



Investor Presentation Third Quarter 2010

November 5, 2010

This presentation contains “forward-looking statements” related to Armstrong World Industries, Inc.’s future financial performance. Our results could differ materially from the results discussed in these forward-looking statements due to known and unknown risks and uncertainties. A more detailed discussion of the risks and uncertainties that may affect our ability to achieve the projected performance is included in the “Risk Factors” and “Management’s Discussion and Analysis” sections of our recent reports on Forms 10-K and 10-Q filed with the SEC. We undertake no obligation to update any forward-looking statement beyond what is required by applicable securities law.

In addition, we will be referring to non-GAAP financial measures within the meaning of SEC Regulation G. A reconciliation of the differences between these measures with the most directly comparable financial measures calculated in accordance with GAAP is available in the Appendix of this presentation and in greater detail in today’s press release. Both are available on the Investor Relations page of our website at www.armstrong.com .



Key Metrics – Third Quarter 2010 Adjusted ⁽¹⁾

	<u>2010</u> <u>Actual</u>	<u>2009</u> <u>Actual</u>	<u>Variance</u>
Net Sales ⁽²⁾	\$765	\$767	(0.2%)
Operating Income ⁽³⁾	83	79	5.0%
<i>% of Sales</i>	10.8%	10.3%	50 bps
Earning Per Share ^{(4), (5)}	\$0.83	\$0.77	\$0.06
Free Cash Flow	79	117	(38)
Net (Cash) Debt ⁽⁶⁾	(236)	(39)	197

(1) Figures exclude non-recurring items such as charges for cost reduction initiatives, restructuring, accounting changes, etc. Figures also exclude the impact of foreign exchange movements and discontinued operations.

(2) As reported Net Sales: \$740 million in 2010 and \$753 million in 2009.

(3) As reported Operating Income: \$45 million in 2010 and \$44 million in 2009.

(4) As reported EPS: \$0.42 in 2010 and \$1.12 in 2009.

(5) Earnings per share reflect an adjusted tax rate of 42% for both 2010 and 2009.

(6) Total cash in 2010 of \$682 million was comprised of \$419 million in domestic cash and \$263 million in foreign cash. Total cash in 2009 of \$522 million was comprised of: \$307 million in domestic cash and \$215 million in foreign cash. Total debt was \$446 million in 2010 and \$483 million in 2009.



