

Earnings Call Presentation

1st Quarter 2015
April 30, 2015



Safe Harbor Statement



Our disclosures in this presentation, including without limitation, those relating to future financial results guidance and the possible separation of our flooring business from our building products business, 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," "target," "predict," "may," "will," "would," "could," "should," "seek," and other words or phrases of similar meaning in connection with any discussion of future operating or financial performance or the separation of our businesses. 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. As a result, our actual results may differ materially from our expected results and from those expressed in our forward-looking statements. 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 reports on Forms 10-K and 10-Q filed with the SEC. Forward-looking statements speak only as of the date they are made. 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 are included within this presentation and available on the Investor Relations page of our website at www.armstrong.com.

The guidance in this presentation is only effective as of the date given, April 30, 2015, and will not be updated or affirmed unless and until we publicly announce updated or affirmed guidance.

Basis of Presentation Explanation



- When reporting our financial results within this presentation, we make several adjustments. Management uses the 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 2015 is used for all currency translations in 2015 and prior years. Guidance is presented using the 2015 budgeted exchange rate for the year.
- We remove the impact of discrete expenses and income. Examples include plant closures, restructuring actions, separation costs and other large unusual items. We also remove the non-cash impact of our U.S. Pension Plan.
- Taxes for normalized Net Income and EPS are calculated using a constant 39% for 2015 guidance, and 2015 and 2014 results, which are based on the expected full year historical tax rate.

What Items Are Adjusted		
	Comparable Dollars	Other Adjustments
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.

Key Metrics – First Quarter 2015



	2015	2014	Variance
Net Sales ⁽¹⁾	\$565	\$584	(3.3%)
Operating Income ⁽²⁾	46	55	(17.5%)
% of Sales	8.1%	9.5%	(140 bps)
EBITDA	75	83	(10.2%)
% of Sales	13.2%	14.3%	(110 bps)
Earnings Per Share ⁽³⁾	\$0.37	\$0.43	(13.9%)
Free Cash Flow	(42)	(56)	24.9%
Net Debt	903	977	(74)
ROIC ⁽⁴⁾	6.6%	9.2%	(260 bps)

