



Earnings Call Presentation

1st Quarter 2012

April 30, 2012





Safe Harbor Statement

Our disclosures in this presentation, including without limitation, those relating to future financial results guidance, 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," and other words or phrases of similar meaning in connection with any discussion of future operating or financial performance. 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. 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 of our website at www.armstrong.com.

The guidance in this presentation is only effective as of the date given, April 30, 2012, 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 the current year is used for all currency translations in the current year and prior years.
- We remove the impact of discrete expenses and income. Examples include plant closures, restructuring actions, and other large unusual items.
- Taxes for normalized Net Income and EPS are calculated using a constant 40% for 2012 and 42% for 2011, which are based on the 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 2012

	2012	2011	Variance
Net Sales ⁽¹⁾	\$663	\$677	(2.0)%
Operating Income ⁽²⁾	57	66	(13.9)%
% of Sales	8.6%	9.8%	(120) bps
EBITDA	82	93	(11.3)%
% of Sales	12.4%	13.7%	(130) bps
Earnings Per Share ⁽³⁾	\$0.47	\$0.51	(7.4)%
Free Cash Flow	(50)	(44)	(13.6)%
Net Debt	409 ⁽⁴⁾	604	(195)

(1) As reported Net Sales: \$668 million in 2012 and \$685 million in 2011

(2) As reported Operating Income : \$42 million in 2012 and \$52 million in 2011

(3) As reported EPS: \$0.31 in 2012 and \$0.23 in 2011

(4) Excludes special dividend of \$8.55 per share (~ \$500M) paid April 10, 2012

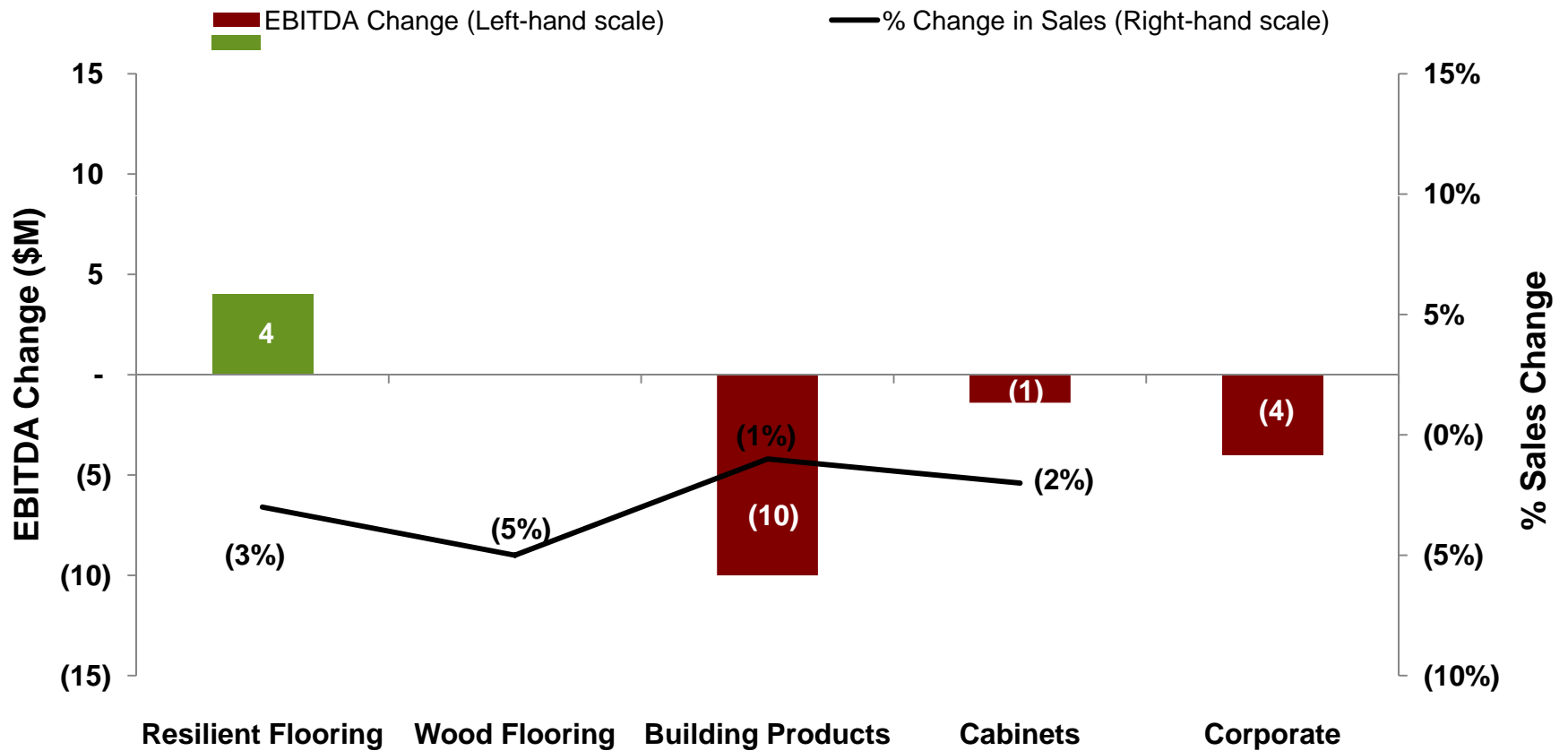


First Quarter 2012 vs. PY– Adjusted EBITDA to Reported Net Income

	2012	2011	V
EBITDA– Adjusted	\$82	\$93	(\$11)
Depreciation and Amortization	(25)	(27)	2
Operating Income – Adjusted	\$57	\$66	(\$9)
Foreign Exchange Movements	1	1	-
Cost Reduction Initiatives	(2)	(5)	3
Accelerated Depreciation (not included above)	(9)	(5)	(4)
Restructuring	-	(5)	5
Impairments	(5)	-	(5)
Operating Income – As Reported	\$42	\$52	(\$10)
Interest (Expense)	(11)	(14)	3
EBT	\$31	\$38	(\$7)
Tax (Expense)	(13)	(24)	11
Net Income	\$18	\$14	\$4