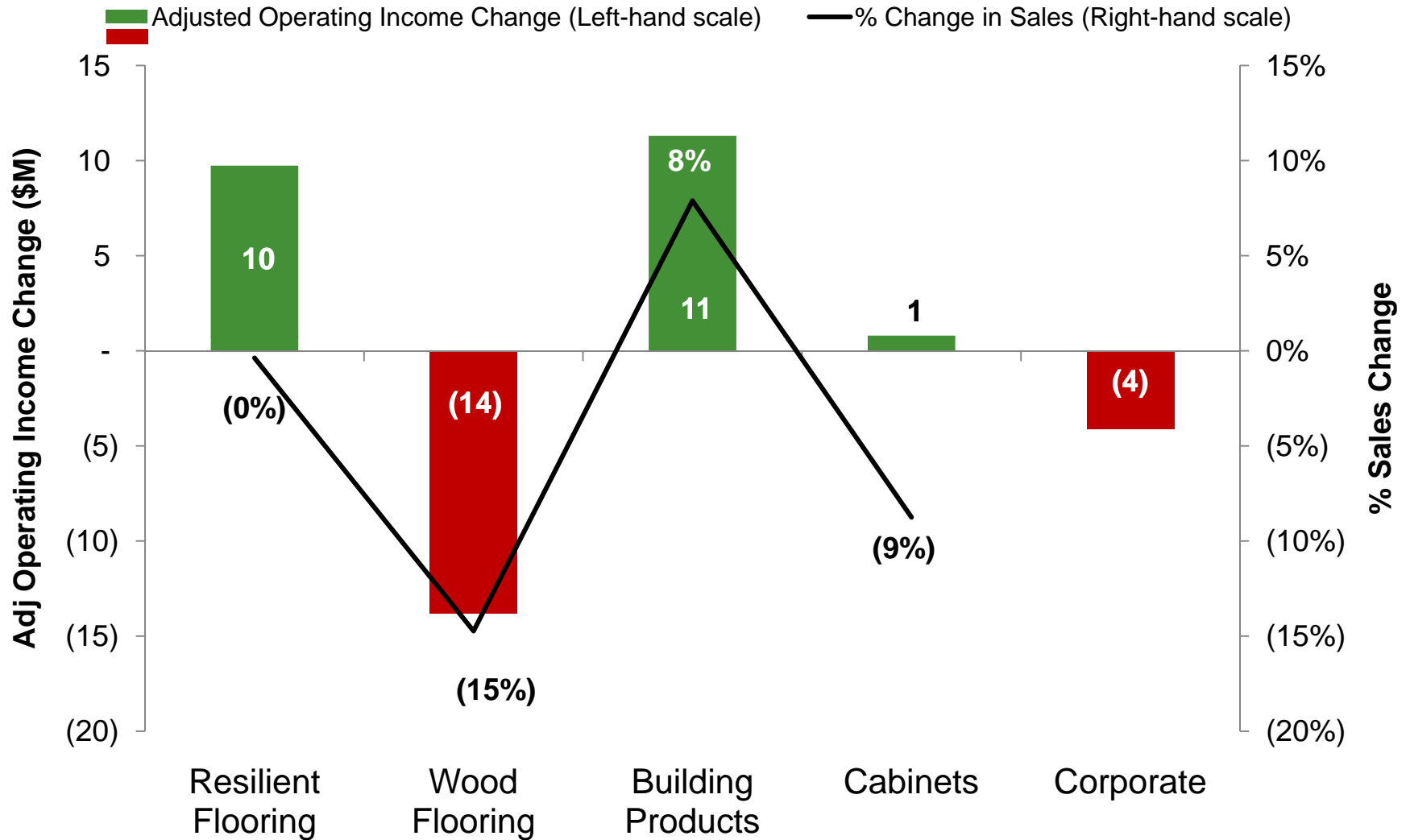
Q3 2010 – Adjusted Operating Income to Reported Net Income

	<u>2010</u>	<u>2009</u>	<u>V</u>
Operating Income – Adjusted ⁽¹⁾	\$83	\$79	\$4
Foreign Exchange Movements	(1)	-	(1)
Laminate Duty Refund	7	-	7
Cost Reduction Initiatives	(42)	(3)	(39)
Fixed Asset Impairments	-	-	-
Executive Transition	(2)	-	(2)
Accelerated Vesting	=	<u>(32)</u>	<u>32</u>
Operating Income – As Reported	\$45	\$44	\$1
Interest (Expense) Income	=	<u>(4)</u>	<u>4</u>
EBT	\$45	\$40	\$5
Tax (Expense) Benefit	<u>(20)</u>	<u>24</u>	<u>(44)</u>
Net Income	\$25	\$64	(\$39)

(1) Figures exclude non-recurring items such as charges for cost reduction initiatives, restructuring, accounting changes, etc. Figures also exclude the impact of foreign exchange movements and discontinued operations.



