



Armstrong World Industries Investor Presentation

August 1, 2011



Safe Harbor Statement

Our disclosures in this presentation and in our other public documents and comments contain forward-looking statements within the meaning of the Private Securities Litigation Reform Act. Those statements provide our future expectations or forecasts and can be identified by our use of words such as "anticipate," "estimate," "expect," "project," "intend," "plan," "believe," "outlook," etc. in discussions of future operating or financial performance or the outcome of contingencies such as liabilities or legal proceedings. Forward-looking statements, by their nature, address matters that are uncertain and involve risks because they relate to events and depend on circumstances that may or may not occur in the future. 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. As a result, our actual results may differ materially from our expected results and from those expressed in our forward looking statements. We undertake no obligation to update any forward-looking statements beyond what is required under 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 on the Investor Relations page of our website at www.armstrong.com.



Basis of Presentation Explanation

When reporting our financial results within this presentation, we make several adjustments. Management uses the adjusted non-GAAP measures below in managing the business and believes the adjustments provide meaningful comparisons of operating performance between periods. As reported results will be footnoted throughout the presentation.

- We report in comparable dollars to remove the effects of currency translation on the P&L. The budgeted exchange rate for the current year is used for all currency translations in the current year and prior years.
- We remove the impact of major, discrete expenses and income. Examples include plant closures, restructuring actions, and other large unusual items.
- Taxes for normalized Net Income and EPS for all periods presented are calculated using a constant 42%, which is based on the full year historical tax rate.

Wha	What Items Are Adjusted					
	Comparable <u>Dollars</u>	Other <u>Adjustments</u>				
Net Sales	Yes	No				
Gross Profit	Yes	Yes				
SG&A Expense	Yes	Yes				
Equity Earnings	Yes	Yes				
Operating Income	Yes	Yes				
Net Income	Yes	Yes				
Cash Flow	No	No				
Return on Capital	Yes	Yes				
EBITDA	Yes	Yes				

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





Company Overview



Armstrong at a Glance



Leading global manufacturer of floors and ceilings for use in renovation and new construction. Significant U.S. cabinets' business.

- \$2.8 billion in sales in 2010
 - Market leader in businesses representing 80% of sales
- Serving global customers from seven countries
- 31 manufacturing locations
- Approximately 9,300 employees
- Approximately \$2.6 billion market capitalization
 - Strong balance sheet \$540 million of net debt
 - Significant NOL carry forward
- 58 million diluted shares outstanding
 - 300K average daily trading volume
 - 64% owned by Armstrong Asbestos Trust and Armor TPG
- 'AWI' on the NYSE
 - Since October 2006 emergence from asbestos-related bankruptcy



200	6	2007	2008	2009	2010
1,801 o Emerç bankr	ge from uptcy e strategic v and sale	 Cancel Strategic sale process 	• \$250M special dividend	 TPG invests in Armstrong 	 New CEO and CFO Leverage recap. and \$800M special dividend Investing in emerging markets
		Housing starts			 Announce \$150M cost out initiative
■Idle: Nasi	nville	 Sell Desseaux textile & sports flooring business 	906	Idle: Montreal MobileClose: Auburn Nashville	■Close: St. Gallen Oneida Center Montreal Teeside
				554	
•Sales	\$3.50B	\$3.54B	\$3.21B	\$2.85B	\$2.83B ⁵⁸⁷
•EBITDA	\$407M	\$439M	\$384M	\$296M	\$303M
	11.6%	12.4%	12.0%	10.4%	10.7%

Company Overview



Present / Future

2011 2012 2013 2014

- Approve second flooring plant in China
- New leader of Ceilings business
- Approve new ceilings plant in China
- Cost out initiative raised to \$165 million
- •Idle: Statesville
- Close: Beaver Falls
 Holmsund
- •Sales \$2.85-2.95B
- •EBITDA \$385-\$415M

- Competitive cost structure in place
 \$165 million cost reduction initiative, ongoing LEAN efforts
- Fix underperforming businesses
 - European flooring products profitable in 2012
- Dramatic growth in priority emerging markets
 - Three new Chinese manufacturing facilities on-line
 - Significant increase is sales and marketing resources across emerging markets
- Profitable growth in core markets
 - •Focus on product innovation, design and environmental leadership
- Build a winning team and a global organization
 - Implement Organization Vitality and create a globally aligned organization

