



Earnings Call Presentation

4th Quarter 2013

February 24, 2014





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," "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. 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, February 24, 2014, 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 2013 is used for all currency translations in 2013 and prior years. Guidance is presented using the 2014 budgeted exchange rate for the year.
- 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 39% for 2013 results and 2014 guidance and 40% for 2012, which are based on the expected full year historical tax rate.
- In the fourth quarter of 2012, we completed the sale of Cabinets business. The financial results of the Cabinets business, which were previously shown as a separate reporting segment, have been reclassified and presented as discontinued operations. The financial results included within this presentation, including historical results, are presented on a continuing operations basis unless specifically noted otherwise.

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 – Fourth Quarter 2013

	2013	2012	Variance
Net Sales ⁽¹⁾	\$661	\$612	8.1%
Operating Income ⁽²⁾	41	47	(12.9)%
% of Sales	6.2%	7.7%	(150 bps)
EBITDA	71	73	(3.3)%
% of Sales	10.7%	12.0%	(130 bps)
Earnings Per Share ⁽³⁾	\$0.32	\$0.34	(8.2)%
Free Cash Flow ⁽⁴⁾	(7)	24	(130.7)%
Net Debt	931	735	197
ROIC ⁽⁵⁾	8.2%	9.5%	(130 bps)

