triangle Pacific and CBS entered into an RI/FS with the EPA for the site. In 2007, we and CBS entered into an agreement with the Navy whereby the Navy agreed to pay one third of defined past and future investigative costs up to a certain amount, which has now been exhausted. Although the parties initially submitted the RI/FS work plan to the EPA in 2004, the EPA did not approve the RI/FS work plan until August 2011. We are in an investigation phase with respect to this site and current estimated liabilities include only our share of the probable costs for investigative work required by the EPA. We are unable to reasonably estimate any additional investigative costs or determine whether remediation will be required. If remediation is required, the related costs may be material, although we expect these costs to be shared with CBS and the Navy.

Summary of Financial Position

Liabilities of $9.6 million at March 31, 2013 and $10.7 million at December 31, 2012 were recorded for potential environmental liabilities, on a global basis, that we consider probable and for which a reasonable estimate of the probable liability could be made. Where existing data is sufficient to estimate the liability, that estimate has been used; where only a range of probable liabilities is available and no amount within that range is more likely than any other, the lower end of the range has been used. As assessments and remediation activities progress at each site, these liabilities are reviewed to reflect new information as it becomes available. These liabilities are undiscounted.

The estimated liabilities above do not take into account any claims for recoveries from insurance or third parties. It is our policy to record probable recoveries that are either available through settlement or anticipated to be recovered through negotiation or litigation as assets in the Condensed Consolidated Balance Sheets. No amounts were recorded for probable recoveries at March 31, 2013 or December 31, 2012.

Actual costs to be incurred at identified sites may vary from our estimates. Based on our knowledge of the identified sites, it is not possible to reasonably estimate future costs in excess of amounts already recognized.

MULTI-EMPLOYER PENSION WITHDRAWAL LIABILITY CLAIM

On February 15, 2013, we received a demand notice from the Carpenters Labor-Management Pension Fund ("Fund") of a deemed withdrawal relating to the sale of our cabinets business to AIP in 2012. The Fund claims that the sale triggered a withdrawal liability to the Fund relating to unfunded vested plan benefits attributable to our role as a contributing employer under the Employee Retirement Income Security Act of 1974 and the Multiemployer Pension Plan Amendments Act of 1980, notwithstanding the assumption and maintenance by AIP of ongoing contribution obligations under the applicable union bargaining agreement. The claimed amount is $15.2 million, payable in a lump-sum or over 20 years on a quarterly basis. Pursuant to the notice, we have the opportunity to review the determination with the Fund, identify any inaccuracies in the determination of the claimed amount of unfunded vested plan benefits allocated to us, and to furnish any relevant information to the Fund within 90 days. We intend to pursue these opportunities and are currently evaluating the matter. Accordingly, we do not believe that a withdrawal liability is probable and estimable at this time. If any liability is ultimately determined to exist, whether directly to the Fund under this claim or to AIP under the pension related indemnification obligations of our sale agreements with AIP, an accrual would be recorded within Discontinued Operations due to the association with the divestiture of the cabinets business. Under our sale agreements with AIP, we have agreed to indemnify AIP with respect to a portion of any potential withdrawal liability that may be incurred by AIP in the event of a withdrawal from the Fund. We do not believe that the ultimate disposition of this matter will have a material adverse effect on our financial condition, liquidity or results of operations.

Prior to the cabinets business divestiture, we made contributions of $0.8 million to the Fund during 2012.

OTHER CLAIMS

We are involved in various lawsuits, claims, investigations and other legal matters from time to time that arise in the ordinary course of conducting business, including matters involving our products, intellectual property, relationships with suppliers, distributors, relationships with competitors, employees and other matters. While complete assurance cannot be given to the outcome of these proceedings, we do not believe that any of these matters, individually or in the aggregate, will have a material adverse effect on our financial condition, liquidity or results of operations.

NOTE 18. SPECIAL CASH DIVIDEND

On March 23, 2012, our Board of Directors declared a special cash dividend in the amount of $8.55 per share, or $508 million in the aggregate, of which $502.9 million was paid on April 10, 2012 to the shareholders of record as of April 3, 2012. Payment of an additional $1.5 million was made during the remainder of 2012. The unpaid portion of the dividend at March 31, 2013 relates to unvested employee shares and units and is reflected in current liabilities ($2.0 million) and other long term liabilities ($1.5 million) and will be paid when the underlying employee shares and units vest. The dividend was funded in part by existing cash and in part by the proceeds of additional debt issued under our Term Loan B. The dividend was recorded as a reduction of retained earnings to the extent that retained earnings were available at the dividend declaration date. Dividends in excess of retained earnings were recorded as a reduction of capital in excess of par value.

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(dollar amounts in millions)

NOTE 19. EARNINGS PER SHARE

Earnings per share ("EPS") components may not add due to rounding.

The following table is a reconciliation of earnings to earnings attributable to common shares used in our basic and diluted EPS calculations for the three month periods ended March 31, 2013 and 2012:

	Three Months Ended March 31,	
	2013	2012
Earnings from continuing operations	$ 3.2	$ 19.0
Earnings allocated to participating non-vested share awards	—	(0.1)
Earnings from continuing operations attributable common shares	$ 3.2	$ 18.9

The following table is a reconciliation of basic shares outstanding to diluted shares outstanding for the three month periods ended March 31, 2013 and 2012 (shares in millions):

	Three Months Ended March 31,	
	2013	2012
Basic shares outstanding	59.2	58.6
Dilutive effect of stock option awards	0.6	0.5
Diluted shares outstanding	59.8	59.1

At March 31, 2013 and 2012, there were no anti-dilutive options excluded from the computation of diluted EPS.

Report of Independent Registered Public Accounting Firm

The Board of Directors and Shareholders
Armstrong World Industries, Inc.:

We have reviewed the accompanying condensed consolidated balance sheet of Armstrong World Industries, Inc. and subsidiaries (the "Company") as of March 31, 2013 and the related condensed consolidated statements of earnings and comprehensive income, cash flows and shareholders' equity for the three-month periods ended March 31, 2013 and 2012. These condensed consolidated financial statements are the responsibility of the Company's management.

We conducted our reviews in accordance with the standards of the Public Company Accounting Oversight Board (United States). A review of interim financial information consists principally of applying analytical procedures and making inquiries of persons responsible for financial and accounting matters. It is substantially less in scope than an audit conducted in accordance with the standards of the Public Company Accounting Oversight Board (United States), the objective of which is the expression of an opinion regarding the financial statements taken as a whole. Accordingly, we do not express such an opinion.

Based on our reviews, we are not aware of any material modifications that should be made to the condensed consolidated financial statements referred to above for them to be in conformity with U.S. generally accepted accounting principles.

We have previously audited, in accordance with standards of the Public Company Accounting Oversight Board (United States), the consolidated balance sheet of Armstrong World Industries, Inc. and subsidiaries as of December 31, 2012, and the related consolidated statements of earnings and comprehensive income, cash flows, and equity for the year then ended (not presented herein); and in our report dated February 27, 2013, we expressed an unqualified opinion on those consolidated financial statements. In our opinion, the information set forth in the accompanying condensed consolidated balance sheet as of December 31, 2012, is fairly stated, in all material respects, in relation to the consolidated balance sheet from which it has been derived.

/s/ KPMG LLP

Philadelphia, Pennsylvania
April 29, 2013

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

This discussion should be read in conjunction with the financial statements, the accompanying notes, the cautionary note regarding forward-looking statements and risk factors included in this report and our Annual Report on Form 10-K for the year ended December 31, 2012.

OVERVIEW

We are a leading global producer of flooring products and ceiling systems for use primarily in the construction and renovation of residential, commercial and institutional buildings. Through our United States ("U.S.") operations and U.S. and international subsidiaries, we design, manufacture and sell flooring products (primarily resilient and wood) and ceiling systems (primarily mineral fiber, fiberglass and metal) around the world. As of March 31, 2013 we operated 34 manufacturing plants in eight countries, including 20 plants located throughout the U.S.

Reportable Segments

Building Products — produces suspended mineral fiber, soft fiber and metal ceiling systems for use in commercial, institutional and residential settings. In addition, our Building Products segment sources complementary ceiling products. Our products, which are sold worldwide, are available in numerous colors, performance characteristics and designs, and offer attributes such as acoustical control, rated fire protection and aesthetic appeal. Commercial ceiling materials and accessories are sold to ceiling systems contractors and to resale distributors. Residential ceiling products are sold in North America primarily to wholesalers and retailers (including large home centers). Suspension system (grid) products manufactured by Worthington Armstrong Venture ("WAVE") are sold by both us and WAVE.

Resilient Flooring — produces and sources a broad range of floor coverings primarily for homes and commercial and institutional buildings. Manufactured products in this segment include vinyl sheet, vinyl tile and linoleum flooring. In addition, our Resilient Flooring segment sources and sells laminate flooring products, vinyl tile products, vinyl sheet products, adhesives, and installation and maintenance materials and accessories. Resilient Flooring products are offered in a wide variety of types, designs, and colors. We sell these products worldwide to wholesalers, large home centers, retailers, contractors and to the manufactured homes industry.

Wood Flooring — produces and sources wood flooring products for use in new residential construction and renovation, with some commercial applications in stores, restaurants and high-end offices. The product offering includes pre-finished solid and engineered wood floors in various wood species, and related accessories. Virtually all of our Wood Flooring sales are in North America. Our Wood Flooring products are generally sold to independent wholesale flooring distributors and large home centers.

Unallocated Corporate — includes assets, liabilities, income and expenses that have not been allocated to the business units. Balance sheet items classified as Unallocated Corporate are primarily income tax related accounts, cash and cash equivalents, the Armstrong brand name, the U.S. prepaid pension cost and long-term debt. Expenses for our corporate departments and certain benefit plans are allocated to the reportable segments based on known metrics, such as specific activity, headcount, or net sales. The remaining items, which cannot be attributed to the reportable segments without a high degree of generalization, are reported in Unallocated Corporate.

During the third quarter of 2012 the assets, liabilities and financial results of our cabinets business, which have previously been shown as a separate reportable segment, have been reclassified as discontinued operations for all periods presented.

See Note 2 to the Condensed Consolidated Financial Statements for additional financial information on our consolidated company and our reportable segments.

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Factors Affecting Revenues

Markets. We compete in building material markets around the world. The majority of our sales are in North America and Europe. We closely monitor macroeconomic trends that affect our business, including Gross Domestic Product, the Architecture Billings Index and the Consumer Confidence Index. During the first quarter, these macroeconomic benchmarks showed mixed results. In addition, we noted several factors and trends within our markets that directly affected our business performance during the first quarter of 2013, including:

North America

We noted softness in commercial markets, particularly education and healthcare as public spending remained constrained. In addition, we saw some regional variability in the office market. These trends impacted both our Building Products and Resilient Flooring businesses, but with greater impact on Resilient Flooring as a significant portion of our commercial sales in Resilient Flooring originate from the education and healthcare markets.