(1) As reported Net Sales: \$551 million in 2015 and \$590 million in 2014

(2) As reported Operating Income: \$36 million in 2015 and \$54 million in 2014

(3) As reported EPS: \$0.07 in 2015 and \$0.33 in 2014

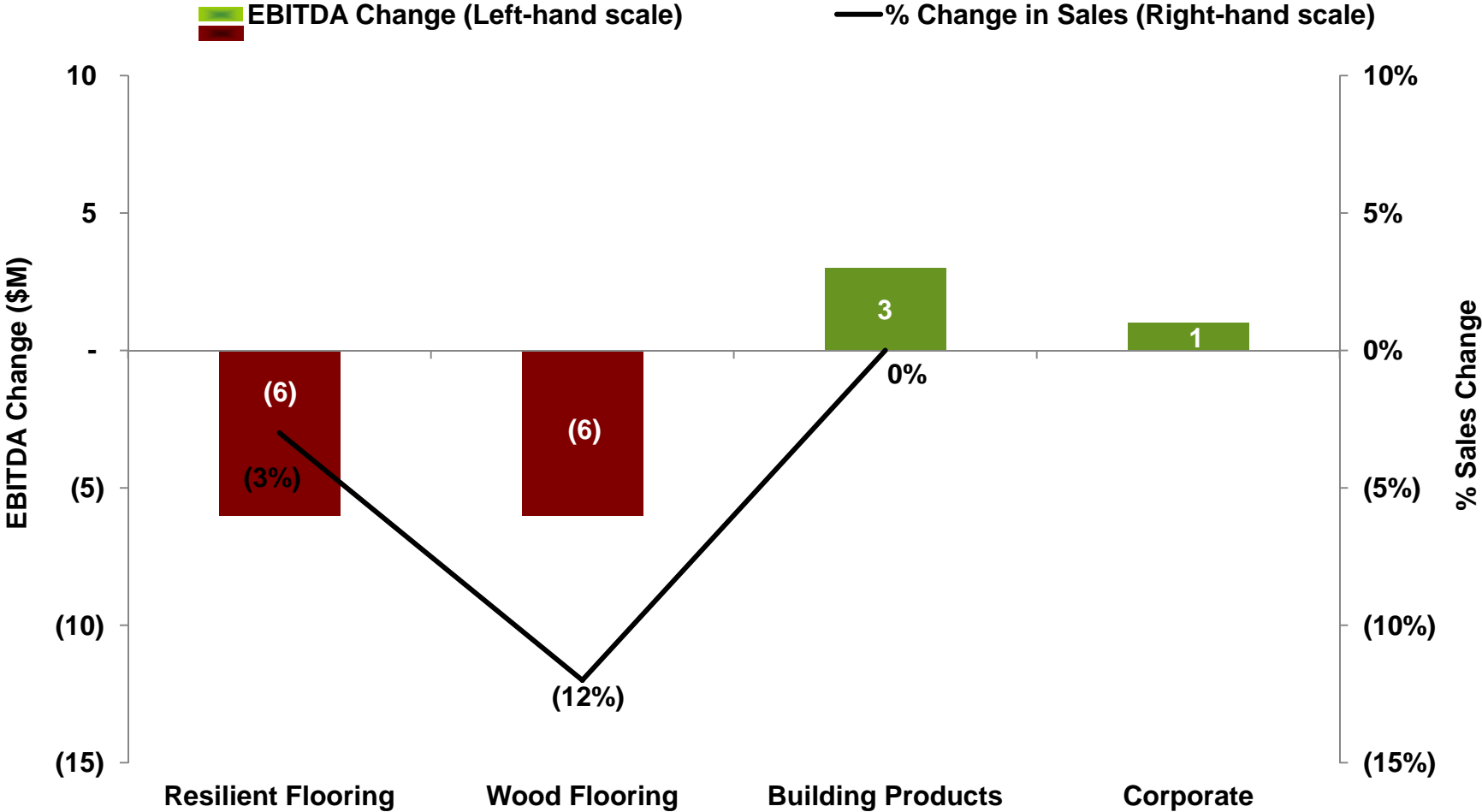
(4) Unadjusted

First Quarter 2015 vs. PY– Adjusted EBITDA to Reported Net Income



	2015	2014	V
EBITDA– Adjusted	\$75	\$83	(\$8)
Depreciation and Amortization	(29)	(28)	(1)
Operating Income – Adjusted	\$46	\$55	(\$9)
Non-cash Impact of U.S. Pension	6	-	6
Foreign Exchange Movements	2	1	1
Separation Expenses	4	-	4
Cost Reduction Initiatives	(2)	-	(2)
Operating Income – As Reported	\$36	\$54	(\$18)
Interest/Other (Expense)	(12)	(17)	5
EBT	\$24	\$37	(\$13)
Tax (Expense)	(20)	(19)	(1)
Net Income	\$4	\$18	(\$14)

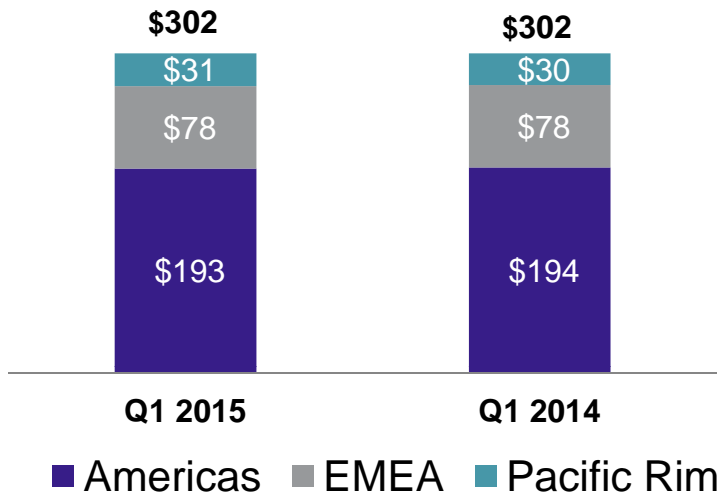
First Quarter Sales and EBITDA by Segment – 2015 vs. Prior Year