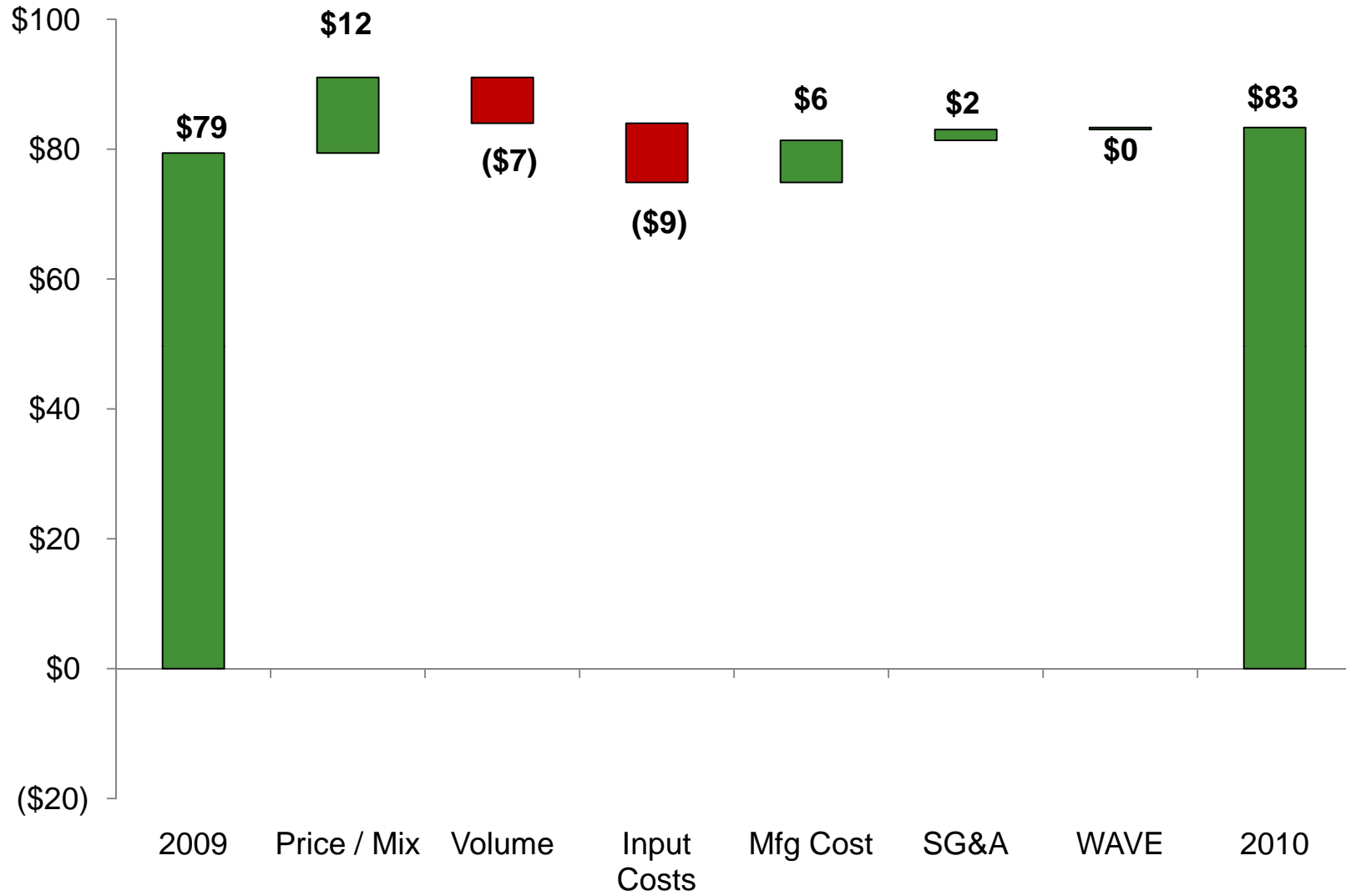
Q3 Sales and Adjusted Operating Income by Segment – 2010 vs. 2009



Figures exclude non-recurring items such as charges for cost reduction initiatives, restructuring, accounting changes, etc. Figures also exclude the impact of foreign exchange movements and discontinued operations.