ROIC > Cost of Capital

~13.8%

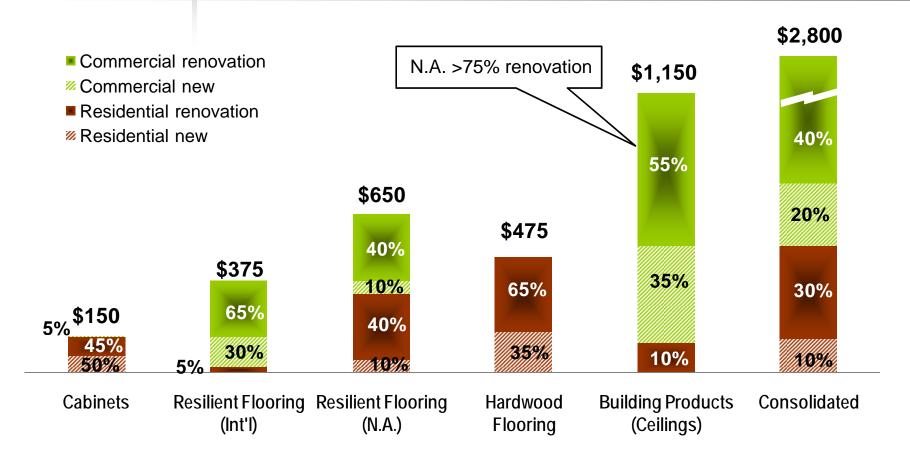


Key Investment Highlights

- New senior leadership team to execute strategy
- \$165M cost savings program to achieve competitive cost structure
- Investments in emerging markets to continue to win and maintain market leader strategy
- ROIC targets to return at least the cost of capital by 2013 with ~1M housing starts
- Efficient balance sheet and sufficient liquidity to manage operations, execute capital spending and restructuring plans



2010 Business Segment and End-Use Profile



■ 9% of Sales from Emerging Markets

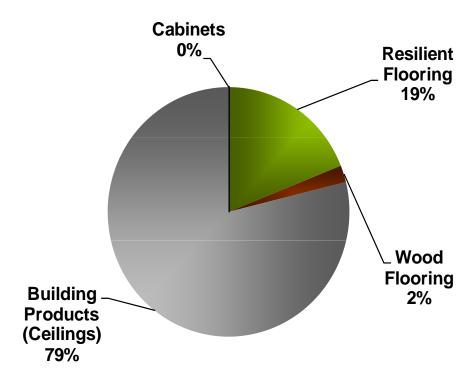
Majority of business is renovation – dampens cycles.

Company Overview



Business Segment Profile

2010 EBITDA

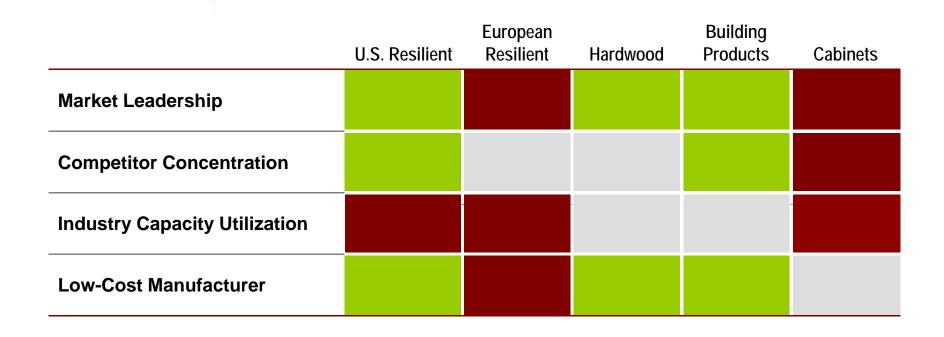


- Excludes unallocated corporate expense

Building Products delivers the bulk of worldwide income and has remained profitable through the economic cycle.



Industry Structure/Competitive Position





Armstrong continuously focused on competitive dynamics.