Building Products First Quarter Results



Net Sales



Key Highlights

- On a comparable foreign exchange basis sales were flat over a strong base period (sales were up over 5% in the first quarter of 2014). Price and mix both improved offsetting volume declines in the Americas and in EMEA markets
- Softer year-on-year activity in regions of the U.S. impacted by weather and Canada, along with a weaker U.S. commercial market accounted for the majority of the volume weakness in the Americas

Q1 2014 Adjusted EBITDA \$ **74M**

Price & Mix 11
 Volume (9)
 Manufacturing & Input Costs 2
 SG&A (2)
 WAVE (1)
 D&A/Other 2

Q1 2015 Adjusted EBITDA \$ **77M**

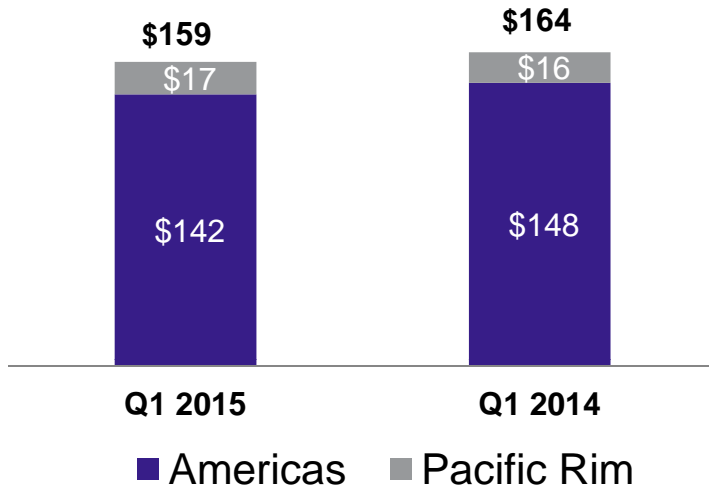
- Reflects impact of prior price increases and continued strong mix performance
- Driven by lower volumes in the Americas and EMEA
- Strong productivity in the Americas and favorable input costs more than offset increased expenses associated with completion of construction for the Russia plant
- Driven by inflation and higher SG&A to support the Russia plant

Margin improvement demonstrates consistent ability to improve earnings despite volume declines and higher plant construction expenses

Resilient First Quarter Results



Net Sales



Key Highlights

- Sales declined as volume, price and mix were all unfavorable compared to the prior year
- On a comparable foreign exchange basis sales in the Pacific Rim increased slightly as softness in China was more than offset by strength in India

Q1 2014 Adjusted EBITDA

\$ 17M

Price & Mix

(4)

Volume

(1)

Manufacturing & Input Costs

1

SG&A

(2)

Q1 2015 Adjusted EBITDA

\$ 11M

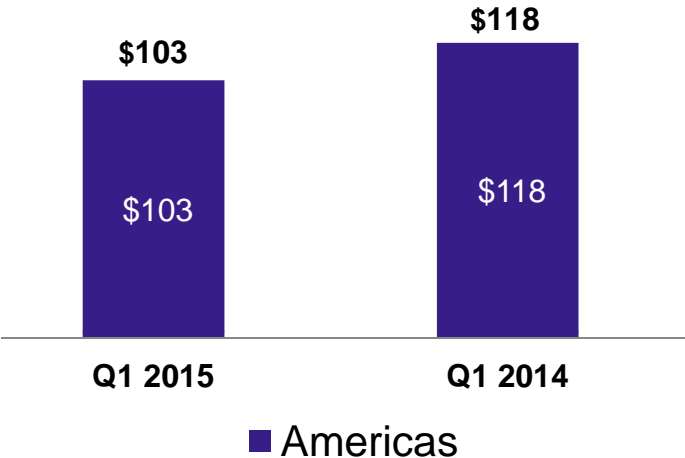
- Driven by unfavorable price and mix performance in residential flooring in the Americas
- Softer volumes in the Americas in U.S. commercial and residential
- Higher SG&A expense to support go-to-market initiatives