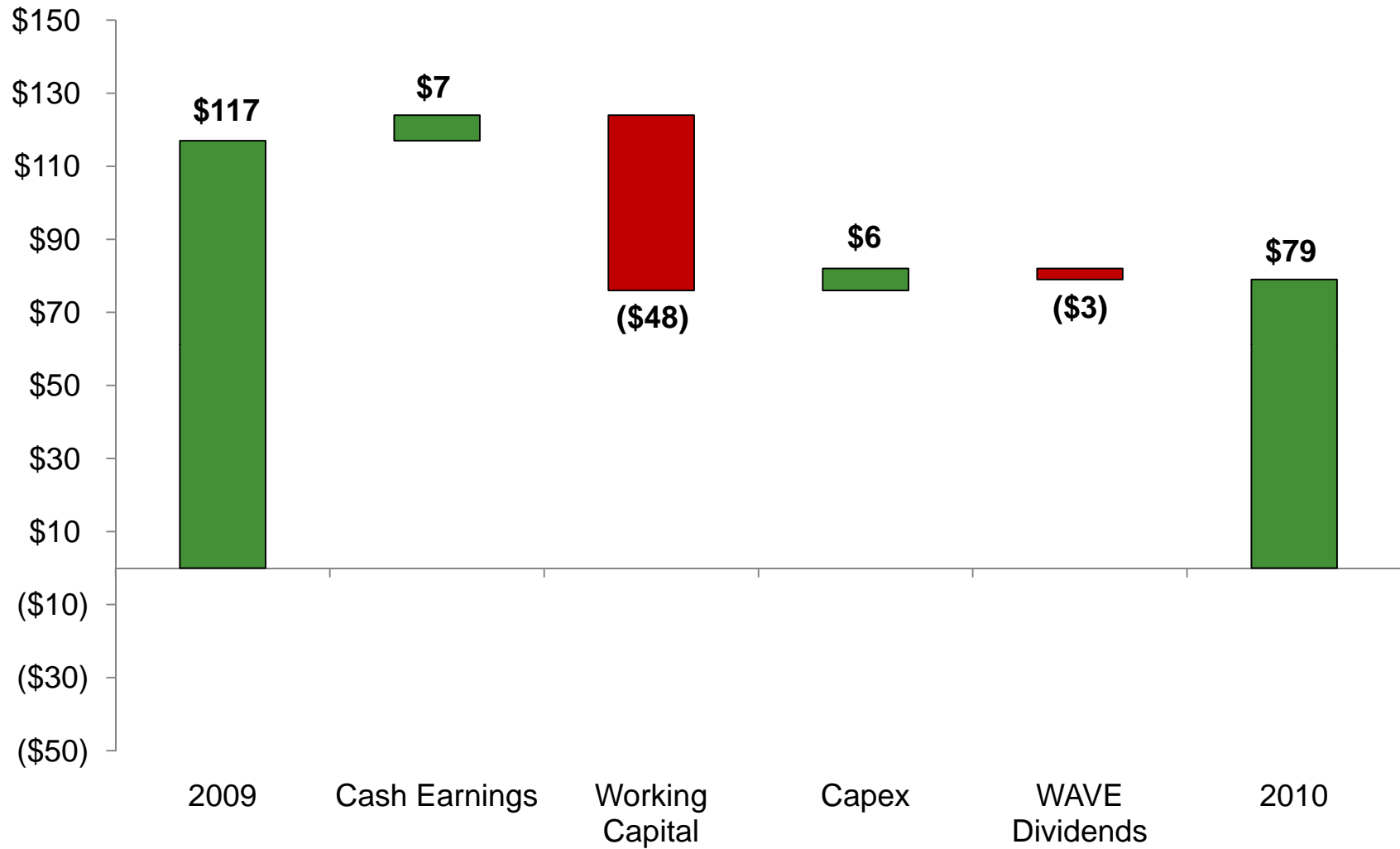
Operating Income Bridge – Q3 2010 versus Prior Year



All figures in \$ millions unless otherwise noted. Figures may not add to due rounding.



Free Cash Flow – Third Quarter 2010 versus Prior Year



All figures in \$ millions unless otherwise noted. Figures may not add to due rounding.