(1) As reported Net Sales: \$661 million in 2013 and \$613 million in 2012

(2) As reported Operating Income: \$30 million in 2013 and \$42 million in 2012

(3) As reported EPS: \$0.20 in 2013 and \$0.15 in 2012

(4) Cash flow information includes cash flows attributable to Cabinets

(5) Unadjusted

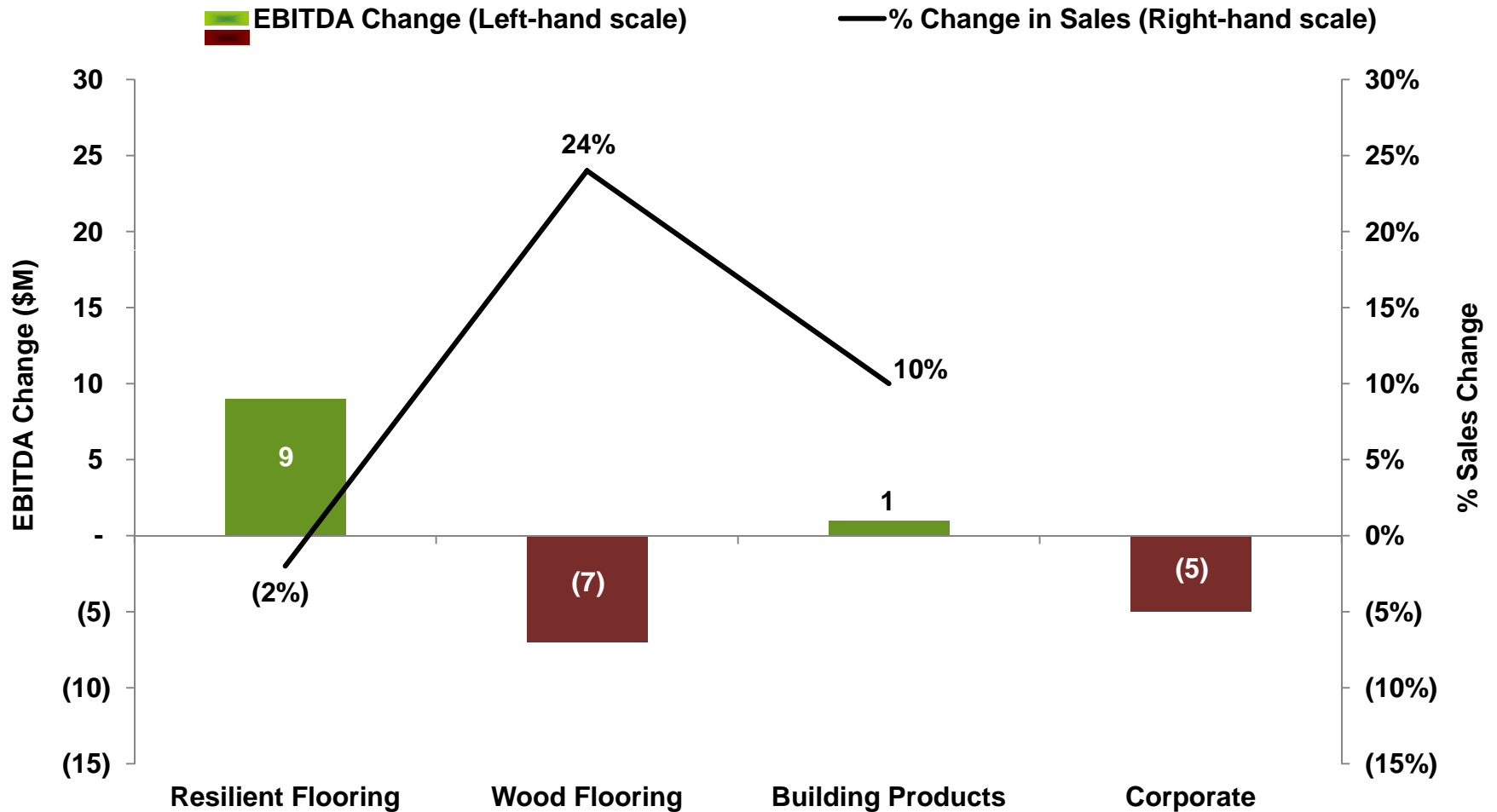


Fourth Quarter 2013 vs. PY– Adjusted EBITDA to Reported Net Income

	2013	2012	V
EBITDA– Adjusted	\$71	\$73	(\$2)
Depreciation and Amortization	(30)	(26)	(4)
Operating Income – Adjusted	\$41	\$47	(\$6)
Foreign Exchange Movements	(2)	-	(2)
Impairment	-	(1)	1
Cost Reduction Initiatives	(9)	(4)	(5)
Operating Income – As Reported	\$30	\$42	(\$12)
Interest (Expense)	(12)	(12)	-
EBT	\$18	\$30	(\$12)
Tax (Expense)	(7)	(21)	14
Net Income	\$11	\$9	\$2