Softness in the Americas drives margin performance

Wood First Quarter Results



Net Sales



Key Highlights

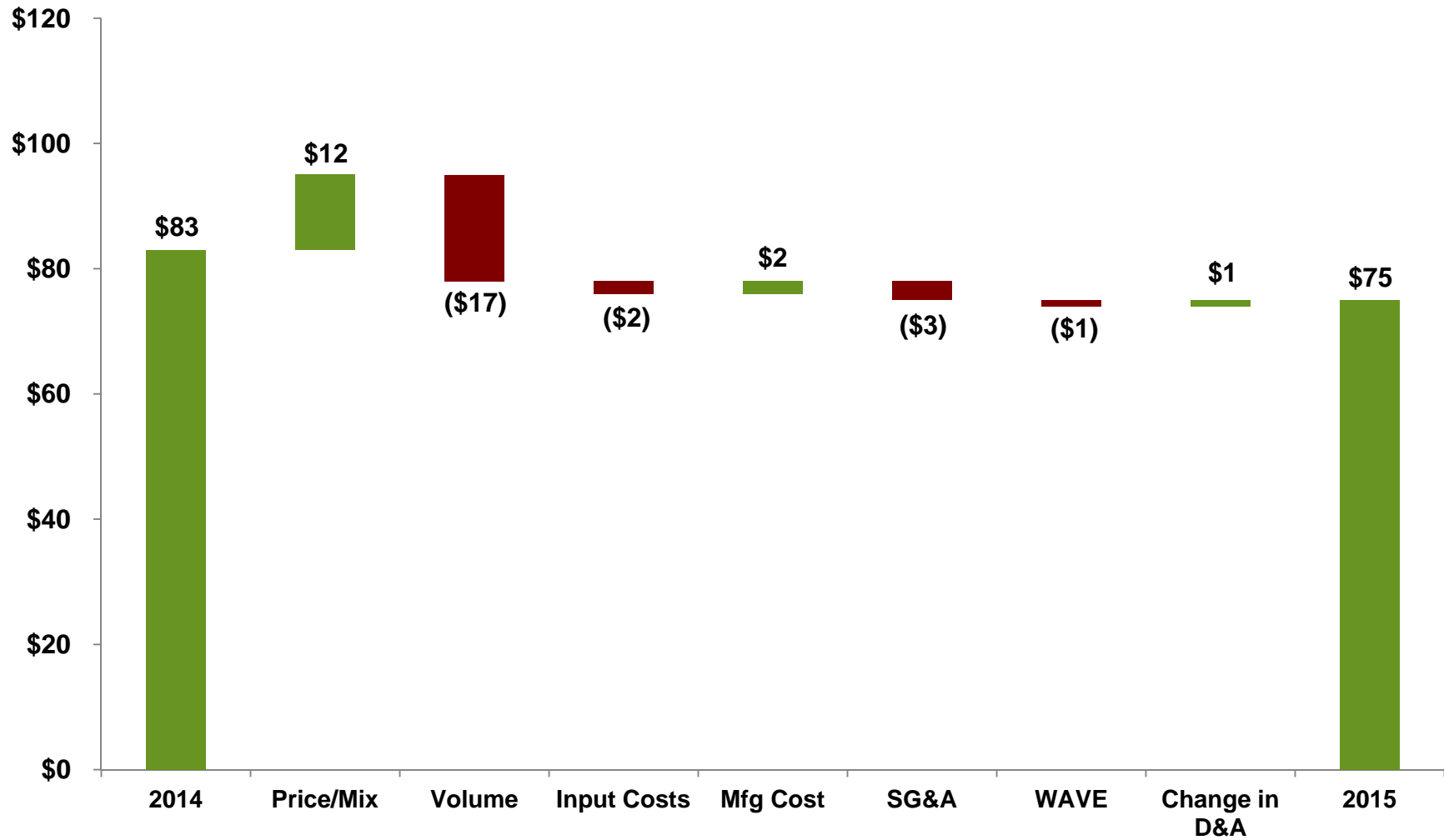
- Sales declined despite improvements in price and mix
- Volume declines were caused by market share shifts as a result of prior year price and mix optimization actions and inventory adjustments at home centers