Key Metrics – September YTD 2010 Adjusted ⁽¹⁾

	<u>2010</u> <u>Actual</u>	<u>2009</u> <u>Actual</u>	<u>Variance</u>
Net Sales ⁽²⁾	\$2,180	\$2,196	(0.7%)
Operating Income ⁽³⁾	170	131	29.6%
<i>% of Sales</i>	7.8%	6.0%	180 bps
Earning Per Share ^{(4), (5)}	\$1.62	\$1.21	\$0.41
Free Cash Flow	137	158	(21)
Net (Cash) Debt ⁽⁶⁾	(236)	(39)	197

(1) Figures exclude non-recurring items such as charges for cost reduction initiatives, restructuring, accounting changes, etc. Figures also exclude the impact of foreign exchange movements and discontinued operations.

(2) As reported Net Sales: \$2,124 million in 2010 and \$2,127 million in 2009.

(3) As reported Operating Income: \$111 million in 2010 and \$92 million in 2009.

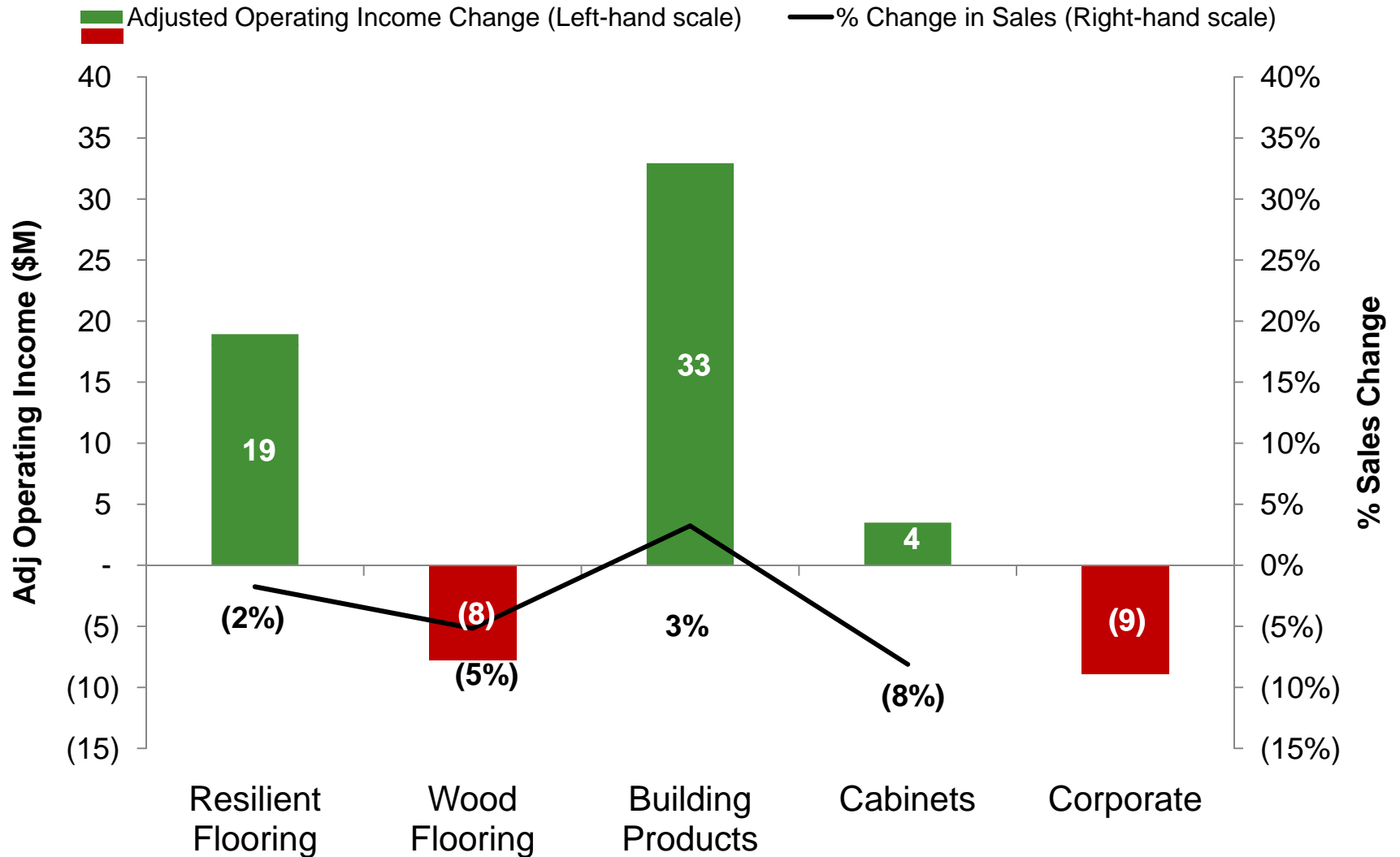
(4) As reported EPS: \$0.55 in 2010 and \$1.43 in 2009.