We noted mixed results in residential markets as we saw continued improvements in builder activity while renovation activity increased slightly. These trends impacted our Wood and Resilient Flooring businesses.

Europe

The majority of our sales in Europe are to commercial markets in sectors dependent on public spending. Continued softness in commercial sectors, such as office, education and healthcare, contributed to declines in Western Europe and to a lesser extent Eastern and Central Europe. These trends impacted our Resilient Flooring and Building Products businesses.

Pacific Rim

Commercial markets in China experienced positive results as the office, education and healthcare segments grew. A continued soft commercial construction market in Australia negatively impacted our Resilient Flooring and Building Products businesses.

Pricing Initiatives . We periodically modify prices in each of our business segments in response to changes in costs for raw materials and energy, and to market conditions and the competitive environment. In certain cases, realized price increases are less than the announced price increases because of competitive reactions and changing market conditions. We estimate that pricing actions increased our first quarter 2013 total consolidated net sales by approximately $3 million compared to the first quarter of 2012.

We announced price increases in our ceilings and grid businesses in the Americas and in Europe and in our wood flooring business in the Americas that were effective in the first quarter of 2013. In response to continued rising lumber costs, we have also announced a price increase in our wood flooring business that will be effective in the second quarter of 2013. If raw material prices continue at, or rise from, current levels additional pricing actions may be implemented.

Mix. Each of our businesses offers a wide assortment of products that are differentiated by style, design and performance attributes. Pricing and margins for products within the assortment vary. Changes in the relative quantity of products purchased at the different price points can impact year-to-year comparisons of net sales and operating income. We estimate that mix improvements increased our total consolidated net sales in the first quarter of 2013 by approximately $8 million compared to the first quarter of 2012.

Factors Affecting Operating Costs

Operating Expenses. Our operating expenses are comprised of direct production costs (principally raw materials, labor and energy), manufacturing overhead costs, freight, costs to purchase sourced products and selling, general, and administrative ("SG&A") expenses.

Our largest individual raw material expenditures are for lumber and veneers, PVC resins and plasticizers. Natural gas is also a significant input cost. Fluctuations in the prices of these inputs are generally beyond our control and have a direct impact on our financial results. In the first quarter of 2013 costs for raw materials, sourced products and energy negatively impacted operating income by $5 million when compared to the first quarter of 2012.

We also incurred approximately $4 million of net costs in the first quarter of 2012 related to the collective bargaining contract settlement with employees at the Marietta, PA Building Products plant.

During the first quarter of 2012, we decided to close our previously idled Building Products plant in Mobile, AL. We will continue to evaluate the efficiency of our manufacturing footprint and may take additional actions in support of our cost and standardization initiatives. The charges associated with our cost reduction initiatives may include severance and related termination benefits, fixed asset write-downs, asset impairments and accelerated depreciation and could be material to our financial statements.

Employees

As of March 31, 2013, we had approximately 8,700 full-time and part-time employees worldwide, compared to 8,500 as of December 31, 2012. Most of the increase related to crews added at our wood flooring plants.

CRITICAL ACCOUNTING ESTIMATES

In preparing our consolidated financial statements in accordance with U.S. generally accepted accounting principles ("GAAP"), we are required to make certain estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. We evaluate our estimates and assumptions on an on-going basis, using relevant internal and external information. We believe that our estimates and assumptions are reasonable. However, actual results may differ from what was estimated and could have a significant impact on the financial statements.

We have identified the following as one of our critical accounting estimates. We have discussed this critical accounting estimate with our Audit Committee.

Income Taxes —Deferred income tax assets and liabilities are recognized by applying enacted tax rates to temporary differences that exist as of the balance sheet date. We reduce the carrying amounts of deferred tax assets by a valuation allowance if, based on the available evidence, it is more likely than not that such assets will not be realized. In assessing the requirement for, and amount of, a valuation allowance in accordance with the more likely than not standard, we give appropriate consideration to all positive and negative evidence related to the realization of the deferred tax assets. This assessment considers, among other matters, the nature, frequency and severity of current and cumulative losses, forecasts of future profitability and foreign source income ("FSI"), the duration of statutory carryforward periods, and our experience with operating loss and tax credit carryforward expirations. A history of cumulative losses is a significant piece of negative evidence used in our assessment. If a history of cumulative losses was incurred for a tax jurisdiction, forecasts of future profitability are not used as positive evidence related to the realization of the deferred tax assets in our assessment.

Specifically with respect to the domestic foreign tax credit ("FTC") carryforward deferred tax asset of $119.1 million at December 31, 2012, we considered the following positive and negative evidence in assessing the need for a valuation allowance and concluded that a valuation allowance is not required:

Positive Evidence

- Our history of taxable income before the carryback or carryforward of the net operating losses ("NOL"s) which were generated as a result of the settlement loss incurred in 2006 in connection with our emergence from bankruptcy;

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- Our emergence from bankruptcy in 2006 created significant NOLs. The last portion of these NOLs was completely utilized during 2012. Starting in 2013, we expect to have domestic taxable income which will allow us to begin to utilize the FTCs;
- Under US tax law, approximately $287 million of our domestic source income in future years can be characterized as FSI to enable the utilization of our FTCs. This amount primarily represents prior year intercompany dividends associated with the FTC carryforwards. These dividends created domestic taxable income that was reduced by the utilization of domestic NOLs; and
- Forecasts of future profitability and FSI.

Negative Evidence

- Our history of FTC expirations as a result of the carryback and carryforward of the NOLs generated upon emergence from bankruptcy. All FTCs were fully utilized before the bankruptcy NOL carryback. The NOL carryback reduced the taxable income (a portion of which is considered FSI) to zero and thus the FTCs were carried forward along with the remaining portion of the NOL. The utilization of the remaining NOL carryforward reduced taxable income to zero, which caused the expiration of the FTCs; and
- Our stated position to permanently reinvest unremitted earnings of our foreign subsidiaries.

The ability to fully utilize the FTC carryforwards may be affected by the following factors:

- FSI of $340.4 million is needed to fully utilize the foreign tax credit carryforward of $119.1 million. In addition to the $287 million of domestic source income that can be characterized as FSI in future years to enable the utilization of our FTCs, $53 million of additional FSI is needed.
- The main factor that could result in us not being able to recharacterize domestic source income to FSI is a U.S. tax law change.
- The main factors that could result in less FSI from our Chinese procurement subsidiary are reduced purchases from Asia suppliers due to lower end-market demand for the products and increased prices from the Asia suppliers.
- The other factors that could contribute to lower FSI are decreased export sales and increased allocable expenses.
- The amount of U.S. FTC carryforward deferred tax assets that expire by the end of 2013, if not utilized, is $2.7 million.

See our 10-K for discussion of additional Critical Accounting Estimates.

RESULTS OF CONTINUING OPERATIONS

Unless otherwise indicated, net sales in these results of continuing operations are reported based upon the location where the sale was made. Please refer to Notes 2 and 3 to the Condensed Consolidated Financial Statements for a reconciliation of operating income to consolidated earnings from continuing operations before income taxes and additional financial information related to discontinued operations.

CONSOLIDATED RESULTS FROM CONTINUING OPERATIONS

(dollar amounts in millions)

	Three Months Ended March 31, 2013	Three Months Ended March 31, 2012	Change is Favorable/ (Unfavorable)
Net sales:			
Americas	$ 454.5	$ 453.7	0.2%
EMEA [1]	122.6	132.6	(7.5)%
Pacific Rim	45.2	49.7	(9.1)%
Total consolidated net sales	$ 622.3	$ 636.0	(2.2)%
Operating income	$ 47.0	$ 42.7	10.1%

[1] Europe, Middle East and Africa

The decline in consolidated net sales was driven by $16 million of lower volume which was only partially offset by favorable price and mix of $11 million. Sales were also negatively impacted by the sale of the Patriot wood flooring distribution business which occurred in the third quarter of 2012 and negatively impacted sales for the first quarter of 2013 by approximately $9 million when compared to the prior year.

Net sales in the Americas were essentially flat as significantly higher volumes in the Wood Flooring business were partially offset by volume declines in Resilient Flooring and Building Products. Price and mix were positive. Sales were also negatively impacted by the sale of the Patriot wood flooring distribution business.

Net sales in the EMEA markets declined as improvements in price and mix were unable to offset volume declines.

Net sales in the Pacific Rim declined as lower volumes in Australia exceeded increased volumes in China.

Cost of goods sold in 2013 was 76.8% of net sales, compared to 78.0% for the same period in 2012. The decrease was primarily due to $15 million of accelerated depreciation and impairment charges associated with the closure of our Mobile, AL facility during the first quarter of 2012 partially offset by the impact of lower sales in the first quarter of 2013.

SG&A expenses in 2013 were $112.7 million, or 18.1% of net sales, compared to $110.7 million, or 17.4% of net sales, in 2012.

Equity earnings from our WAVE joint venture were $15.2 million in 2013, as compared to $13.6 million in 2012. See Note 7 to the Condensed Consolidated Financial Statements for further information.

Interest expense was $33.2 million in 2013 compared to $11.2 million in 2012. The increase was primarily due to the write-off of unamortized debt financing costs associated with the refinancing of our senior credit facility that occurred during the first quarter of 2013 (see Liquidity for further information).

Income tax expense was $11.9 million and $13.3 million for the first quarter of 2013 and 2012, respectively. The effective tax rate for the first quarter of 2013 was 78.8% as compared to a rate of 41.2% for the same period of 2012. The effective tax rate for the first quarter of 2013 was higher than the comparable period of 2012, primarily due to the provision of valuation allowances reducing deferred tax assets generated in the quarter related to increased losses of certain foreign affiliates. In certain foreign jurisdictions, we are in a net operating loss carryforward position and our deferred tax assets are subject to a full valuation allowance. Therefore, any pretax losses in those jurisdictions do not generate a corresponding income tax benefit.

Management's Discussion and Analysis of Financial Condition and Results of Operations

Total other comprehensive income ("OCI") was $7.0 million and $5.4 million for the first quarters of 2013 and 2012, respectively. Foreign currency translation adjustments represent the change in the U.S. dollar value of assets and liabilities denominated in foreign currencies. Amounts in both periods were driven primarily by changes in the exchange rates of the British Pound, the Euro and the Australian dollar. Derivative gain/loss represents the mark to market value adjustments of our derivative assets and liabilities and the recognition of gains and losses previously deferred in OCI. The period change is primarily due to the mark to market changes related to our interest rate swap derivatives. Pension and postretirement adjustments represent the amortization of actuarial gains and losses related to our defined-benefit pension and postretirement plans. The amounts in both periods primarily related to the amortization of losses on the U.S. pension plans.

REPORTABLE SEGMENT RESULTS

Building Products

(dollar amounts in millions)

	Three Months Ended March 31, 2013	Three Months Ended March 31, 2012	Change is Favorable/ (Unfavorable)
Net sales:			
Americas	$ 185.5	$ 187.3	(1.0)%
EMEA	78.9	87.0	(9.3)%
Pacific Rim	28.4	28.8	(1.4)%
Total segment net sales	$ 292.8	$ 303.1	(3.4)%
Operating income	$ 59.3	$ 43.3	37.0%

The decline in Building Products net sales was driven by $23 million of lower volume, which was only partially offset by favorable price and mix of $12 million.