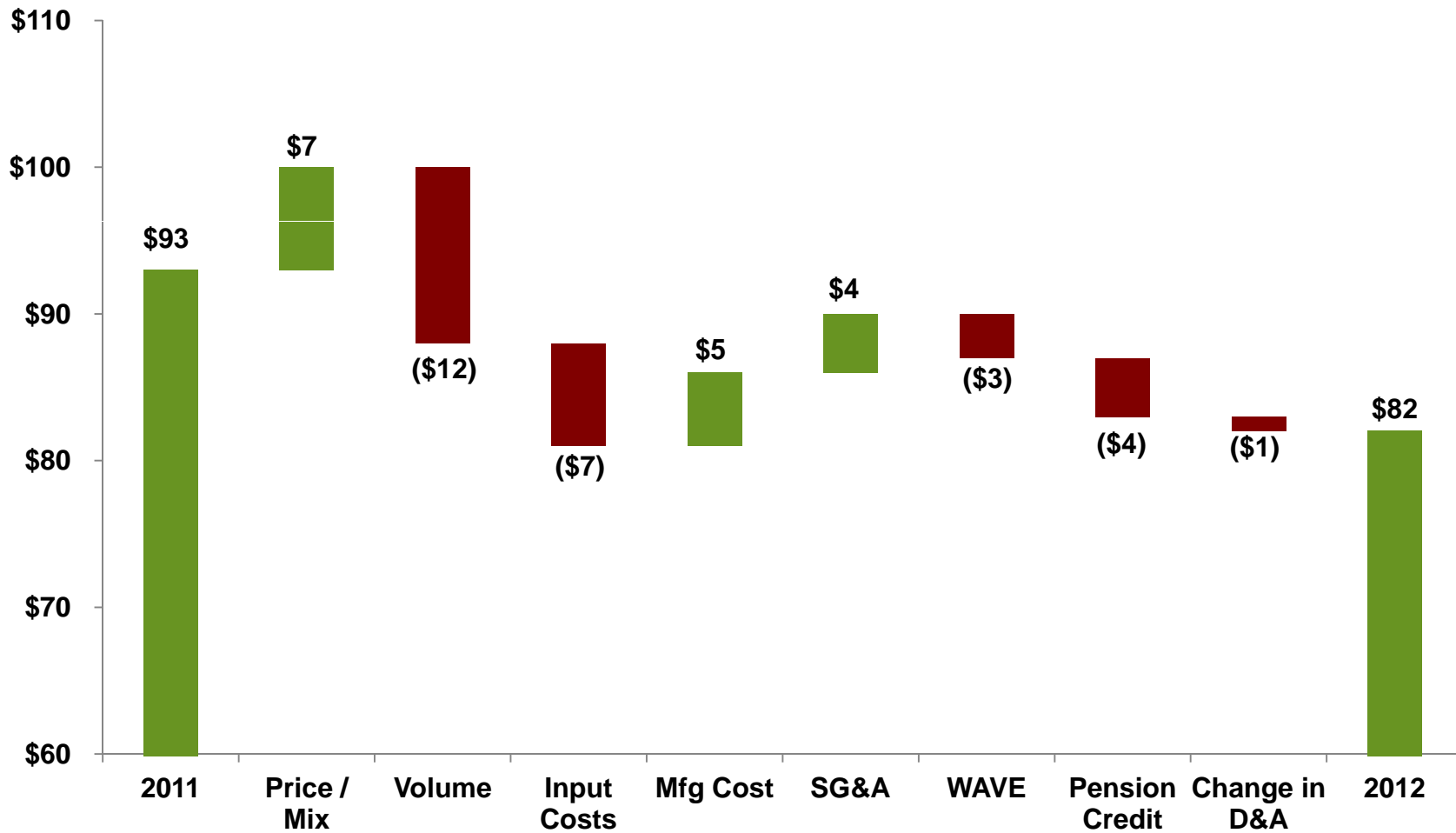


First Quarter Sales and EBITDA by Segment – 2012 vs. PY



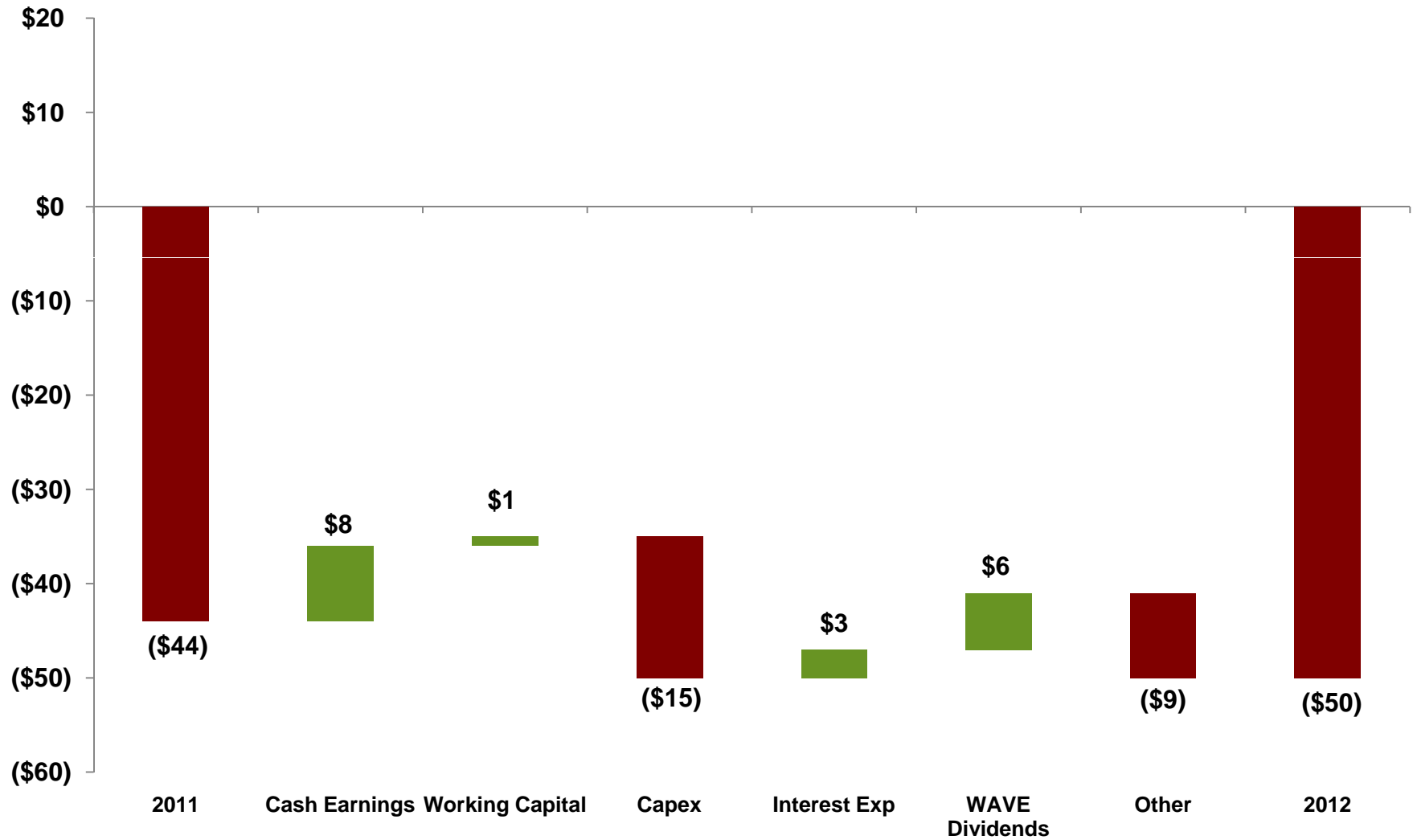


EBITDA Bridge – First Quarter 2012 vs. Prior Year





Free Cash Flow – First Quarter 2012 vs. Prior Year





Key Metrics – Guidance 2012

	2012 Estimate Range		2011	Variance	
Net Sales⁽¹⁾	2,900	to 3,000	2,819	3%	to 6%
Operating Income⁽²⁾	310	to 350	272	14%	to 29%
EBITDA	420	to 460	377	11%	to 22%
Earnings Per Share⁽³⁾	\$2.65	to \$3.05	\$2.23	19%	to 37%
Free Cash Flow	50	to 100	170	(71)%	to (41)%

(1) Sales figures include foreign exchange impact

(2) As reported Operating Income: \$270 - \$310 million in 2012 and \$239 million 2011

(3) As reported earnings per share: \$2.35- \$2.75 in 2012 and \$1.90 in 2011



2012 Financial Outlook

Raw Material & Energy Inflation

▶ \$25 - \$35 million increase

Manufacturing Productivity