Company Overview 10





Business Segment Overview



Worldwide Business Overview – Building Products

North America

	Mkt Size	AWI Rank	Europe, Af E	rica, Mi ast	ddle-	Asia,	Austra	lia
Commercial	(B ft²) 1.4	1		Mkt Size (B ft²)	AWI Rank		Mkt Size (B ft²)	AWI Rank
Residential	0.4	1	Western	1.2	1	China	0.2	1
			Eastern	0.5	1	Australia	<0.1	1
			Africa / Mid-	0.3	1	India	<0.1	1
			East			SE Asia	<0.1	1

Worldwide market leader in suspended ceilings.



ABP Key Strategies

- 1 Broadest Product Portfolio
- Complete product offering
- New product pipeline (Metal, Wood)
- Win versus soft fiber in Europe

- **2** Emerging Market Growth
- Plant #2 in China
- Distribution in Russia, Middle East
- Grid plant in India

- 3 Innovation Leadership
- "Sustainability" leadership
- Custom solutions (Metal, Wood)
- Recycling program

- 4 Best-in-Class Service/Quality
- Best on-time delivery performance
- Lowest claims rate
- Best product availability



Building Products (ABP) Sales by Geography



Adding new engines to accelerate global growth.



Worldwide Business Overview – Floor Products *

Europe, Africa, Middle-East North America									
North	Mkt Size (B ft²)	AWI Rank	Contr		Mkt Size (B ft ²)	AWI Rank	Asia,	Austra Mkt Size	lia AWI Rank
Commercial Residential	1.0 2.0	1 1	Centr Easte Africa	ern /	0.3	5	China	(B ft ²) 0.4	3
Wood	0.6	1	Mid-E West Europ	ern	0.9	4	Australia India	0.1 <0.1	2
							SE Asia	0.1	~ 4

Global presence with market leadership in most regions.

^{*} Market figures exclude segments in which we do not participate.



AFP Key Strategies

1 Best Product Portfolio

- Offer broadest assortment
- Drive mix
- Quality leadership

3 Low-Cost Manufacturing

- Lean deployment
- Capability investment, e.g., glass, wood automation
- Rationalize footprint

5 Drive China Growth

- Focus on market development
- Plant investments to support growth

2 Complete Market Coverage

- Brand leadership
- Merchandising presence
- Sales coverage effectiveness

4 Innovation Leadership

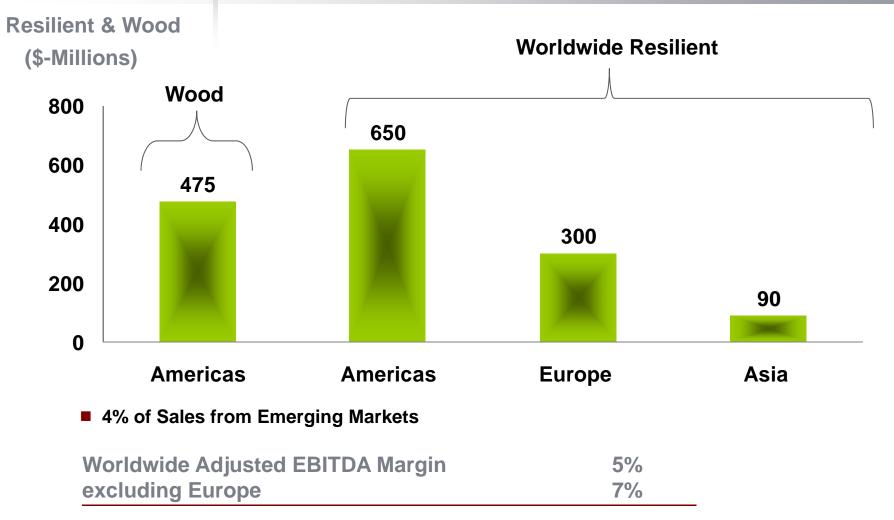
- Environmental solutions
- Design, performance, and installation

6 Restructure Europe

- Exited Residential
- Simplify Commercial participation
- Cost-out ... plants and SG&A