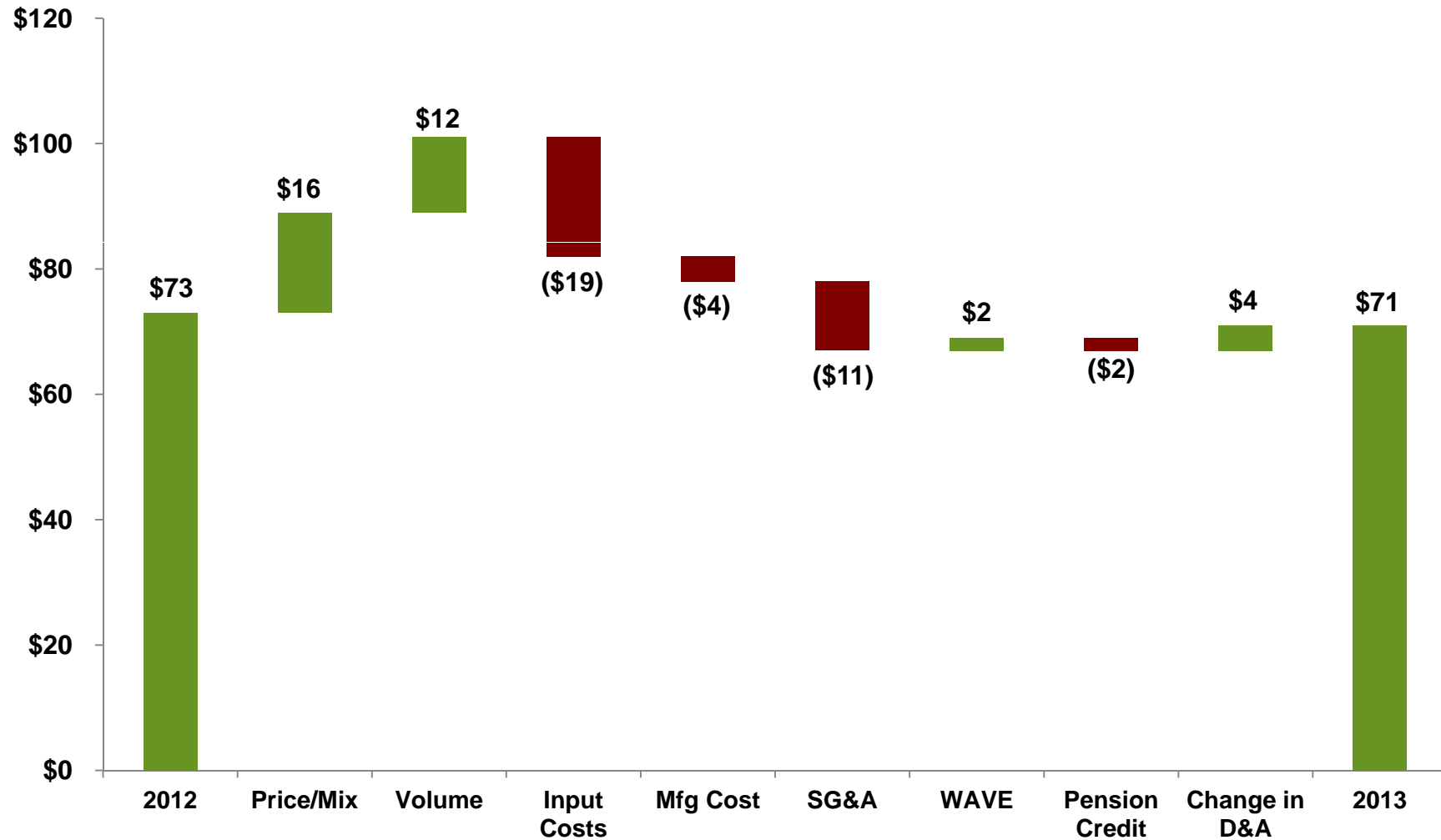


Fourth Quarter Sales and EBITDA by Segment – 2013 vs. PY



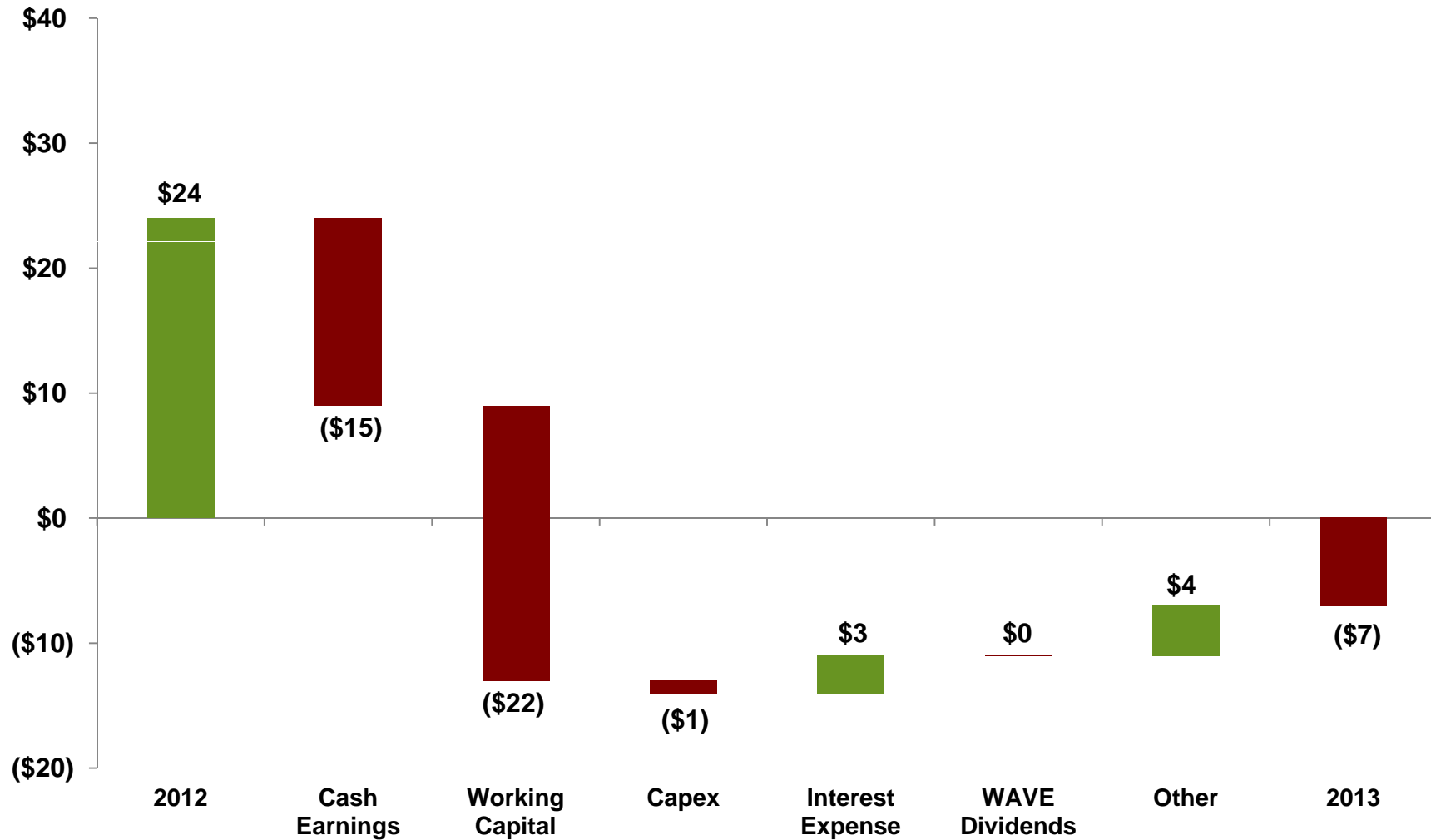


EBITDA Bridge – Fourth Quarter 2013 vs. Prior Year





Free Cash Flow – Fourth Quarter 2013 vs. Prior Year





Key Metrics – Full Year 2013

	2013 Actual	2012 Actual	Variance
Net Sales ⁽¹⁾	\$2,724	\$2,623	3.9%
Operating Income ⁽²⁾	262	302	(13.3)%
% of Sales	9.6%	11.5%	(190 bps)
EBITDA	371	402	(7.7)%
% of Sales	13.6%	15.3%	(170 bps)
Earnings Per Share ⁽³⁾	\$2.04	\$2.53	(19.5)%
Free Cash Flow ⁽⁴⁾	68	88	(22.5)%
Net Debt	931	735	197
ROIC ⁽⁵⁾	8.2%	9.5%	(130 bps)

(1) As reported Net Sales: \$2,720 million in 2013 and \$2,619 million in 2012.

(2) As reported Operating Income: \$239 million in 2013 and \$271 million in 2012