Net sales in the Americas declined as price and mix improvements were unable to offset volume declines.

Net sales in the EMEA markets decreased as volume declines were only partially offset by improvements in mix and price.

The decline in net sales in the Pacific Rim was driven by unfavorable price, mix and foreign exchange as volumes improved.

The increase in operating income was driven by $15 million of accelerated depreciation and impairment charges associated with the closure of our Mobile, AL facility and approximately $4 million of net costs related to the collective bargaining contract settlement with employees at the Marietta, PA plant, both of which occurred during the first quarter of 2012. During the first quarter of 2013, we experienced favorable price and mix of $6 million, and higher earnings from WAVE of $2 million, which were more than offset by the margin impact of lower volumes of $11 million.

Resilient Flooring
(dollar amounts in millions)

	Three Months Ended March 31, 2013	2012	Change is (Unfavorable)
Net sales:			
Americas	$ 154.3	$ 160.8	(4.0)%
EMEA	43.7	45.6	(4.2)%
Pacific Rim	16.8	20.9	(19.6)%
Total segment net sales	$ 214.8	$ 227.3	(5.5)%
Operating income	$ 6.4	$ 10.7	(40.2)%

The decline in Resilient Flooring net sales was driven by $16 million of lower volume, which was only partially offset by favorable price and mix of $4 million.

Net sales in the Americas decreased as lower volumes more than offset improved product mix.

Net sales in the EMEA markets declined as improvements in price and mix were unable to offset volume declines.

Net sales in the Pacific Rim declined due to lower volumes in Australia partially offset by higher volumes in China.

The decline in operating income was driven primarily by a $7 million impact from lower volumes as reductions in manufacturing and input costs and SG&A expenses of $4 million and $3 million, respectively, offset the impact of lower volumes. The comparison was also impacted by $5 million of severance charges associated with cost reduction actions in Australia and EMEA in 2013.

Wood Flooring
(dollar amounts in millions)

	Three Months Ended March 31, 2013	2012	Change is Favorable/ (Unfavorable)
Total segment net sales	$ 114.7	$ 105.6	8.6%
Operating income	$ 0.5	$ 2.5	(80.0)%

Net sales increased driven by higher volumes of $24 million, which were only partially offset by unfavorable mix and price of $5 million. The higher volumes were driven by promotional activity and share gains in the home center channel, as well as strong demand from independent distributors as gains in new residential construction drove increased demand from builders which negatively impacted mix. Volumes were also positively impacted by increased volume with our national home center customers. Sales were also negatively impacted by approximately $9 million due to the sale of the Patriot wood flooring distribution business in the third quarter of 2012.

The decrease in operating income was driven by unfavorable price and mix of $4 million and higher manufacturing and input costs of $4 million, which were only partially offset by the $5 million impact of higher volumes and reductions in SG&A expenses of $1 million. Increases in manufacturing and input costs were driven by higher labor costs as we increased our workforce to respond to the increased demand.

Unallocated Corporate

Unallocated corporate expense of $19.2 million in the first quarter of 2013 increased from $13.8 million in the prior year due primarily to a $2.6 million reduction in the U.S. pension credit, as well as increased expense associated with insurance programs and employee benefits.

FINANCIAL CONDITION AND LIQUIDITY

Cash Flow

Operating activities in the first quarter of 2013 used $14.0 million of cash, compared to $32.9 million in the first quarter of 2012. The lower use of cash was primarily driven by changes in working capital, partially offset by lower earnings.

Net cash used by investing activities was $37.3 million for the first quarter of 2013, compared to $15.7 million for the first quarter of 2012. The increase in cash used was primarily due to higher purchases of property, plant and equipment.

Net cash used by financing activities was $6.2 million for the first quarter of 2013, compared to $249.6 million provided by financing activities during the first quarter of 2012. Net cash provided in 2012 was impacted by $251.9 million of long-term debt issued.

Liquidity

Our liquidity needs for operations vary throughout the year. We retain lines of credit to facilitate our seasonal cash flow needs, since cash flow is generally lower during the first and fourth quarters of our fiscal year. On March 15, 2013, we refinanced our $1.3 billion senior credit facility. The new facility is composed of a $250 million revolving credit facility (with a $150 million sublimit for letters of credit), a $550 million Term Loan A and a $475 million Term Loan B. The terms of the facility resulted in a lower interest rate spread (2.5% vs. 3.0%) than our previous facility. We also extended the maturity of Term Loan A from November 2015 to March 2018 and of Term Loan B from March 2018 to March 2020 and we amended our year end leverage tests (see below). Per the terms of the underlying agreement this $1.3 billion senior credit facility is secured by U.S. personal property, the capital stock of material U.S. subsidiaries and a pledge of 65% of the stock of our material first tier foreign subsidiaries.

Under the amended senior credit facility, beginning December 31, 2013, we are subject to year-end leverage tests that may trigger mandatory prepayments. If our ratio of consolidated funded indebtedness minus AWI and domestic subsidiary unrestricted cash and cash equivalents up to $100 million to consolidated EBITDA ("Consolidated Net Leverage Ratio") is greater than 3.5 to 1.0, the prepayment amount would be 50% of fiscal year Consolidated Excess Cash Flow. These annual payments would be made beginning in the first quarter of 2014.

In connection with the refinancing, we incurred $8.1 million for bank, legal, and other fees, of which $7.2 million was capitalized and is being amortized into interest expense over the life of the loans. Additionally, we wrote off $18.9 million of unamortized debt financing costs related to our previous credit facility to interest expense.

The amended senior credit facility, includes two financial covenants that require the ratio of consolidated earnings before interest, taxes, depreciation and amortization ("EBITDA") to consolidated cash interest expense minus cash consolidated interest income ("consolidated interest coverage ratio") to be greater than or equal to 3.0 to 1.0 and requires the Consolidated Net Leverage Ratio to be less than or equal to 4.5 to 1.0 through December 31, 2013, 4.0 to 1.0 after December 31, 2013 through March 31, 2015 and 3.75 to 1.0 after March 31, 2015. During the first three months of 2013, we were in compliance with all covenants of the previous and amended senior credit facilities.

The Revolving Credit and Term Loan A portions are currently priced at a spread of 2.50% over LIBOR and the Term Loan B portion is priced at 2.50% over LIBOR with a 1.00% LIBOR floor for its entire term. The Term Loan A and Term Loan B were both fully drawn and are currently priced on a variable interest rate basis. The following table summarizes our interest rate swaps:

Trade Date	Notional Amount	Interest Rate Paid	Coverage Period	Risk Coverage
March 31, 2011	$100.0	2.303%	March 2011 to November 2015	Term Loan A
March 31, 2011	$200.0	2.523%	March 2011 to November 2015	Term Loan B
March 27, 2012	$250.0	1.928%	March 2012 to March 2018	Term Loan B
March 27, 2012	$200.0	2.810%	November 2015 to March 2018	Term Loan B
April 16, 2013	$250.0	1.398%	November 2015 to March 2018	Term Loan A

These swaps are designated as cash flow hedges against changes in LIBOR for a portion of our variable rate debt. The unpaid balances of Term Loan A, the Revolving Credit and Term Loan B of the credit facility may be prepaid without penalty at the maturity of their respective interest reset periods. Any amounts prepaid on the Term Loan A or Term Loan B may not be re-borrowed.

As of March 31, 2013, we had $278.0 million of cash and cash equivalents, $188.5 million in the U.S. and $89.5 million in various foreign jurisdictions.

On March 23, 2012, our Board of Directors declared a special cash dividend in the amount of $8.55 per share, or $508 million in the aggregate, of which $502.9 million was paid on April 10, 2012. Payment of an additional $1.5 million was made during the remainder of 2012, and the remaining $3.5 million of the dividend is expected to be made when the underlying shares vest. The dividend was funded in part by surplus cash on our balance sheet, and in part by the proceeds of additional debt issued under our Term Loan B.

On March 28, 2013, we amended our $100 million Accounts Receivable Securitization Facility with the Bank of Nova Scotia, under which AWI and its subsidiary, Armstrong Hardwood Flooring Company, sell their U.S. receivables to Armstrong Receivables Company LLC ("ARC"), a Delaware entity, that is consolidated in these financial statements. We decreased the facility to $75 million to reduce commitment fees on the unused capacity and extended the maturity date from December 2014 to March 2016.

On December 16, 2010, we issued $35.0 million of Recovery Zone Facility bonds through Jackson County, WV, to finance the construction of our new mineral wool plant. These tax exempt bonds are seven day variable rate demand notes backed by a letter of credit and mature in 2041.

On March 31, 2013, we had outstanding letters of credit totaling $71.7 million, of which $14.7 million was issued under the revolving credit facility, $56.7 million was issued under the securitization facility, and $0.3 million was issued by other banks of international subsidiaries. Letters of credit are issued to third party suppliers, insurance and financial institutions and typically can only be drawn upon in the event of AWI's failure to pay its obligations to the beneficiary.

	As of March 31, 2013		
Foreign Financing Arrangements	Limit	Used	Available
Lines of Credit Available for Borrowing	$15.0	—	$ 15.0
Lines of Credit Available for Letters of Credit	1.6	$ 0.7	0.9
Total	$16.6	$ 0.7	$ 15.9

These lines of credit are uncommitted, and poor operating results or credit concerns at the related foreign subsidiaries could result in the lines being withdrawn by the lenders. We have historically been able to maintain and, as needed, replace credit facilities to support our foreign operations.

Since 2009, our Board of Directors has approved the construction of five manufacturing plants. These include a U.S. mineral wool plant to supply our Building Products plants, mineral fiber ceiling plants in Russia and China, and two flooring plants in China. Total capital spending for these projects is currently projected to be approximately $310 million. As of March 31, 2013, we have completed construction of the mineral wool plant, mineral fiber ceiling plant in China and one flooring plant in China. Through March 31, 2013, we have incurred approximately $200 million related to these projects. Capital spending for the remaining two plants will be incurred through 2015 with the majority of the remaining spending expected to occur in 2013.

We believe that cash on hand and cash generated from operations, together with lines of credit, availability under our securitization program and the availability under our $250 million revolving credit facility, will be adequate to address our foreseeable liquidity needs based on current expectations of our business operations, capital expenditures and scheduled payments of debt obligations.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

For information regarding our exposure to certain market risks, see Item 7A, “Quantitative and Qualitative Disclosures About Market Risk,” in our 2012 Annual Report on Form 10-K. There have been no material changes in our use of financial instruments to hedge against market risks or market risk exposures since December 31, 2012.