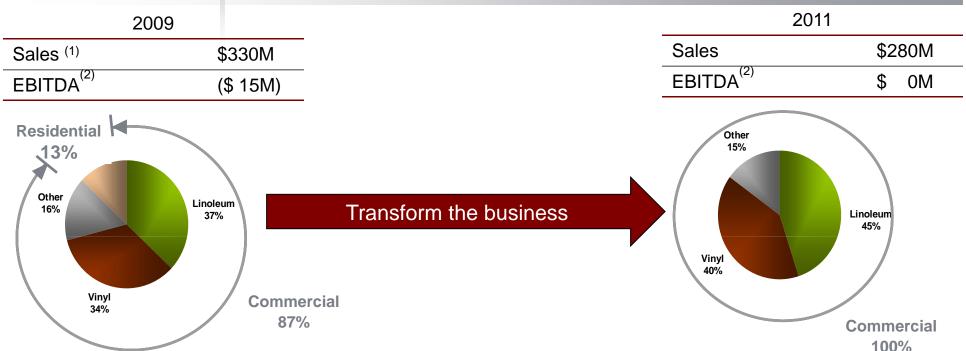
Floor Products (AFP) Sales by Geography



Continued profitability through bottom of residential downturn.



European Floor Products



- Exited Residential segment
- Simplified Commercial business ... country and product participation
- Closed Teesside and Holmsund plants
- SG&A restructuring ... 38% decrease in headcount

EBITDA break even in 2011... Profitable in 2012.

⁽¹⁾ Includes intercompany sales, ⁽²⁾ Excludes restructuring expense



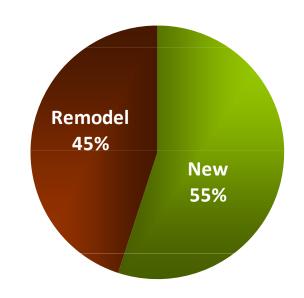
Cabinets

Current Situation

- Small player...<5% share
- Focus on small-/medium-size builder
- Go-to-Market

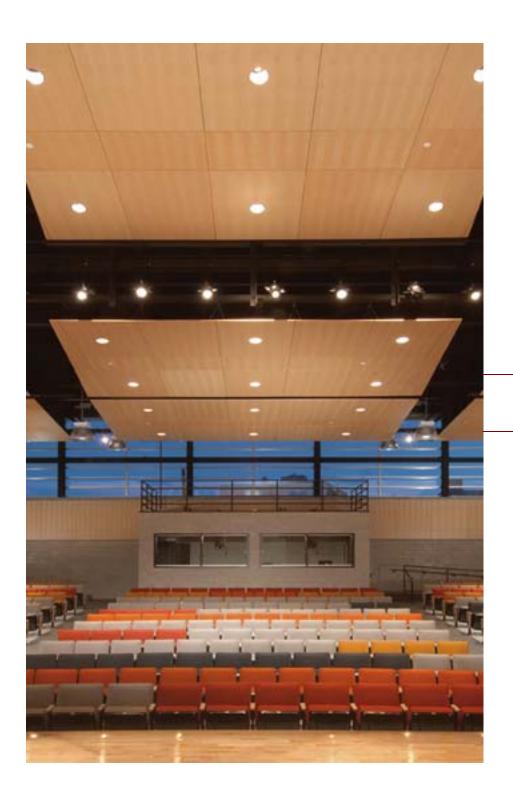
% of Sales
51%
27%
22%

$2010 \, \text{Sales} = \$150M$



Strategy

- Niche player... both new and remodel
- Restructure costs to reflect market reality
- Non-core business





Financial Overview



Financial Summary

Profitable and cash flow positive through downturn

- Focus on cost control / productivity
- Strong free cash flow
- ROIC greater than cost of capital in 2013, with new home starts at one million
- Continuing to fully invest in businesses
- Strong balance sheet: leverage, liquidity and maturity profile
- Overfunded US pension plan
- Positioned for considerable operational leverage on modest market recovery