Q1 2014 Adjusted EBITDA	\$ 8M
Price & Mix	4
Volume	(6)
Manufacturing & Input Costs	(4)
Q1 2015 Adjusted EBITDA	\$ 2M

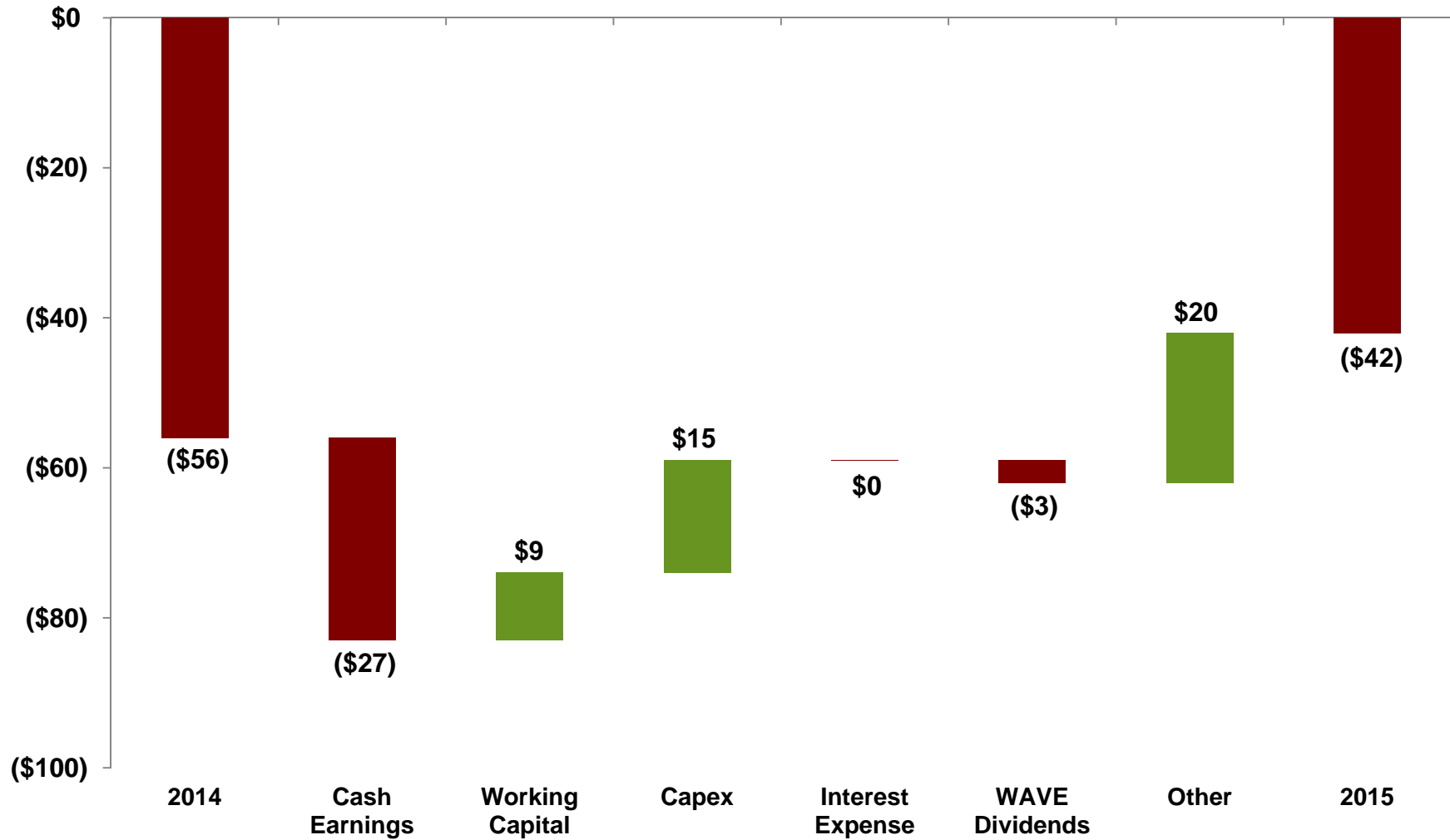
- Driven primarily by mix improvement
- Lower volumes driven by share loss at opening price points
- Driven by unfavorable production expense