ITEM 4. CONTROLS AND PROCEDURES

(a) Evaluation of Disclosure Controls and Procedures . The Securities and Exchange Commission defines the term “disclosure controls and procedures” to mean a company’s controls and other procedures that are designed to ensure that information required to be disclosed in the reports that it files or submits under the Securities Exchange Act of 1934, as amended (the “Act”), is recorded, processed, summarized and reported, within the time periods specified in the Securities and Exchange Commission’s rules and forms. Based on the evaluation of the effectiveness of our disclosure controls and procedures by our management, with the participation of our principal executive officer and our chief financial officer, as of March 31, 2013, our principal executive officer and our chief financial officer have concluded that our disclosure controls and procedures were effective to ensure that information required to be disclosed in the reports that we file or submit under the Act is recorded, processed, summarized and reported within the time periods specified in the Commission’s rules and forms.

(b) Changes in Internal Control Over Financial Reporting . Except as described below, there have been no changes in our internal control over financial reporting (as defined in Rules 13a-15(f) and 15d-15(f) under the Act) that occurred during the fiscal quarter ended March 31, 2013 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

In an effort to add consistency to our business systems and processes, in the first quarter of 2013, we continued the implementation of SAP systems in some of our European Building Products facilities. In connection with the SAP implementation, we performed significant pre-implementation planning, design, and testing. We expect to continue oversight and testing during the implementation to ensure effectiveness of internal control over financial reporting.

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PART II – OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

See the “Specific Material Events” section of the “Environmental Matters” section of Note 17 to the Condensed Consolidated Financial Statements, which is incorporated herein by reference.

ITEM 1A. RISK FACTORS

There have been no material changes to the risk factors disclosed in our 2012 annual report on Form 10-K.

ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

(c) Issuer Purchases of Equity Securities

Period	Total Number of Shares Purchased [1]	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs [2]	Maximum Number of Shares that may yet be Purchased under the Plans or Programs
January 1 – 31, 2013	758	$ 52.96	—	—
February 1 – 28, 2013	28,546	$ 56.72	—	—
March 1 – 31, 2013	2,849	$ 51.54	—	—
Total	32,153		N/A	N/A

1 Shares reacquired through the withholding of shares to pay employee tax obligations upon the exercise of options or vesting of restricted shares previously granted under the 2011 Long Term Incentive Plan.

2 The Company does not have a share buy-back program.

ITEM 3. DEFAULTS UPON SENIOR SECURITIES

None.

ITEM 4. MINE SAFETY DISCLOSURES

Not Applicable.

ITEM 5. OTHER INFORMATION

None.

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ITEM 6. EXHIBITS

The following exhibits are filed as part of this Quarterly Report on Form 10-Q:

Exhibit No.	Description
No. 10.1	Third Omnibus Amendment Agreement, dated as of March 28, 2013, by and among Armstrong Receivables Company, LLC, Armstrong World Industries, Inc., Armstrong Hardwood Flooring Company, The Bank of Nova Scotia, and Liberty Street Funding LLC. †
No. 10.2	2011 Long-Term Incentive Plan Terms and Conditions, as amended for 2013 (Grant of Nonqualified Stock Options – U.S. (Executive Officer)). †
No. 10.3	2011 Long-Term Incentive Plan Terms and Conditions, as amended for 2013 (Grant of Nonqualified Stock Options – U.S.). †
No. 10.4	2011 Long-Term Incentive Plan Terms and Conditions, as amended for 2013 (Grant of Nonqualified Stock Options – Non-U.S.). †
No. 15	Awareness Letter from Independent Registered Public Accounting Firm. †
No. 31.1	Certification of Chief Executive Officer required by Rule 13a-15(e) or 15d-15(e) of the Securities Exchange Act. †
No. 31.2	Certification of Chief Financial Officer required by Rule 13a-15(e) or 15d-15(e) of the Securities Exchange Act. †
No. 32.1	Certification of Chief Executive Officer required by Rule 13a and 18 U.S.C. Section 1350 (furnished herewith). †
No. 32.2	Certification of Chief Financial Officer required by Rule 13a and 18 U.S.C. Section 1350 (furnished herewith). †
No. 101	Interactive Data Files**

† Filed herewith.

** XBRL – Information is furnished and not filed or a part of a registration statement or prospectus for purposes of Sections 11 or 12 of the Securities Act of 1933, as amended, is deemed not filed for purposes of Section 18 of the Securities Exchange Act of 1934, as amended, and otherwise is not subject to liability under these sections.

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SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

Armstrong World Industries, Inc.

By: /s/ Thomas B. Mangas
Thomas B. Mangas, Senior Vice President and
Chief Financial Officer (Principal Financial Officer)

By: /s/ Stephen F. McNamara
Stephen F. McNamara, Vice President and
Controller (Principal Accounting Officer)

Date: April 29, 2013

Exhibit No. 10.1

Execution Version

THIRD OMNIBUS AMENDMENT AGREEMENT

THIS THIRD OMNIBUS AMENDMENT AGREEMENT (this " Amendment "), dated as of March 28, 2013, is entered into by and among ARMSTRONG RECEIVABLES COMPANY, LLC, a Delaware limited liability company, as Seller (the " Seller "), ARMSTRONG WORLD INDUSTRIES, INC., a Pennsylvania corporation (the " Company "), individually and as Servicer (" Armstrong "), ARMSTRONG HARDWOOD FLOORING COMPANY, a Tennessee corporation ((" AHFC "), and, together with Armstrong, the " Originators ", and each an " Originator "), THE BANK OF NOVA SCOTIA, as Administrative Agent, Related Committed Purchaser and LC Bank (" Scotiabank ", or, as applicable, the " Administrative Agent ", the " Related Committed Purchaser " or the " LC Bank ") and LIBERTY STREET FUNDING LLC, a Delaware limited liability company, as Conduit Purchaser (the " Conduit Purchaser ").

Capitalized terms used herein without definition shall have the meanings ascribed thereto in the Receivables Purchase Agreement (defined below), or, if not defined therein, in the Purchase and Sale Agreement (defined below).

BACKGROUND RECITALS

A. The Seller, the Servicer and the Originators are party to that certain Purchase and Sale Agreement dated as of December 10, 2010, as amended by that certain Omnibus Amendment dated as of August 1, 2011 and that certain Second Omnibus Amendment dated as of December 21, 2011 (as amended, restated, supplemented or otherwise modified prior to the date hereof, the " Purchase and Sale Agreement ");

B. The Seller, the Servicer, the Conduit Purchaser and Scotiabank are party to that certain Receivables Purchase Agreement dated as of December 10, 2010, as amended by that certain Omnibus Amendment dated as of August 1, 2011 and that certain Second Omnibus Amendment dated as of December 21, 2011 (as amended, restated, supplemented or otherwise modified prior to the date hereof, the " Receivables Purchase Agreement " and, together with the Purchase and Sale Agreement, the " Facility Documents ");

C. Pursuant to Section 10.1 of the Purchase and Sale Agreement and Section 6.1 of the Receivables Purchase Agreement, the parties hereto have agreed to amend the Facility Documents as described herein;

NOW, THEREFORE, in consideration of the premises set forth above, and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereby agree as follows:

SECTION 1. Amendments to the Receivables Purchase Agreement . As of the date hereof, subject to the satisfaction of the condition precedents set forth in Section 3 hereof:

(a) The definition of "Foreign Obligor" is hereby included in Exhibit I of the Receivables Purchase Agreement as follows:

> " Foreign Obligor " means, at any time, an Obligor whose address to which invoices in respect of Receivables are sent is located in a country other than the United States of America.

(b) The definition of "Purchase Limit" in Exhibit I of the Receivables Purchase Agreement is hereby amended by replacing "$100,000,000" therein with "$75,000,000".

(c) The definition of "Scheduled Commitment Termination Date" in Exhibit I of the Receivables Purchase Agreement is hereby amended by replacing "December 21, 2014" therein with "March 28, 2016".

(d) The following definitions in Exhibit I of the Receivables Purchase Agreement are hereby amended and restated in its entirety as follows:

" Concentration Limit " shall mean

(x) with respect to the Receivables, for Receivables that have a stated maturity that is more than 60 days but not greater than 120 days, 20%;

(y) with respect to all Foreign Obligors, taken as a whole, (i) at times when the long term, unsecured and non credit-enhanced indebtedness of Armstrong is rated at least (i) "B+" by Standard & Poor's and (ii) "B1" by Moody's, 5%; and (ii) at all other times, 0%;

(z) with respect to each Obligor:

(a) (i) for any Group A Obligor, 20%, (ii) for any Group B Obligor, 10%, (iii) for any Group C Obligor, 6.7% and (iv) for any Group D Obligor, 4%; and

(b) notwithstanding that an Obligor may fall within one of the categories set forth in paragraph (a) above, such other amount for any Obligor as set forth on Schedule V hereto;

provided , that the Concentration Limit for any Obligor may be modified with the prior written consent of the Administrative Agent; *provided* , *further* , that the Administrative Agent, in its sole discretion, may modify or revoke the Special Concentration Limit for any Obligor as set forth on Schedule V hereto upon delivery of notice to Armstrong at least ten Business Days prior to the effective date of such modification or revocation.

" Eligible Obligor " means, at any time, an Obligor that is:

(a) not the subject of or a debtor in any bankruptcy, receivership, conservatorship, reorganization, insolvency, moratorium or similar proceeding,

(b) not a Governmental Authority,

(c) not an Affiliate of any Originator, the Seller or the Servicer (or any of their respective Affiliates), and

(d) not a Cross-Aged Obligor.

"Excess Concentration Amount" means, as of any date of determination (and without duplication if a Receivable falls into more than one of the following categories), the sum of:

(a) the Excess Concentration Individual Amounts for each of the Obligors; plus

(b) the amount, if any, by which the aggregate Outstanding Balance of the Eligible Receivables related to all Foreign Obligors exceeds the applicable Concentration Limit for all Foreign Obligors which is then in effect of the aggregate Outstanding Balance of Eligible Receivables then in the Receivables Pool; plus

(c) the amount, if any, by which the aggregate Outstanding Balance of the Eligible Receivables that have a stated maturity that is more than 60 days but not greater than 120 days exceeds 20% of the aggregate Outstanding Balance of Eligible Receivables then in the Receivables Pool.

(e) Schedules V and VI of the Receivables Purchase Agreement are amended and restated in their entirety and replaced with Schedule V and Schedule VI respectively hereto.

SECTION 2. Representations and Warranties. Each of the Seller, the Servicer and each Originator hereby represents and warrants to each of the other parties hereto that, as to itself:

(a) (i) It has all necessary corporate power and authority to execute and deliver this Amendment and to perform its obligations under the Facility Documents, as amended hereby and by other amendments and the other Transaction Documents, (ii) the execution and delivery of this Amendment and the performance of its obligations under the Facility Documents, as amended hereby and the other Transaction Documents has been duly authorized by all necessary corporate action on its part and (iii) this Amendment and its obligations under the Facility Documents, as amended hereby, and the other Transaction Documents constitute its legal, valid and binding obligations, enforceable against it in accordance with the terms thereof, except as such enforcement may be limited by applicable bankruptcy, insolvency, reorganization or other similar laws relating to or limiting creditors' rights generally and by general principles of equity (regardless of whether enforcement is sought in a proceeding in equity or at law); and

(b) On the date hereof, before and after giving effect to this Amendment, no Termination Event or Incipient Termination Event has occurred and is continuing.