(5) Earnings per share reflect an adjusted tax rate of 42% for both 2010 and 2009.

(6) Total cash in 2010 of \$682 million was comprised of \$419 million in domestic cash and \$263 million in foreign cash. Total cash in 2009 of \$522 million was comprised of: \$307 million in domestic cash and \$215 million in foreign cash. Total debt was \$446 million in 2010 and \$483 million in 2009.



September YTD Sales and Adjusted Operating Income by Segment – 2010 vs. 2009



Figures exclude non-recurring items such as charges for cost reduction initiatives, restructuring, accounting changes, etc. Figures also exclude the impact of foreign exchange movements and discontinued operations.



Key Metrics⁽¹⁾ – Guidance 2010

	2010			2009 Actual	Variance		
	<u>Estimate Range</u>						
Net Sales	2,760	to	2,800	2,780	(1%)	to	1%
Operating Income ⁽²⁾	185	to	195	157	18%	to	24%
Earnings Per Share ^{(3),(4),(5)}	\$1.69	to	\$1.79	\$1.44	17%	to	24%
Cash Flow	110	to	130	211	(50%)	to	(40%)

(1) Figures exclude non-recurring items such as charges for cost reduction initiatives, restructuring, accounting changes, etc.

(2) As reported Operating Income: \$127-137 million in 2010 and \$91 million 2009.

(3) Earnings per share reflect an adjusted tax rate of 42% for both 2010 and 2009.

(4) As reported earnings per share: \$0.76-\$0.86 in 2010 and \$1.36 in 2009.

(5) Excludes impact from proposed refinancing.

All figures in \$ millions unless otherwise noted.

- Raw Material & Energy Inflation \$25-\$35 million increase

- Manufacturing Productivity Gross Margin flat to +1 point

- U.S. Pension Credit ~\$10 million decline versus 2009

- Strategic Initiatives ~\$10 million investment in SG&A

- SG&A Reductions * \$10 - \$15 million reduction

- Earnings from WAVE * \$0 - \$5 million versus 2009

- Cash Taxes/ETR ~\$10 million. Adjusted ETR of 42%

- Capital Spending * ~\$105-\$115 million

- Exclusions from Adjusted OI * ~\$15 million for executive transition expense,
 ~\$35 million for cost reduction initiatives
 ~\$15 million for restructuring
 ~(\$7) million for laminate duty recovery

* Changed from July guidance

Appendix



September YTD 2010 – Adjusted Operating Income to Reported Net Income

	<u>2010</u>	<u>2009</u>	<u>V</u>
Operating Income – Adjusted ⁽¹⁾	\$170	\$131	\$39
Foreign Exchange Movements	-	-	1
Laminate Duty Refund	7	-	7
Cost Reduction Initiatives	(44)	(7)	(37)
Fixed Asset Impairments	(8)	-	(8)
Executive Transition	(14)	-	(14)
Accelerated Vesting	=	<u>(32)</u>	<u>32</u>
Operating Income – As Reported	\$111	\$92	\$19
Interest (Expense) Income	<u>(6)</u>	<u>(12)</u>	<u>6</u>
EBT	\$105	\$80	\$25
Tax (Expense) Benefit	<u>(73)</u>	<u>2</u>	<u>(75)</u>
Net Income	\$32	\$82	(\$50)

(1) Figures exclude non-recurring items such as charges for cost reduction initiatives, restructuring, accounting changes, etc. Figures also exclude the impact of foreign exchange movements and discontinued operations.