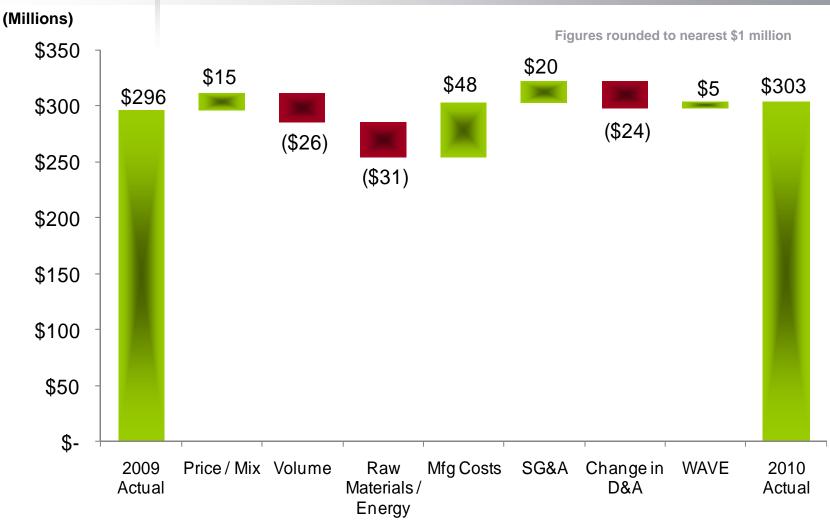
EBITDA Bridge (2006-2009)



Cost reduction and improved price / mix significantly offset dramatic volume declines.



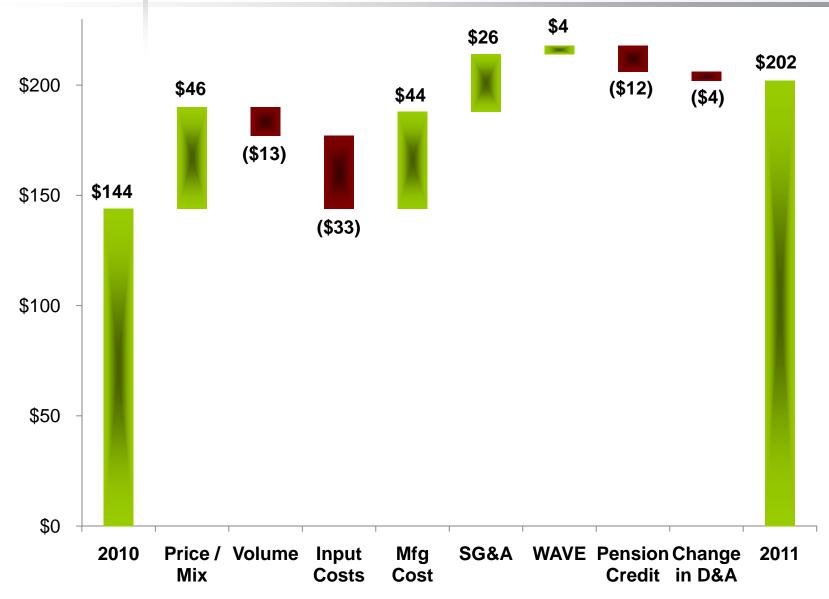
EBITDA Bridge (2009-2010)



Cost reduction offsets volume and input cost headwinds.

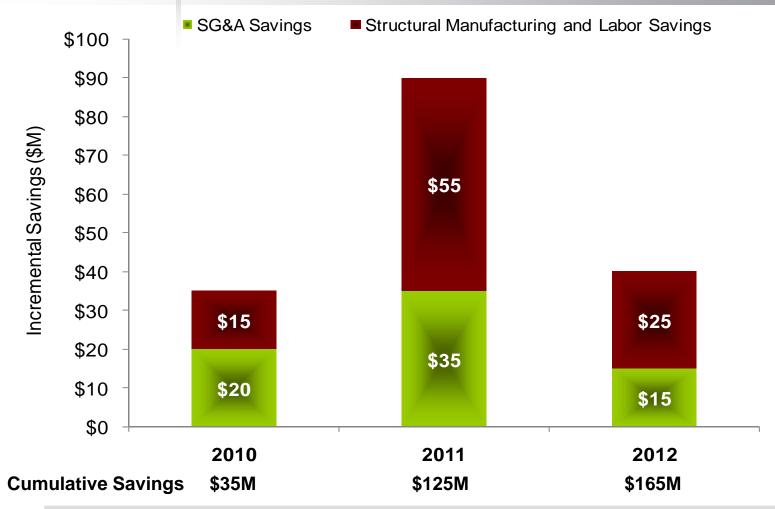


EBITDA Bridge –1H 2011 versus Prior Year





\$165 Million Savings Program



\$165M savings from manufacturing and SG&A, net of inflation.