SECTION 3. Condition Precedent. This Amendment shall become effective and be deemed effective, as of the date first above written, upon receipt by the Administrative Agent of the following:

(a) Duly executed counterparts of this Amendment from each of the parties hereto;

(b) The fee letter dated on or about March 28, 2013 by and among the Seller, Armstrong and the Administrative Agent; and

(c) Opinions of Armstrong's and AHFC's in-house counsel with respect to this Amendment and the other documents executed and delivered as of the date hereof, in form and substance satisfactory to the Administrative Agent.

SECTION 4. Reference to and Effect on the Facility Documents.

(a) Upon the effectiveness of this Amendment, (i) each reference in any Facility Document to "this Agreement", "hereunder", "hereof", "herein" or words of like import shall mean and be a reference to such Facility Document as amended or otherwise modified hereby, and (ii) each reference to any Facility Document in any other Transaction Document or any other document, instrument or agreement executed and/or delivered in connection therewith, shall mean and be a reference to such Facility Document as amended or otherwise modified hereby.

(b) Except as specifically amended, terminated or otherwise modified above, the terms and conditions of each of the Facility Documents, of all other Transaction Documents and any other documents, instruments and agreements executed and/or delivered in connection therewith, shall remain in full force and effect and are hereby ratified and confirmed.

(c) The execution, delivery and effectiveness of this Amendment shall not operate as a waiver of any right, power or remedy of any party under either Facility Document or any other Transaction Document or any other document, instrument or agreement executed in connection therewith, nor constitute a waiver of any provision contained therein.

SECTION 5. Execution in Counterparts. This Amendment may be executed in any number of counterparts and by different parties hereto in separate counterparts, each of which when so executed and delivered shall be deemed to be an original and all of which when taken together shall constitute but one and the same instrument. Delivery of an executed counterpart of a signature page to this Amendment by facsimile or other electronic means shall be effective as delivery of a manually executed counterpart of this Amendment.

SECTION 6. Governing Law. THIS AMENDMENT AND THE RIGHTS AND OBLIGATIONS OF THE PARTIES HEREUNDER SHALL BE GOVERNED BY AND CONSTRUED AND INTERPRETED IN ACCORDANCE WITH THE INTERNAL LAWS OF THE STATE OF NEW YORK (INCLUDING WITHOUT LIMITATION SECTION 5-1401 AND SECTION 5-1402 OF THE GENERAL OBLIGATIONS LAW OF THE STATE OF NEW YORK).

SECTION 7. Headings . Section headings in this Amendment are included herein for convenience of reference only and shall not constitute a part of this Amendment for any other purpose.

SECTION 8. Fees and Expenses . Seller hereby confirms its agreement to pay on demand all reasonable, properly documented costs and expenses of the Administrative Agent in connection with the preparation, execution and delivery of this Amendment and any of the other instruments, documents and agreements to be executed and/or delivered in connection herewith, including, without limitation, the reasonable fees and expenses of outside legal counsel to the Administrative Agent with respect thereto.

[Remainder of Page Intentionally Left Blank]

IN WITNESS WHEREOF, the parties hereto have caused this Amendment to be duly executed by their respective officers as of the date first above written.

ARMSTRONG RECEIVABLES COMPANY, LLC

By: ______________________________
Name: Mark A. Telymonde
Title: Assistant Treasurer

ARMSTRONG WORLD INDUSTRIES, INC.

By: ______________________________
Name: Thomas J. Waters
Title: Vice President and Treasurer

ARMSTRONG HARDWOOD FLOORING COMPANY

By: ______________________________
Name: Thomas J. Waters
Title: Treasurer

Signature Page to Third Omnibus Amendment

THE BANK OF NOVA SCOTIA, as Administrative Agent, Related Committed Purchaser and LC Bank

By: ______________________________
Name: Paula Czach
Title: Managing Director

LIBERTY STREET FUNDING LLC, as Conduit Purchaser

By: ______________________________
Name:
Title:

Signature Page to Third Omnibus Amendment

SCHEDULE V
SPECIAL CONCENTRATION LIMITS

Obligor	Special Concentration Limit
Lowe’s Corporation	If Lowe’s Corporation has: (1) (x) a short-term rating of at least (a) “A-1” by Standard & Poor’s and (b) “P-1” by Moody’s, and (y) a long-term rating of at least (a) “A” by Standard & Poor’s and (b) “A1” by Moody’s, 25% of the aggregate Outstanding Balance of Eligible Receivables; or (2) (x) a short-term rating of at least (a) “A-2” by Standard & Poor’s and (b) “P-2” by Moody’s, and (y) a long-term rating of at least (a) “BBB+” by Standard & Poor’s and (b) “Baa1” by Moody’s, and (z) does not meet the criteria set forth in clause (1) above, 20% of the aggregate Outstanding Balance of Eligible Receivables
The Home Depot, Inc.	If The Home Depot, Inc. has (x) a short-term rating of at least (a) “A-2” by Standard & Poor’s and (b) “P-2” by Moody’s, and (y) a long-term rating of at least (a) “BBB+” by Standard & Poor’s and (b) “Baa1” by Moody’s, 15% of the aggregate Outstanding Balance of Eligible Receivables

SCHEDULE VI
COMMITMENTS

Capacity	Name	Commitment
Conduit Purchaser	Liberty Street Funding LLC	N/A
Related Committed Purchaser	The Bank of Nova Scotia	$75,000,000

ARMSTRONG WORLD INDUSTRIES, INC.
2011 LONG-TERM INCENTIVE PLAN

NONQUALIFIED STOCK OPTION GRANT
TERMS AND CONDITIONS

1. Grant .

(a) Subject to the terms set forth below, Armstrong World Industries, Inc. (the " Company ") has granted to the designated employee (the " Grantee ") a nonqualified stock option (the " Option ") to purchase shares of common stock of the Company (the " Company Stock ") as specified in the 2013 Long-Term Stock Option Grant letter to which these Grant Conditions relate (the " Grant Letter ") at the exercise price specified in the Grant Letter. The " Date of Grant " is %%OPTION_DATE,'Month DD, YYYY'%-%.

(b) These Terms and Conditions (the " Grant Conditions ") are part of the Grant Letter. This grant is made under the Armstrong World Industries, Inc. 2011 Long-Term Incentive Plan (the " Plan "). Any terms not defined herein shall have the meanings set forth in the Plan.

2. Exercisability of Option .

(a) The Option shall become exercisable on the following dates, if the Grantee continues to be employed by the Company or its subsidiaries or affiliates (collectively the " Employer ") on the applicable dates listed below (each individually, a " Vesting Date "):

Vesting Date	Shares for Which the Option is Exercisable
%%VEST_DATE_PERIOD1,'Month DD, YYYY'%-%	33.33%
%%VEST_DATE_PERIOD2,'Month DD, YYYY'%-%	33.33%
%%VEST_DATE_PERIOD3,'Month DD, YYYY'%-%	33.33%

(b) The exercisability of the Option is cumulative, but shall not exceed 100% of the shares subject to the Option. If the foregoing schedule would produce fractional shares, the number of shares for which the Option becomes exercisable shall be rounded to the nearest whole share.

3. Term of Option; Termination of Employment .

(a) *Term.* The Option shall have a term of ten years from the Date of Grant and shall terminate at the expiration of that period (5:00 p.m. EST on the day prior to %%EXPIRE_DATE_PERIOD1,'Month DD, YYYY'%-%) (the " Expiration Date "), unless it is terminated at an earlier date pursuant to the provisions of the Grant Letter, the Grant Conditions or the Plan.

(b) *Termination of Employment.* Except as described below, if the Grantee ceases to be employed by the Employer, the Option (including any vested and unvested portions) shall be forfeited as of the termination date and shall cease to be outstanding.

(c) *Retirement.* If, after December 31, 2013, the Grantee ceases to be employed by the Employer on account of Retirement (as defined below), the Option will thereafter become exercisable as if the Grantee had continued to be employed by the Employer after the date of such Retirement. The Option will terminate upon the earlier of the Expiration Date or the end of the five year period following the Grantee's Retirement date.

(d) *Involuntary Termination.* If the Grantee ceases to be employed by the Employer on account of an Involuntary Termination (as defined below), the Option shall be exercisable only with respect to that number of shares for which the Option is exercisable on the Grantee's termination date. The exercisable portion of the Option shall terminate upon the earlier of the Expiration Date or the end of the three month period following the Grantee's termination date. Any unexercisable portion of the Option will be forfeited as of the termination date.

(e) *Voluntary Termination.* If the Grantee ceases to be employed by the Employer on account of a voluntary termination other than for Cause, the Option shall be exercisable only with respect to that number of shares for which the Option is exercisable on the Grantee's termination date. The exercisable portion of the Option shall terminate upon the earlier of the Expiration Date or the end of the one month period following the Grantee's termination date. Any unexercisable portion of the Option will be forfeited as of the termination date.

(f) *Death or Long-Term Disability* . If, after December 31, 2013, the Grantee ceases to be employed by the Employer on account of death or the Grantee incurs a Long-Term Disability (as defined below), the Option shall become fully and immediately exercisable. The Option may be exercised at any time prior to the earlier of the Expiration Date or the end of the 12 month period following the date of the Grantee's death or Long-Term Disability.

(g) *Restricted Period* . If, pursuant to the foregoing provisions, the vested Option would terminate (other than upon termination of employment for Cause) at a time when trading in Company Stock is prohibited by law or by the Company's insider trading policy, the vested Option may be exercised until the earlier of the Expiration Date or the 30th day after expiration of such prohibition.

4. Change in Control . In the event of a change in control, the provisions of Section 14 of the Plan and any applicable change in control agreement between the Grantee and the Company shall apply.

5. Definitions . For purposes of these Grant Conditions and the Grant Letter:

(a) " Cause " shall mean any of the following, as determined in the sole discretion of the Employer: (1) commission of a felony or a crime involving moral turpitude; (2) fraud, dishonesty, misrepresentation, theft or misappropriation of funds with respect to the Employer; (3) violation of the Employer's Code of Conduct or employment policies, as in effect from time to time; (4) breach of any written noncompetition, confidentiality or nonsolicitation covenant of the Grantee with respect to the Employer; or (5) gross negligence or misconduct in the performance of the Grantee's duties with the Employer.

(b) " Involuntary Termination " shall mean the Employer's termination of the Grantee's employment other than for Cause.

(c) " Long-Term Disability " shall mean the Grantee is receiving long-term disability benefits under the Employer's long-term disability plan.

(d) " Retirement " shall mean the Grantee's termination of employment other than for Cause after the Grantee has attained age 55 and has completed five years of service with the Employer.