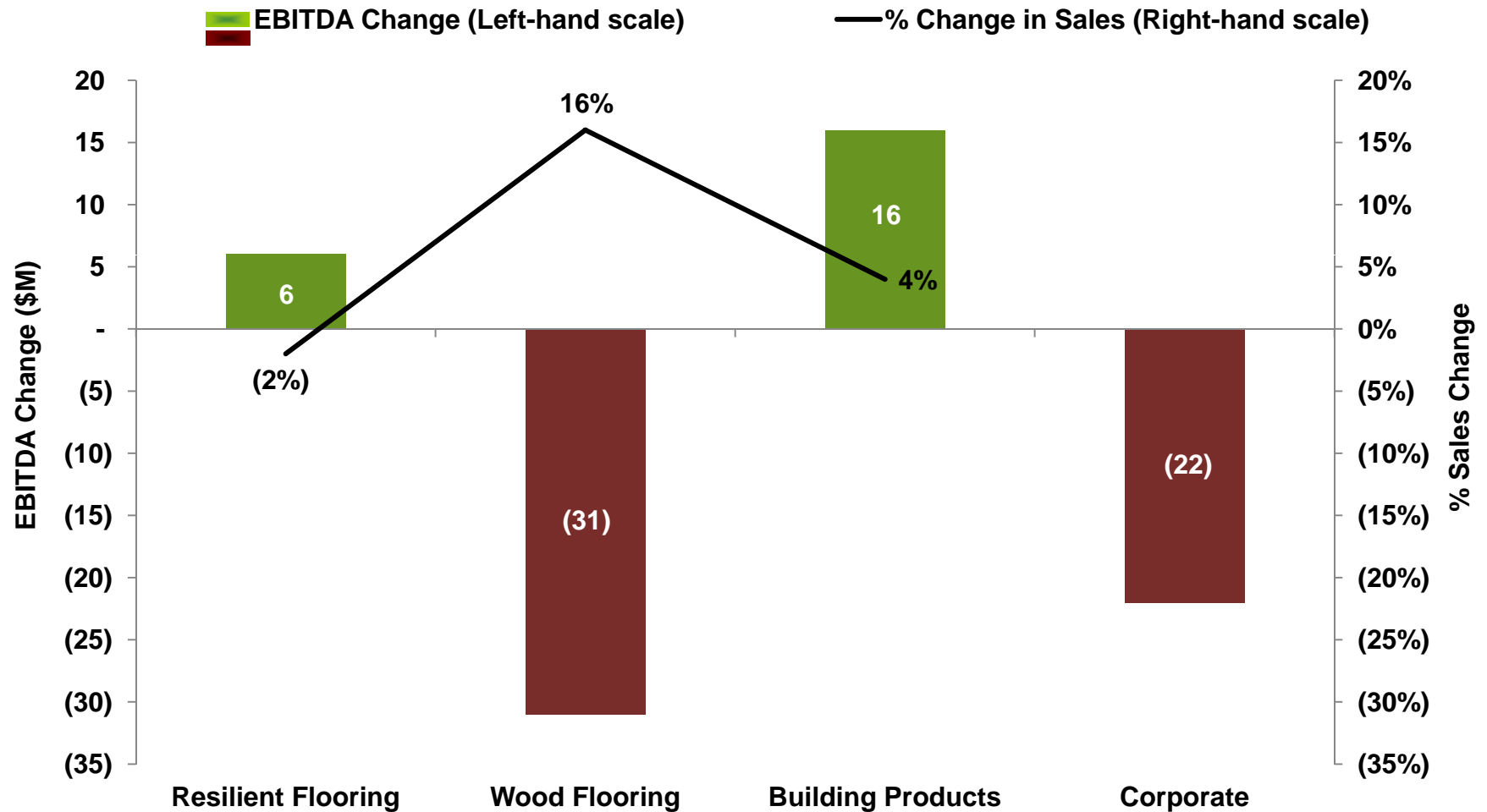
(3) As reported EPS: \$1.71 in 2013 and \$2.41 in 2012.