Despite improved price and mix performance, sales and margins decline due to lower volumes

EBITDA Bridge – First Quarter 2015 vs. Prior Year



Free Cash Flow – First Quarter 2015 vs. Prior Year



Key Metrics – Guidance 2015



	2015 Estimate Range ⁽¹⁾		2014 ⁽²⁾	Variance	
Net Sales⁽³⁾	2,525	to 2,625	2,515	0%	to 4%
Operating Income⁽⁴⁾	230	to 270	271	(15%)	to (1%)
EBITDA	350	to 390	389	(10%)	to 0%
Earnings Per Share⁽⁵⁾	\$2.00	to \$2.40	\$2.38	(16%)	to 1%

(1) Guidance is presented using 2015 budgeted foreign exchange rates

(2) 2014 results are presented using 2015 budgeted foreign exchange rates

(3) 2015 and 2014 net sales include the impact of foreign exchange

(4) As reported Operating Income: \$175 - \$215 million in 2015 and \$239 million 2014

(5) As reported earnings per share: \$1.00 - \$1.30 in 2015 and \$1.83 in 2014

2015 Financial Outlook



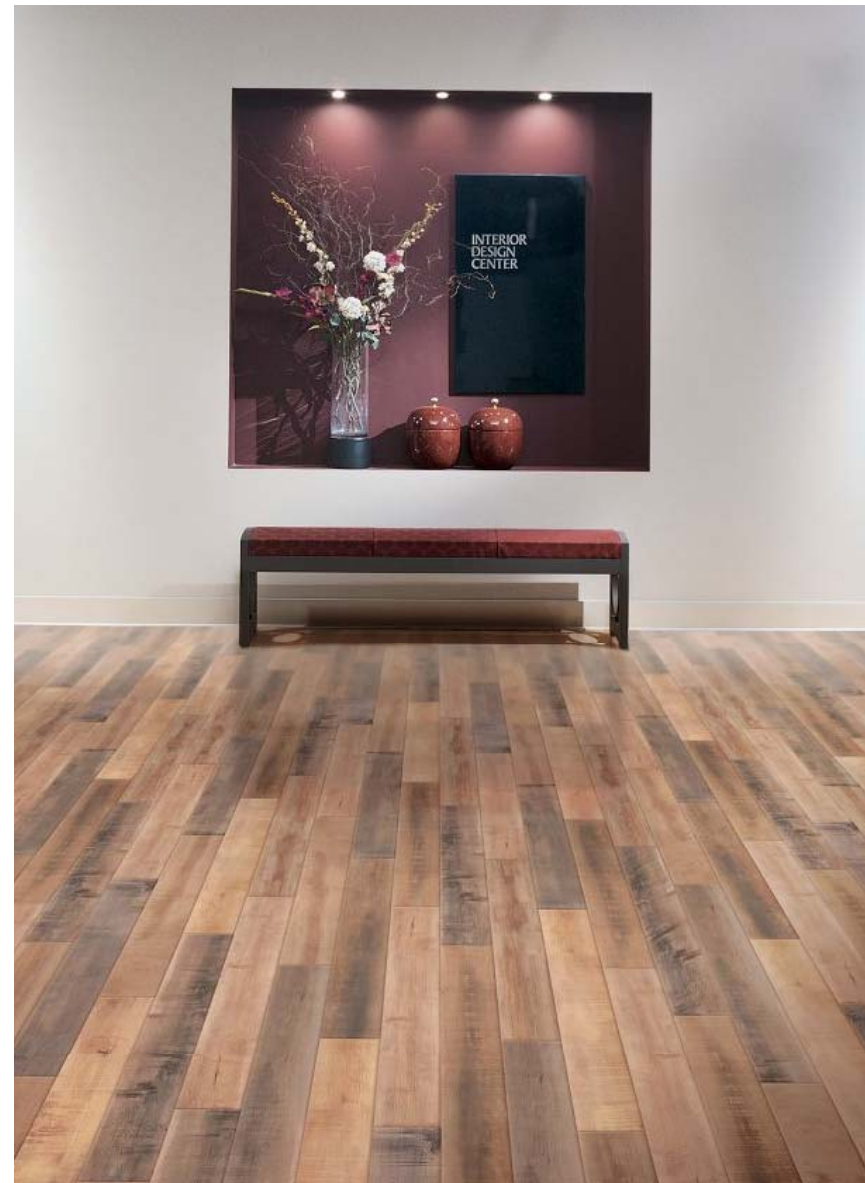
ABP Segment	▶ Sales ⁽¹⁾ \$1,300-\$1,350 million; EBITDA \$335-\$360 million
AFP Segment	▶ Sales ⁽¹⁾ \$1,225-\$1,275 million; EBITDA \$80-\$100 million
Corporate Segment	▶ EBITDA (\$65) – (\$70)
Cash Taxes/ETR*	▶ \$35 - \$45 million; Adjusted long-term ETR of ~39% ⁽²⁾
Capital Spending	▶ \$125 - \$150 million