6. Exercise Procedures . Subject to Sections 2, 3 and 4 above, the Grantee may exercise the portion of the Option that has become exercisable, in whole or in part, by delivering a notice of exercise to the Company in the manner prescribed by the Management Development and Compensation Committee (the " Committee "). The Grantee shall pay the exercise price (i) in cash, (ii) if permitted by the Committee, by withholding shares of Company Stock subject to the exercisable Option, which have a Fair Market Value on the date of exercise equal to the exercise price, (iii) by delivering shares of Company Stock (or by attestation to ownership of shares), which shall be valued at their Fair Market Value on the date of delivery, and which shall have a Fair Market Value on the date of exercise equal to the exercise price, (iv) by payment through a broker in accordance with procedures acceptable to the Committee and permitted by Regulation T of the Federal Reserve Board, or (v) by such other method as the Committee may approve. The Committee may impose such limitation as it deems appropriate on the use of shares to exercise the Option.

7. Restrictions on Exercise . Except as the Committee may otherwise permit pursuant to the Plan, only the Grantee may exercise the Option during the Grantee's lifetime and, after the Grantee's death, the Option shall be exercisable as described in Section 14 below to the extent that the Option is exercisable pursuant to the Grant Letter and these Grant Conditions.

8. Delivery of Shares . The Company's obligation to deliver shares upon exercise of the Option shall be subject to applicable laws, rules and regulations and also to such approvals by governmental agencies as may be deemed appropriate to comply with relevant securities laws and regulations.

9. No Shareholder Rights . Neither the Grantee, nor any person entitled to exercise the Grantee's rights in the event of the Grantee's death, shall have any of the rights and privileges of a shareholder with respect to the shares subject to the Option, until shares have been issued upon the exercise of the Option.

10. No Right to Continued Employment . The grant of the Option shall not confer upon the Grantee any right to continued employment with the Employer or interfere with the right of the Employer to terminate the Grantee's employment at any time.

11. Incorporation of Plan by Reference . The Grant Letter and these Grant Conditions are made pursuant to the terms of the Plan, the terms of which are incorporated herein by reference, and shall in all respects be interpreted in accordance therewith. The decisions of the Committee shall be conclusive upon any question arising hereunder. The Grantee's receipt of the Option constitutes the Grantee's acknowledgment that all decisions and determinations of the Committee with respect to the Plan, the Grant Letter, these Grant Conditions, and the Option shall be final and binding on the Grantee and any other person claiming an interest in the Option.

12. Withholding Taxes . The Employer shall have the right to deduct from all payments made hereunder and from other compensation an amount equal to the federal (including FICA), state, local and foreign taxes required by law to be withheld with respect to the Option. The Employer will withhold shares of Company Stock payable hereunder to satisfy the tax withholding obligation on amounts payable in shares, unless the Grantee provides a payment to the Employer to cover such taxes, in accordance with procedures established by the Committee. The share withholding amount shall not exceed the Grantee's minimum applicable withholding tax amount.

13. Company Policies . All amounts payable under the Grant Letter and these Grant Conditions shall be subject to any applicable clawback or recoupment policies, share trading policies and other policies that may be implemented by the Company's Board of Directors from time to time.

14. Assignment . The Grant Letter and these Grant Conditions shall bind and inure to the benefit of the successors and assignees of the Company. The Grantee may not sell, assign, transfer, pledge or otherwise dispose of the Option, except, in the event of the Grantee's death, to the executor or administrator of the estate of the Grantee or the person or persons to whom the Grantee's rights under the Option shall pass by will or the laws of descent and distribution.

15. Governing Law . The validity, construction, interpretation and effect of the Grant Letter and these Grant Conditions shall be governed by, and determined in accordance with, the applicable laws of the Commonwealth of Pennsylvania, excluding any conflicts or choice of law rule or principle.

* * *

Exhibit No. 10.3

ARMSTRONG WORLD INDUSTRIES, INC.
2011 LONG-TERM INCENTIVE PLAN

NONQUALIFIED STOCK OPTION GRANT
TERMS AND CONDITIONS

1. Grant .

(a) Subject to the terms set forth below, Armstrong World Industries, Inc. (the " Company ") has granted to the designated employee (the " Grantee ") a nonqualified stock option (the " Option ") to purchase shares of common stock of the Company (the " Company Stock ") as specified in the 2013 Long-Term Stock Option Grant letter to which these Grant Conditions relate (the " Grant Letter ") at the exercise price specified in the Grant Letter. The " Date of Grant " is %%OPTION_DATE,'Month DD, YYYY'%-%.

(b) These Terms and Conditions (the " Grant Conditions ") are part of the Grant Letter. This grant is made under the Armstrong World Industries, Inc. 2011 Long-Term Incentive Plan (the " Plan "). Any terms not defined herein shall have the meanings set forth in the Plan.

2. Exercisability of Option .

(a) The Option shall become exercisable on the following dates, if the Grantee continues to be employed by the Company or its subsidiaries or affiliates (collectively the " Employer ") on the applicable dates listed below (each individually, a " Vesting Date "):

Vesting Date	Shares for Which the Option is Exercisable
%%VEST_DATE_PERIOD1,'Month DD, YYYY'%-%	33.33%
%%VEST_DATE_PERIOD2,'Month DD, YYYY'%-%	33.33%
%%VEST_DATE_PERIOD3,'Month DD, YYYY'%-%	33.33%

(b) The exercisability of the Option is cumulative, but shall not exceed 100% of the shares subject to the Option. If the foregoing schedule would produce fractional shares, the number of shares for which the Option becomes exercisable shall be rounded to the nearest whole share.

3. Term of Option; Termination of Employment .

(a) *Term.* The Option shall have a term of ten years from the Date of Grant and shall terminate at the expiration of that period (5:00 p.m. EST on the day prior to %%EXPIRE_DATE_PERIOD1,'Month DD, YYYY'%-%) (the " Expiration Date "), unless it is terminated at an earlier date pursuant to the provisions of the Grant Letter, the Grant Conditions or the Plan.

(b) *Termination of Employment.* Except as described below, if the Grantee ceases to be employed by the Employer, the Option (including any vested and unvested portions) shall be forfeited as of the termination date and shall cease to be outstanding.

(c) *Retirement.* If, after December 31, 2013, the Grantee ceases to be employed by the Employer on account of Retirement (as defined below), the Option will thereafter become exercisable as if the Grantee had continued to be employed by the Employer after the date of such Retirement. The Option will terminate upon the earlier of the Expiration Date or the end of the five year period following the Grantee's Retirement date.

(d) *Involuntary Termination.* If the Grantee ceases to be employed by the Employer on account of an Involuntary Termination (as defined below), the Option shall be exercisable only with respect to that number of shares for which the Option is exercisable on the Grantee's termination date. The exercisable portion of the Option shall terminate upon the earlier of the Expiration Date or the end of the three month period following the Grantee's termination date. Any unexercisable portion of the Option will be forfeited as of the termination date.

(e) *Voluntary Termination.* If the Grantee ceases to be employed by the Employer on account of a voluntary termination other than for Cause, the Option shall be exercisable only with respect to that number of shares for which the Option is exercisable on the Grantee's termination date. The exercisable portion of the Option shall terminate upon the earlier of the Expiration Date or the end of the one month period following the Grantee's termination date. Any unexercisable portion of the Option will be forfeited as of the termination date.

(f) *Death or Long-Term Disability* . If, after December 31, 2013, the Grantee ceases to be employed by the Employer on account of death or the Grantee incurs a Long-Term Disability (as defined below), the Option shall become fully and immediately exercisable. The Option may be exercised at any time prior to the earlier of the Expiration Date or the end of the 12 month period following the date of the Grantee's death or Long-Term Disability.

(g) *Restricted Period* . If, pursuant to the foregoing provisions, the vested Option would terminate (other than upon termination of employment for Cause) at a time when trading in Company Stock is prohibited by law or by the Company's insider trading policy, the vested Option may be exercised until the earlier of the Expiration Date or the 30th day after expiration of such prohibition.

4. <u>Change in Control Involuntary Termination</u> . Subject to Section 14 of the Plan, and notwithstanding Section 3 above, if the Grantee has an Involuntary Termination upon or within two years after a Change in Control, the Option shall become fully and immediately exercisable. The Option may be exercised at any time prior to the earlier of the Expiration Date or the end of the three month period following the Grantee's termination date.

5. Definitions . For purposes of these Grant Conditions and the Grant Letter:

(a) " Cause " shall mean any of the following, as determined in the sole discretion of the Employer: (1) commission of a felony or a crime involving moral turpitude; (2) fraud, dishonesty, misrepresentation, theft or misappropriation of funds with respect to the Employer; (3) violation of the Employer's Code of Conduct or employment policies, as in effect from time to time; (4) breach of any written noncompetition, confidentiality or nonsolicitation covenant of the Grantee with respect to the Employer; or (5) gross negligence or misconduct in the performance of the Grantee's duties with the Employer.

(b) " Involuntary Termination " shall mean the Employer's termination of the Grantee's employment other than for Cause.

(c) " Long-Term Disability " shall mean the Grantee is receiving long-term disability benefits under the Employer's long-term disability plan.

(d) " Retirement " shall mean the Grantee's termination of employment other than for Cause after the Grantee has attained age 55 and has completed five years of service with the Employer.

6. Exercise Procedures . Subject to Sections 2, 3 and 4 above, the Grantee may exercise the portion of the Option that has become exercisable, in whole or in part, by delivering a notice of exercise to the Company in the manner prescribed by the Management Development and Compensation Committee (the " Committee "). The Grantee shall pay the exercise price (i) in cash, (ii) if permitted by the Committee, by withholding shares of Company Stock subject to the exercisable Option, which have a Fair Market Value on the date of exercise equal to the exercise price, (iii) by delivering shares of Company Stock (or by attestation to ownership of shares), which shall be valued at their Fair Market Value on the date of delivery, and which shall have a Fair Market Value on the date of exercise equal to the exercise price, (iv) by payment through a broker in accordance with procedures acceptable to the Committee and permitted by Regulation T of the Federal Reserve Board, or (v) by such other method as the Committee may approve. The Committee may impose such limitation as it deems appropriate on the use of shares to exercise the Option.

7. Restrictions on Exercise . Except as the Committee may otherwise permit pursuant to the Plan, only the Grantee may exercise the Option during the Grantee's lifetime and, after the Grantee's death, the Option shall be exercisable as described in Section 14 below to the extent that the Option is exercisable pursuant to the Grant Letter and these Grant Conditions.

8. Delivery of Shares . The Company's obligation to deliver shares upon exercise of the Option shall be subject to applicable laws, rules and regulations and also to such approvals by governmental agencies as may be deemed appropriate to comply with relevant securities laws and regulations.

9. No Shareholder Rights . Neither the Grantee, nor any person entitled to exercise the Grantee's rights in the event of the Grantee's death, shall have any of the rights and privileges of a shareholder with respect to the shares subject to the Option, until shares have been issued upon the exercise of the Option.

10. No Right to Continued Employment . The grant of the Option shall not confer upon the Grantee any right to continued employment with the Employer or interfere with the right of the Employer to terminate the Grantee’s employment at any time.