(4) Cash flow information includes cash flows attributable to Cabinets

(5) Unadjusted

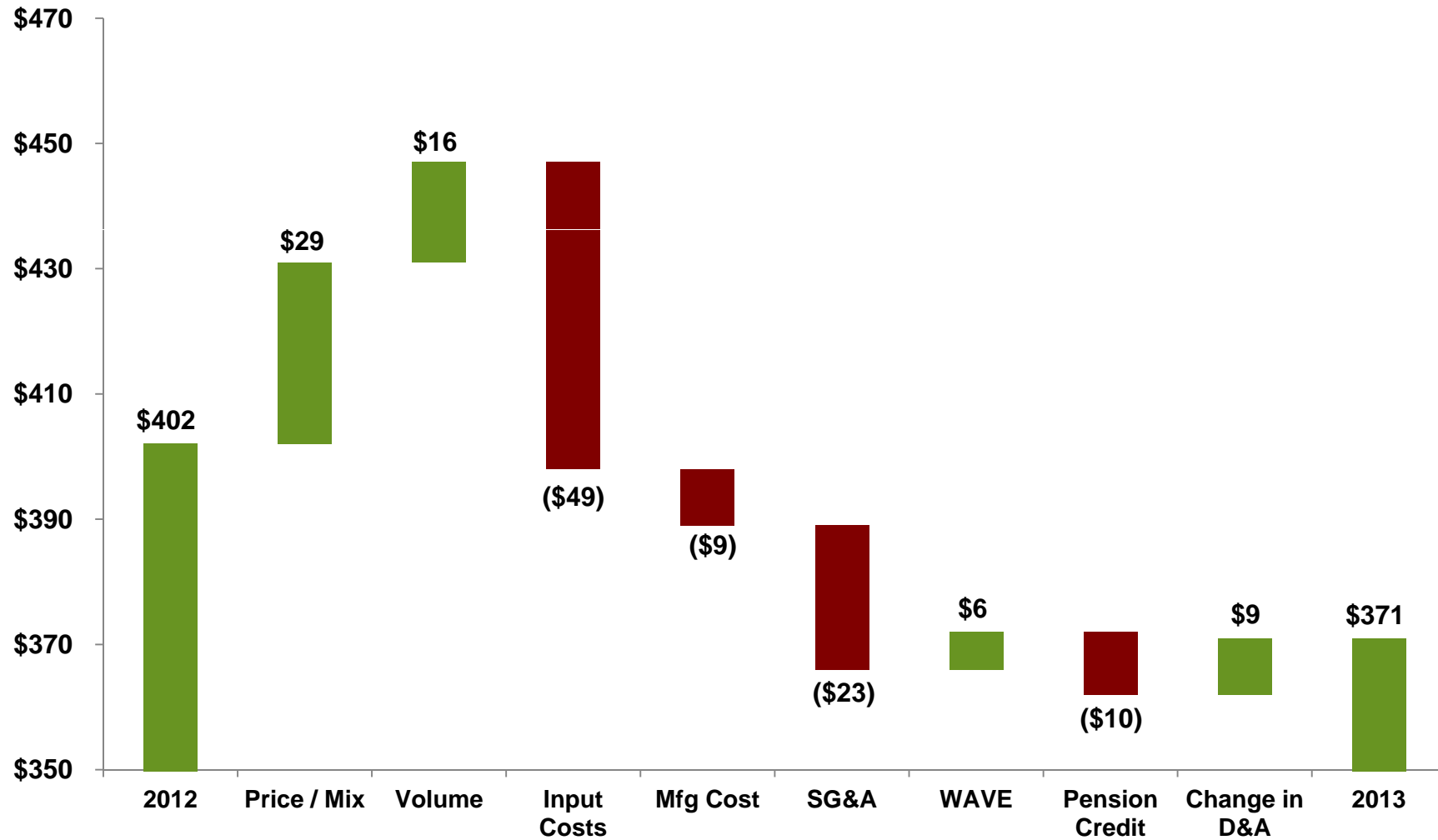


Full Year Sales and EBITDA by Segment – 2013 vs. 2012



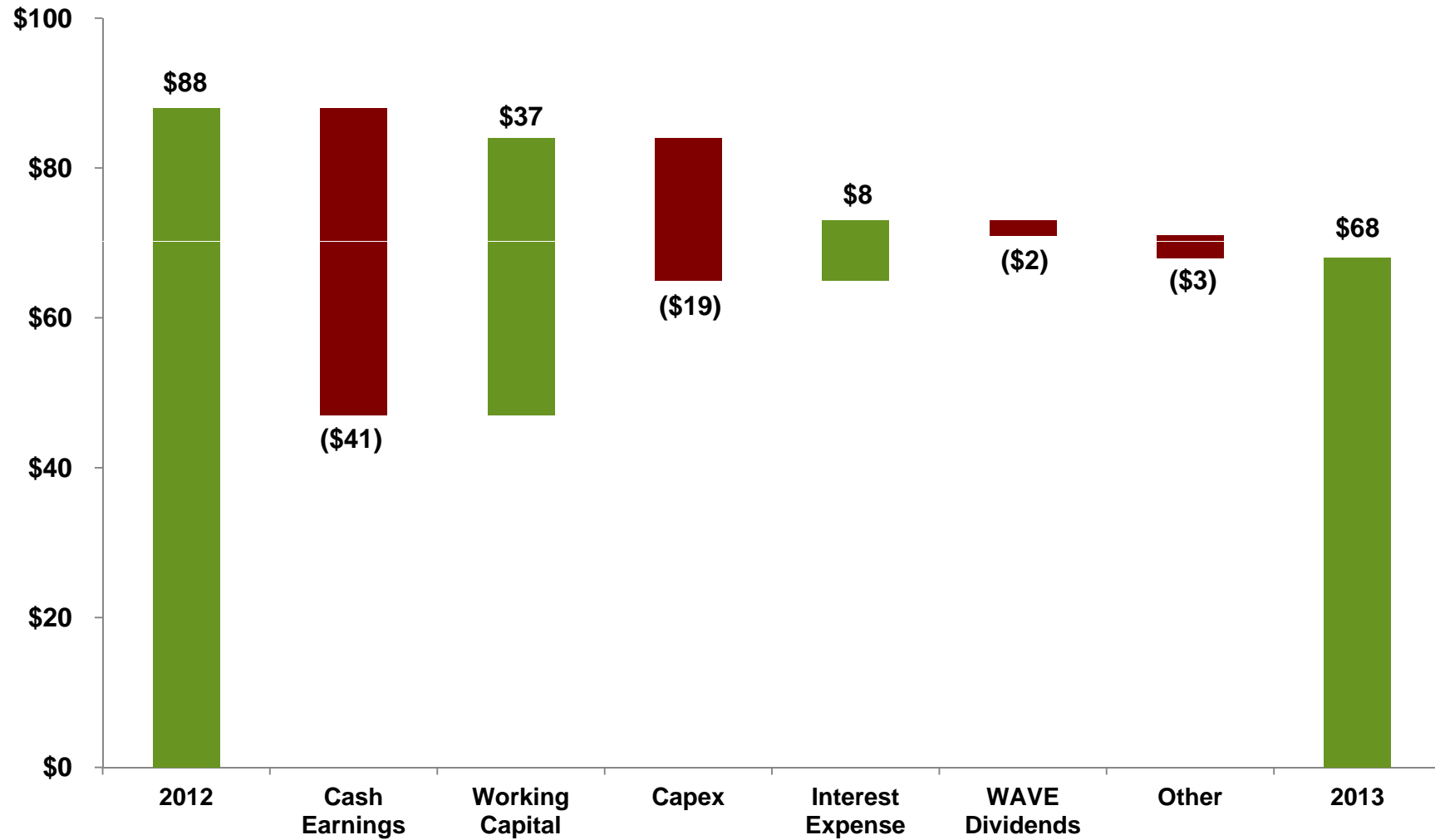


EBITDA Bridge – Full Year 2013 vs. Prior Year





Free Cash Flow – Full Year 2013 vs. Prior Year





Key Metrics – Guidance 2014

	2014 Estimate Range ⁽¹⁾		2013 ⁽²⁾	Variance		
Net Sales⁽³⁾	2,800	to 2,900	2,720	3%	to	7%
Operating Income⁽⁴⁾	275	to 300	262	5%	to	15%
EBITDA	400	to 430	371	8%	to	16%
Earnings Per Share⁽⁵⁾	\$2.55	to \$2.80	\$2.04	25%	to	37%
Free Cash Flow	60	to 100	68	(12)%	to	47%

(1) Guidance is presented using 2014 budgeted foreign exchange rates

(2) 2013 results are presented using 2013 budgeted foreign exchange rates

(3) 2014 and 2013 net sales include the impact of foreign exchange

(4) As reported Operating Income: \$275 - \$300 million in 2014 and \$239 million 2013