Exclusions from EBITDA	▶ Non-cash: \$25 million US pension expense Cash: \$20 - \$40 million transaction costs

(1) Net sales include foreign exchange impact

(2) As reported ETR of 56% for 2015

* Changed from February Outlook

Appendix



Consolidated Results



First Quarter								
	2015 Reported	Comparability ⁽¹⁾ Adjustments	FX ⁽²⁾ Adj	2015 Adjusted	2014 Reported	Comparability ⁽¹⁾ Adjustments	FX ⁽²⁾ Adj	2014 Adjusted
Net Sales	551	-	14	565	590	-	(6)	584
Operating Income	36	8	2	46	54	-	1	55
EPS	\$0.07	\$0.28	\$0.02	\$0.37	\$0.33	\$0.09	\$0.01	\$0.43

(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)



First Quarter						
	2015 Reported	Comparability ⁽¹⁾ Adjustments	2015 Adjusted	2014 Reported	Comparability ⁽¹⁾ Adjustments	2014 Adjusted
Building Products	60	-	60	58	1	59
Resilient Flooring	6	(1)	5	10	-	10
Wood Flooring	(1)	-	(1)	5	-	5
Unallocated Corporate (Expense) Income	(29)	11	(18)	(19)	-	(19)

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

Cash Flow



(\$ millions)	First Quarter	
	2015	2014
Net cash (used for) operations	(\$34)	(\$33)
Net cash (used for) investing	(8)	(22)
Add back (subtract) adjustments to reconcile to free cash flow		
Other	-	(1)
Free Cash Flow	(\$42)	(\$56)

Cash flow includes cash flows attributable to the European flooring business