11. Incorporation of Plan by Reference . The Grant Letter and these Grant Conditions are made pursuant to the terms of the Plan, the terms of which are incorporated herein by reference, and shall in all respects be interpreted in accordance therewith. The decisions of the Committee shall be conclusive upon any question arising hereunder. The Grantee’s receipt of the Option constitutes the Grantee’s acknowledgment that all decisions and determinations of the Committee with respect to the Plan, the Grant Letter, these Grant Conditions, and the Option shall be final and binding on the Grantee and any other person claiming an interest in the Option.

12. Withholding Taxes . The Employer shall have the right to deduct from all payments made hereunder and from other compensation an amount equal to the federal (including FICA), state, local and foreign taxes required by law to be withheld with respect to the Option. The Employer will withhold shares of Company Stock payable hereunder to satisfy the tax withholding obligation on amounts payable in shares, unless the Grantee provides a payment to the Employer to cover such taxes, in accordance with procedures established by the Committee. The share withholding amount shall not exceed the Grantee’s minimum applicable withholding tax amount.

13. Company Policies . All amounts payable under the Grant Letter and these Grant Conditions shall be subject to any applicable clawback or recoupment policies, share trading policies and other policies that may be implemented by the Company’s Board of Directors from time to time.

14. Assignment . The Grant Letter and these Grant Conditions shall bind and inure to the benefit of the successors and assignees of the Company. The Grantee may not sell, assign, transfer, pledge or otherwise dispose of the Option, except, in the event of the Grantee’s death, to the executor or administrator of the estate of the Grantee or the person or persons to whom the Grantee’s rights under the Option shall pass by will or the laws of descent and distribution.

15. Governing Law . The validity, construction, interpretation and effect of the Grant Letter and these Grant Conditions shall be governed by, and determined in accordance with, the applicable laws of the Commonwealth of Pennsylvania, excluding any conflicts or choice of law rule or principle.

* * *

Exhibit No. 10.4

ARMSTRONG WORLD INDUSTRIES, INC.
2011 LONG-TERM INCENTIVE PLAN

NONQUALIFIED STOCK OPTION GRANT
TERMS AND CONDITIONS

1. Grant .

(a) Subject to the terms set forth below, Armstrong World Industries, Inc. (the " Company ") has granted to the designated employee (the " Grantee ") a nonqualified stock option (the " Option ") to purchase shares of common stock of the Company (the " Company Stock ") as specified in the 2013 Long-Term Stock Option Grant letter to which these Grant Conditions relate (the " Grant Letter ") at the exercise price specified in the Grant Letter. The " Date of Grant " is February 20, 2013.

(b) These Terms and Conditions (the " Grant Conditions ") are part of the Grant Letter. This grant is made under the Armstrong World Industries, Inc. 2011 Long-Term Incentive Plan (the " Plan "). Any terms not defined herein shall have the meanings set forth in the Plan.

2. Exercisability of Option .

(a) The Option shall become exercisable on the following dates, if the Grantee continues to be employed by the Company or its subsidiaries or affiliates (collectively the " Employer ") on the applicable dates listed below (each individually, a " Vesting Date "):

Vesting Date	Shares for Which the Option is Exercisable
February 20, 2014	33.33%
February 20, 2015	33.33%
February 20, 2016	33.33%

(b) The exercisability of the Option is cumulative, but shall not exceed 100% of the shares subject to the Option. If the foregoing schedule would produce fractional shares, the number of shares for which the Option becomes exercisable shall be rounded to the nearest whole share.

3. Term of Option; Termination of Employment .

(a) *Term.* The Option shall have a term of ten years from the Date of Grant and shall terminate at the expiration of that period (5:00 p.m. EST on February 19, 2023) (the " Expiration Date "), unless it is terminated at an earlier date pursuant to the provisions of the Grant Letter, the Grant Conditions or the Plan.

(b) *Termination of Employment.* Except as described below, if the Grantee ceases to be employed by the Employer, the Option (including any vested and unvested portions) shall be forfeited as of the termination date and shall cease to be outstanding.

(c) *Retirement.* If, after December 13, 2013, the Grantee ceases to be employed by the Employer on account of Retirement (as defined below), the Option will thereafter become exercisable as if the Grantee had continued to be employed by the Employer after the date of such Retirement. The Option will terminate upon the earlier of the Expiration Date or the end of the five year period following the Grantee's Retirement date. The provisions of this Section 3(c) shall apply only to the extent such provisions do not result in a violation of any age discrimination or other applicable law.

(d) *Involuntary Termination.* If the Grantee ceases to be employed by the Employer on account of an Involuntary Termination (as defined below), the Option shall be exercisable only with respect to that number of shares for which the Option is exercisable on the Grantee's termination date. The exercisable portion of the Option shall terminate upon the earlier of the Expiration Date or the end of the three month period following the Grantee's termination date. Any unexercisable portion of the Option will be forfeited as of the termination date.

(e) *Voluntary Termination.* If the Grantee ceases to be employed by the Employer on account of a voluntary termination other than for Cause, the Option shall be exercisable only with respect to that number of shares for which the Option is exercisable on the Grantee's termination date. The exercisable portion of the Option shall terminate upon the earlier of the Expiration Date or the end of the one month period following the Grantee's termination date. Any unexercisable portion of the Option will be forfeited as of the termination date.

(f) *Death or Long-Term Disability* . If, after December 31, 2013, the Grantee ceases to be employed by the Employer on account of death or the Grantee incurs a Long-Term Disability (as defined below), the Option shall become fully and immediately exercisable. The Option may be exercised at any time prior to the earlier of the Expiration Date or the end of the 12 month period following the date of the Grantee's death or Long-Term Disability.

(g) *Restricted Period* . If, pursuant to the foregoing provisions, the vested Option would terminate (other than upon termination of employment for Cause) at a time when trading in Company Stock is prohibited by law or by the Company's insider trading policy, the vested Option may be exercised until the earlier of the Expiration Date or the 30th day after expiration of such prohibition.

4. Change in Control Involuntary Termination . Subject to Section 14 of the Plan, and notwithstanding Section 3 above, if the Grantee has an Involuntary Termination upon or within two years after a Change in Control, the Option shall become fully and immediately exercisable. The Option may be exercised at any time prior to the earlier of the Expiration Date or the end of the three month period following the Grantee's termination date.

5. Definitions. For purposes of these Grant Conditions and the Grant Letter:

(a) "Cause" shall mean any of the following, as determined in the sole discretion of the Employer: (1) commission of a felony or a crime involving moral turpitude; (2) fraud, dishonesty, misrepresentation, theft or misappropriation of funds with respect to the Employer; (3) violation of the Employer's Code of Conduct or employment policies, as in effect from time to time; (4) breach of any written noncompetition, confidentiality or nonsolicitation covenant of the Grantee with respect to the Employer; or (5) gross negligence or misconduct in the performance of the Grantee's duties with the Employer.

(b) "Involuntary Termination" shall mean the Employer's termination of the Grantee's employment other than for Cause.

(c) "Long-Term Disability" shall mean the Grantee is receiving long-term disability benefits under the Employer's long-term disability plan.

(d) "Retirement" shall mean the Grantee's termination of employment other than for Cause after the Grantee has attained age 55 and has completed five years of service with the Employer.

6. Exercise Procedures. Subject to Sections 2, 3 and 4 above, the Grantee may exercise the portion of the Option that has become exercisable, in whole or in part, by delivering a notice of exercise to the Company in the manner prescribed by the Management Development and Compensation Committee (the "Committee"). The Grantee shall pay the exercise price (i) in cash, (ii) if permitted by the Committee, by withholding shares of Company Stock subject to the exercisable Option, which have a Fair Market Value on the date of exercise equal to the exercise price, (iii) by delivering shares of Company Stock (or by attestation to ownership of shares), which shall be valued at their Fair Market Value on the date of delivery, and which shall have a Fair Market Value on the date of exercise equal to the exercise price, (iv) by payment through a broker in accordance with procedures acceptable to the Committee and permitted by Regulation T of the Federal Reserve Board, or (v) by such other method as the Committee may approve. The Committee may impose such limitation as it deems appropriate on the use of shares to exercise the Option.

7. Restrictions on Exercise. Except as the Committee may otherwise permit pursuant to the Plan, only the Grantee may exercise the Option during the Grantee's lifetime and, after the Grantee's death, the Option shall be exercisable as described in Section 14 below to the extent that the Option is exercisable pursuant to the Grant Letter and these Grant Conditions.

8. Delivery of Shares. The Company's obligation to deliver shares upon exercise of the Option shall be subject to applicable laws, rules and regulations and also to such approvals by governmental agencies as may be deemed appropriate to comply with relevant securities laws and regulations.

9. No Shareholder Rights. Neither the Grantee, nor any person entitled to exercise the Grantee's rights in the event of the Grantee's death, shall have any of the rights and privileges of a shareholder with respect to the shares subject to the Option, until shares have been issued upon the exercise of the Option.

10. No Right to Continued Employment. The grant of the Option shall not confer upon the Grantee any right to continued employment with the Employer or interfere with the right of the Employer to terminate the Grantee's employment at any time.

11. Incorporation of Plan by Reference. The Grant Letter and these Grant Conditions are made pursuant to the terms of the Plan, the terms of which are incorporated herein by reference, and shall in all respects be interpreted in accordance therewith. The decisions of the Committee shall be conclusive upon any question arising hereunder. The Grantee's receipt of the Option constitutes the Grantee's acknowledgment that all decisions and determinations of the Committee with respect to the Plan, the Grant Letter, these Grant Conditions, and the Option shall be final and binding on the Grantee and any other person claiming an interest in the Option.

12. Withholding Taxes.

(a) The Employer shall have the right, and the Grantee hereby authorizes the Employer, to deduct from all payments made hereunder and from other compensation an amount equal to the federal (including FICA), state, local and foreign taxes, social insurance, payroll tax, contributions, payment on account obligations or other amounts required by law to be collected, withheld or accounted for with respect to the Option (the "Taxes"). The Employer will withhold shares of Company Stock payable hereunder to satisfy the withholding obligation for Taxes on amounts payable in shares, unless the Grantee provides a payment to the Employer to cover such Taxes, in accordance with procedures established by the Committee. The share withholding amount shall not exceed the Grantee's minimum applicable withholding amount for Taxes. Notwithstanding the foregoing, if the Grantee is resident in Canada, share withholding shall not be available and the Grantee must provide a payment to the Employer to cover Taxes in accordance with procedures established by the Committee.

(b) Regardless of any action the Employer takes with respect to any such Taxes, the Grantee acknowledges that the ultimate liability for all such Taxes legally due by the Grantee is and remains the Grantee's responsibility and that the Employer (i) makes no representations or undertakings regarding the treatment of any Taxes in connection with any aspect of the Option, including the grant, vesting or exercise of the Option, and the subsequent sale of any shares of Company Stock acquired at exercise; and (ii) does not commit to structure the terms of the grant or any aspect of the Option to reduce or eliminate the Grantee's liability for Taxes. Further, if the Grantee has become subject to tax in more than one jurisdiction between the date of grant and the date of any relevant taxable event, the Grantee acknowledges that the Employer may be required to collect, withhold or account for Taxes in more than one jurisdiction.