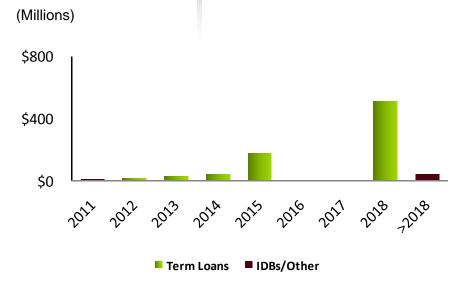
Manufacturing savings driven by plant closures and LEAN.

Financial Overview



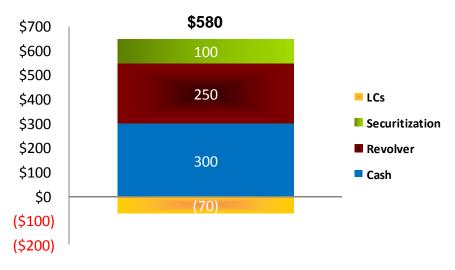
Balance Sheet

6/30/2011



Maturity Profile

- No significant maturities until 2015
- Considerable covenant flexibility



Liquidity

 Sufficient liquidity to manage operations, and execute capital spend and restructuring plans





Financial Overview Appendix



Key Metrics – Guidance 2011

	2011 <u>Estimate Range</u>			<u>2010</u>	<u>Variance</u>		
Net Sales ⁽¹⁾	2,900	to	3,000	2,766	5%	to	8%
Operating Income ⁽²⁾	280	to	310	189	48%	to	64%
EBITDA	385	to	415	303	27%	to	37%
Earnings Per Share ⁽³⁾	\$2.29	to	\$2.58	\$1.73	32%	to	49%
Free Cash Flow	80	to	120	180	(56%)	to	(33%)

⁽¹⁾ Sales figures include foreign exchange impact.

Guidance provided as of August 1, 2011.

We undertake no obligation to update guidance, beyond what is required by securities law.

⁽²⁾ As reported Operating Income: \$255- 285 million in 2011 and \$81 million 2010.

⁽³⁾ As reported earnings per share: \$2.01 - \$2.32 in 2011 and \$0.19 in 2010.



2011 Financial Outlook

■ Raw Material & Energy Inflation	* \$50 - \$60 million increase
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■ Manufacturing Productivity* Gross Margin +175 to +225 bps vs. 2010

■ U.S. Pension Credit ~\$25 million, down ~\$25 million vs. 2010 60% manufacturing, 40% SG&A

■ Earnings from WAVE \$5 - \$10 million vs. 2010

■ Cash Taxes/ETR* ~\$25 million. Adjusted ETR of 42%

■ Q3 Sales \$780 – \$830 million EBITDA \$115 – \$130 million

■ Capital Spending ~\$180-\$200 million

Exclusions from EBITDA* ~\$18 - \$22 million associated with already announced actions

^{*} Changed from April Outlook



Full Year 2010 – Adjusted Operating Income to Reported Net Income

	<u>2010</u>	<u>2009</u>	<u>v</u>
Operating Income – Adjusted	\$188	\$157	\$31
Foreign Exchange Movements	2	-	2
Laminate Duty Refund	7	-	7
Cost Reduction Initiatives	(50)	(16)	(34)
Asset Impairments	(31)	(18)	(13)
Restructuring	(22)	-	(22)
Executive Transition	(15)	-	(15)
Gain on Settlement of Note Receivable	2	-	2
Accelerated Vesting	=	(32)	<u>32</u>
Operating Income – As Reported	\$81	\$91	(\$10)
Interest (Expense) Income	<u>(14)</u>	<u>(16)</u>	<u>2</u>
EBT	\$67	\$75	(\$8)
Tax (Expense) Benefit	<u>(56)</u>	<u>3</u>	<u>(59)</u>
Net Income	\$11	\$78	(\$67)