Normalized Operating Income to Free Cash Flow

	2010 <u>Estimate Range</u>		
Adjusted Operating Income	185	to	195
D&A			120
Changes in Working Capital	10	to	20
Capex			(105)
Pension Credit			(50)
Interest Expense			(15) ⁽¹⁾
Cash Taxes			(10)
Executive Transition			(15)
Other, Including Retiree Expense			(10)
Free Cash Flow	110	to	130

(1) Excludes impact from proposed refinancing.

All figures in \$ millions unless otherwise noted.



Consolidated Results

Third Quarter

	<u>2010 Reported</u>	<u>Comparability⁽¹⁾ Adjustments</u>	<u>FX⁽²⁾ Adj</u>	<u>2010 Adjusted</u>	<u>2009 Reported</u>	<u>Comparability⁽¹⁾ Adjustments</u>	<u>FX⁽²⁾ Adj</u>	<u>2009 Adjusted</u>
Net Sales	740	-	25	765	753	-	14	767
Operating Income	45	37	1	83	44	34	1	79
EPS	\$0.42	\$0.40	\$0.01	\$0.83	\$1.12	(\$0.37)	\$0.01	\$0.76

September Year-to-Date

	<u>2010 Reported</u>	<u>Comparability⁽¹⁾ Adjustments</u>	<u>FX⁽²⁾ Adj</u>	<u>2010 Adjusted</u>	<u>2009 Reported</u>	<u>Comparability⁽¹⁾ Adjustments</u>	<u>FX⁽²⁾ Adj</u>	<u>2009 Adjusted</u>
Net Sales	2,124	-	56	2,180	2,127	-	69	2,196
Operating Income	111	59	-	170	92	38	1	131
EPS	\$0.55	\$1.08	-	\$1.63	\$1.43	(\$0.22)	\$0.01	\$1.22

(1) See earnings press release and 10-Q for additional detail on comparability adjustments.

(2) Eliminates impact of foreign exchange movements.



Segment Operating Income (Loss)

	Third Quarter					
	<u>2010 Reported</u>	<u>Comparability⁽¹⁾ Adjustments</u>	<u>2010 Adjusted</u>	<u>2009 Reported</u>	<u>Comparability⁽¹⁾ Adjustments</u>	<u>2009 Adjusted</u>
Resilient Flooring	10	14	24	12	2	14
Wood Flooring	(13)	10	(3)	11	-	11
Building Products	59	10	69	57	1	58
Cabinets	(1)	-	(1)	(3)	1	(2)
Unallocated Corporate (Expense) Income	(10)	4	(6)	(34)	32	(2)

	September Year-to-Date					
	<u>2010 Reported</u>	<u>Comparability⁽¹⁾ Adjustments</u>	<u>2010 Adjusted</u>	<u>2009 Reported</u>	<u>Comparability⁽¹⁾ Adjustments</u>	<u>2009 Adjusted</u>
Resilient Flooring	15	15	30	7	4	11
Wood Flooring	(14)	11	(3)	4	1	5
Building Products	155	12	167	132	2	134
Cabinets	(6)	1	(5)	(10)	1	(9)
Unallocated Corporate (Expense) Income	(39)	20	(19)	(41)	32	(10)

(1) Eliminates impact of foreign exchange movements and non-recurring items; see earnings press release and 10-Q for additional detail.



Cash Flow

(\$-millions)	<u>Third Quarter</u>		<u>Full Year</u>	
	<u>2010</u>	<u>2009</u>	<u>2010</u>	<u>2009</u>
Net Cash From Operations	85	128	141	178
Plus / (Minus) Net Cash from Investing	(7)	(11)	(4)	(12)
Add back / (subtract):				
Divestitures	-	-	-	(8)
Free Cash Flow	79	117	137	158

All figures in \$ millions unless otherwise noted. Figures may not add to due rounding.