13. Company Policies. All amounts payable under the Grant Letter and these Grant Conditions shall be subject to any applicable clawback or recoupment policies, share trading policies and other policies that may be implemented by the Company's Board of Directors from time to time.

14. Assignment. The Grant Letter and these Grant Conditions shall bind and inure to the benefit of the successors and assignees of the Company. The Grantee may not sell, assign, transfer, pledge or otherwise dispose of the Option, except, in the event of the Grantee's death, to the executor or administrator of the estate of the Grantee or the person or persons to whom the Grantee's rights under the Option shall pass by will or the laws of descent and distribution.

15. Governing Law. The validity, construction, interpretation and effect of the Grant Letter and these Grant Conditions shall be governed by, and determined in accordance with, the applicable laws of the Commonwealth of Pennsylvania, excluding any conflicts or choice of law rule or principle.

16. No Entitlement or Claims for Compensation . In connection with the acceptance of the grant of the Option under the Grant Letter and these Grant Conditions, the Grantee acknowledges the following:

(a) the Plan is established voluntarily by the Company, the grant of the Option under the Plan is made at the discretion of the Committee and the Plan may be modified, amended, suspended or terminated by the Company at any time;

(b) the grant of the Option under the Plan is voluntary and occasional and does not create any contractual or other right to receive future grants of options, or benefits in lieu of them, even if options have been granted repeatedly in the past;

(c) all decisions with respect to future grants of options, if any, will be at the sole discretion of the Committee;

(d) the Grantee is voluntarily participating in the Plan;

(e) the Option and any shares of Company Stock acquired under the Plan are extraordinary items that do not constitute compensation of any kind for services of any kind rendered to the Employer (including, as applicable, the Grantee's employer) and which are outside the scope of the Grantee's employment contract, if any;

(f) the Option and any shares of Company Stock acquired under the Plan are not to be considered part of the Grantee's normal or expected compensation or salary for any purpose, including, but not limited to, calculating any severance, resignation, termination, payment in lieu of notice, redundancy, end of service payments, bonuses, long-service awards, pension or retirement or welfare benefits or similar payments;

(g) the Option and the shares of Company Stock subject to the Option are not intended to replace any pension rights or compensation;

(h) the grant of the Option and the Grantee's participation in the Plan will not be interpreted to form an employment contract or relationship with the Employer;

(i) the future value of the underlying shares of Company Stock is unknown and cannot be predicted with certainty. If the Grantee exercises the Option and acquires shares of Company Stock, the value of the acquired shares may increase or decrease, including below the exercise price. The Grantee understands that the Company is not responsible for any foreign exchange fluctuation between the United States Dollar and the Grantee's local currency that may affect the value of the Option or the shares of Company Stock; and

(j) the Grantee shall have no rights, claim or entitlement to compensation or damages as a result of the Grantee's cessation of employment for any reason whatsoever, whether or not in breach of contract or local labor law, insofar as these rights, claim or entitlement arise or may arise from the Grantee's ceasing to have rights under or be entitled to receive shares of Company Stock under or ceasing to have the opportunity to participate in the Plan as a result of such cessation or loss or diminution in value of the Option or any of the shares of Company Stock acquired thereunder as a result of such cessation, and the Grantee irrevocably releases the Employer from any such rights, entitlement or claim that may arise. If, notwithstanding the foregoing, any such right or claim is found by a court of competent jurisdiction to have arisen, then the Grantee shall be deemed to have irrevocably waived the Grantee's entitlement to pursue such rights or claim.

17. **Addendum** . Notwithstanding any provisions in the Grant Conditions, the Option shall be subject to any special terms and conditions set forth in any Addendum to this Agreement for the Grantee's country. Moreover, if the Grantee relocates to one of the countries included in the Addendum, the special terms and conditions for such country will apply to the Grantee, to the extent the Company determines that the application of such terms and conditions is necessary for legal or administrative reasons. The Addendum constitutes part of these Grant Conditions.

ADDENDUM

ARMSTRONG WORLD INDUSTRIES, INC.
NONQUALIFIED STOCK OPTION GRANT

Additional Terms and Conditions and Notifications

This Addendum includes special terms and conditions that govern the Option granted to the Grantee if the Grantee resides in the countries listed herein. These terms and conditions are in addition to the terms and conditions set forth in the Grant Conditions. This Addendum may also include information regarding certain other issues of which the Grantee should be aware with respect to the Grantee's participation in the Plan. Capitalized terms used but not defined herein shall have the meanings assigned to them in the Grant Conditions (of which this Addendum is a part) and the Plan.

Australia

Exercisability of Option

Notwithstanding Section 2, if any installment of the Option becomes exercisable when the Fair Market Value Per share of Company Stock is equal to or less than the per share exercise price of the Option, the Grantee shall not be permitted to exercise that installment. Such vested installment of the Option may be exercised only starting on the business day following the first day on which the Fair Market Value per share exceeds the per share exercise price of the Option.

Securities Law Disclosures

(a) The Grant Letter and Grant Conditions have been prepared for the purpose of providing general information, without taking account of the Grantee's objectives, financial situation or needs. The Grantee should, before making any decisions, consider the appropriateness of the information in the Grant Letter and Grant Conditions, and seek professional advice, having regard to the Grantee's objectives, financial situation and needs.

(b) The Company is not licensed to provide financial product advice in Australia in relation to the Option and recommends that the Grantee read the Plan, the Grant Letter and the Grant Conditions in full before making a decision to be granted the Option. There is no cooling-off regime in Australia that applies in respect of the grant of the Option.

(c) If the Grantee acquires shares of Company Stock under the Plan and offers such shares for sale to a person or entity resident in Australia, the offer may be subject to disclosure requirements under Australian law. The Grantee should obtain legal advice on disclosure obligations prior to making any such offer.

Canada

Notwithstanding Section 6, the Grantee may not pay the exercise price by delivering shares of Company Stock (or by attestation to ownership of shares).

France

Language Consent . The parties acknowledge that it is their express wish that the agreements, as well as all documents, notices and legal proceedings entered into, given or instituted pursuant hereto or relating directly or indirectly hereto, be drawn up in English.

Les parties reconnaissent avoir exigé la rédaction en anglais de cette convention, ainsi que de tous documents exécutés, avis donnés et procédures judiciaries intentées, directement ou indirectement, relativement à ou suite à la présente convention.

Netherlands

The Grantee should be aware of the Dutch insider trading rules, which may impact the sale of shares of Company Stock acquired under the Option. In particular, the Grantee may be prohibited from effecting certain share transactions if the Grantee has insider information regarding the Company. Below is a discussion of the applicable restrictions. The Grantee is advised to read the discussion carefully to determine whether the insider rules apply to the Grantee. If it is uncertain whether the insider rules apply, the Company recommends that the Grantee consult with his or her personal legal advisor. Please note that the Company cannot be held liable if the Grantee violates the Dutch insider rules. The Grantee is responsible for ensuring compliance with these rules.

By entering into this Agreement and participating in the Plan, the Grantee acknowledges having read and understood the notification below and acknowledges that it is his or her own responsibility to comply with the Dutch insider trading rules, as discussed herein.

PROHIBITION AGAINST INSIDER TRADING.

Dutch securities laws prohibit insider trading. Under Article 5.56 of the Dutch Financial Supervision Act, anyone who has “inside information” related to the Company is prohibited from effectuating a transaction in securities in or from the Netherlands. “Inside information” is knowledge of specific information concerning the issuer to which the securities relate that is not public and which, if published, would reasonably be expected to affect the share price, regardless of the actual effect on the price. The insider could be any employee of the Company or an affiliate in the Netherlands who has inside information as described above.

Given the broad scope of the definition of inside information, certain employees of the Company working at its Dutch affiliate may have inside information and thus, would be prohibited from effectuating a transaction in securities in the Netherlands at a time when he or she had such inside information

Exhibit No. 15

Awareness Letter from Independent Registered Public Accounting Firm

April 29, 2013

Armstrong World Industries, Inc.
Lancaster, Pennsylvania

Re: Registration Statements No. 333-138034, 333-154765, 333-177072, 333-179711

With respect to the subject registration statements, we acknowledge our awareness of the use therein of our report dated April 29, 2013 related to our review of the interim condensed consolidated financial information of Armstrong World Industries, Inc.

Pursuant to Rule 436 under the Securities Act of 1933 (the "Act"), such report is not considered part of a registration statement prepared or certified by an independent registered public accounting firm, or a report prepared or certified by an independent registered public accounting firm within the meaning of Sections 7 and 11 of the Act.

/s/ KPMG LLP

Philadelphia, Pennsylvania

Exhibit No. 31.1

I, Matthew J. Espe, certify that:

1) I have reviewed this quarterly report on Form 10-Q of Armstrong World Industries, Inc.;

2) Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3) Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4) The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5) The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls over financial reporting.

Date: April 29, 2013

/s/ Matthew J. Espe
Matthew J. Espe
President and Chief Executive Officer

Exhibit No. 31.2

I, Thomas B. Mangas, certify that:

1) I have reviewed this quarterly report on Form 10-Q of Armstrong World Industries, Inc.;

2) Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3) Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4) The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5) The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls over financial reporting.

Date: April 29, 2013

/s/ Thomas B. Mangas

Thomas B. Mangas
Senior Vice President and Chief Financial Officer

Exhibit No. 32.1

Certification of Chief Executive Officer Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

I certify to the best of my knowledge and belief that the periodic report on Form 10-Q of Armstrong World Industries, Inc. (the “Company”) containing its financial statements for the fiscal quarter ended March 31, 2013 fully complies with the requirements of Section 13(a) of the Securities Exchange Act of 1934, and that information contained in that report fairly presents, in all material respects, the financial condition and results of operations of the Company as of that date.

/s/ Matthew J. Espe
Matthew J. Espe
President and Chief Executive Officer
Armstrong World Industries, Inc.

Dated: April 29, 2013

A signed original of this written statement required by Section 906 has been provided to the Company and will be retained by the Company and furnished to the Securities and Exchange Commission or its staff upon request.

Exhibit No. 32.2

Certification of Chief Financial Officer Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

I certify to the best of my knowledge and belief that the periodic report on Form 10-Q of Armstrong World Industries, Inc. (the "Company") containing its financial statements for the fiscal quarter ended March 31, 2013 fully complies with the requirements of Section 13(a) of the Securities Exchange Act of 1934, and that information contained in that report fairly presents, in all material respects, the financial condition and results of operations of the Company as of that date.

/s/ Thomas B. Mangas
Thomas B. Mangas
Senior Vice President and Chief Financial Officer
Armstrong World Industries, Inc.

Dated: April 29, 2013

A signed original of this written statement required by Section 906 has been provided to the Company and will be retained by the Company and furnished to the Securities and Exchange Commission or its staff upon request.