▶ Adjusted Gross Margin +100 to +150 bps vs. 2011

U.S. Pension Credit*

▶ \$12 million; 60% manufacturing, 40% SG&A

Earnings from WAVE

▶ \$0 - \$5 million vs. 2011

Cash Taxes/ETR

▶ \$10 - \$20 million. Adjusted ETR of ~40%

Q2

▶ Sales \$740 – \$780 million EBITDA \$105 – \$125 million

Capital Spending

▶ \$240 - \$270 million

Exclusions from EBITDA*

▶ \$10 - \$15 million associated with already announced actions

* Changed from February Outlook



Appendix





Adjusted Operating Income to Free Cash Flow

	2012 Estimate Range		
Adjusted Operating Income	310	to	350
D&A		110	
Adjusted EBITDA	420	to	460
Changes in Working Capital	(20)	to	-
Capex	(240)	to	(270)
Pension Credit		(12)	
Interest Expense	(50)	to	(55)
Cash Taxes	(10)	to	(20)
Other, including cash payments for restructuring and one-time items		(20)	
Free Cash Flow	50	to	100



Consolidated Results

First Quarter

	2012 Reported	Comparability ⁽¹⁾ Adjustments	FX ⁽²⁾ Adj	2012 Adjusted	2011 Reported	Comparability ⁽¹⁾ Adjustments	FX ⁽²⁾ Adj	2011 Adjusted
Net Sales	668	-	(5)	663	685	-	(8)	677
Operating Income	42	16	(1)	57	52	15	(1)	66
EPS	\$0.31	\$0.17	(\$0.01)	\$0.47	\$0.23	\$0.29	(\$0.01)	\$0.51

(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						
	2012 Reported	Comparability ⁽¹⁾ Adjustments	2012 Adjusted	2011 Reported	Comparability ⁽¹⁾ Adjustments	2011 Adjusted
Building Products	43	15	58	62	6	68
Resilient Flooring	11	1	12	(1)	8	7
Wood Flooring	2	-	2	3	-	3
Cabinets	(1)	-	(1)	(1)	-	(1)
Unallocated Corporate (Expense) Income	(13)	(1)	(14)	(11)	-	(11)

(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	
	2012	2011
Net cash from operations	(\$33)	(\$36)
Net cash (used for) investing	(16)	(8)
Add back (subtract) adjustments to reconcile to free cash flow		
Restricted cash	(1)	-
Free Cash Flow	(\$50)	(\$44)