(5) As reported earnings per share: \$2.35 - \$2.60 in 2014 and \$1.71 in 2013



2014 Financial Outlook

Raw Material & Energy Inflation	▶ \$20 - \$30 million vs. 2013
Manufacturing Productivity	▶ Adjusted Gross Margin 100 to 150 bps vs. 2013
SG&A	▶ 16.3% to 16.8% of sales
Earnings from WAVE	▶ \$0 - \$5 million vs. 2013
Cash Taxes/ETR	▶ \$30 - \$40 million; Adjusted long-term ETR of ~39% ⁽²⁾
Q1	▶ Sales ⁽¹⁾ \$625– \$665 million; EBITDA \$75 – \$90 million
Capital Spending	▶ \$180 - \$200 million
Exclusions from EBITDA	▶ < \$5 million

(1) Net sales include foreign exchange impact

(2) As reported ETR of 44% for 2014



Appendix





Divested Businesses

- Cabinets
 - Announced sale in Q3 2012 and finalized sale in Q4 2012
 - Treated as discontinued operation starting with Q3 2012
- Patriot
 - Completed sale in Q3 2012
 - Results included in the Wood Flooring segment

Patriot impact on Y-o-Y Comparisons	Q3 2012	Q4 2012	2012	1H 2013	Q3 2013	2013
Net Sales	\$3-\$4M	\$7 - \$8M	\$10 - \$12M	\$18 - \$20M	\$6 -\$7M	\$24-\$27M
EBITDA	-- Minimal --					



Full Year 2013 vs. PY - Adjusted EBITDA to Reported Net Income

	2013	2012	V
EBITDA– Adjusted	\$371	\$402	(\$31)
Depreciation and Amortization	(109)	(100)	(9)
Operating Income – Adjusted	\$262	\$302	(\$40)
Foreign Exchange Movements	(5)	-	(5)
Cost Reduction Initiatives	(18)	(13)	(5)
Accelerated Depreciation and Impairments (not included above)	-	(12)	12
Impairment	-	(6)	6
Operating Income – As Reported	\$239	\$271	(\$32)
Interest (Expense) Income	(67)	(51)	(16)
EBT	\$172	\$220	(\$48)
Tax (Expense) Benefit	(71)	(76)	5
Net Income	\$101	\$144	(\$43)



Adjusted Operating Income to Free Cash Flow

	2014 Estimate Range		
Adjusted Operating Income	275	to	300
D&A	125	to	130
Adjusted EBITDA	400	to	430
Changes in Working Capital	(50)	to	(60)
Capex	(180)	to	(200)
Interest Expense	(45)	to	(50)
Cash Taxes	(30)	to	(40)
Other, including cash payments for restructuring and one-time items		(5)	
Free Cash Flow	60	to	100



Consolidated Results

Fourth Quarter

	2013 Reported	Comparability ⁽¹⁾ Adjustments	FX ⁽²⁾ Adj	2013 Adjusted	2012 Reported	Comparability ⁽¹⁾ Adjustments	FX ⁽²⁾ Adj	2012 Adjusted
Net Sales	661	-	-	661	613	-	(1)	612
Operating Income	30	9	2	41	42	4	1	47
EPS	\$0.20	\$0.10	\$0.02	\$0.32	\$0.15	\$0.18	\$0.01	\$0.34

Full Year

	2013 Reported	Comparability ⁽¹⁾ Adjustments	FX ⁽²⁾ Adj	2013 Adjusted	2012 Reported	Comparability ⁽¹⁾ Adjustments	FX ⁽²⁾ Adj	2012 Adjusted
Net Sales	2,720	-	4	2,724	2,619	-	4	2,623
Operating Income	239	18	5	262	271	31	-	302
EPS	\$1.71	\$0.28	\$0.05	\$2.04	\$2.41	\$0.12	\$-	\$2.53

(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)

Fourth Quarter						
	2013 Reported	Comparability ⁽¹⁾ Adjustments	2013 Adjusted	2012 Reported	Comparability ⁽¹⁾ Adjustments	2012 Adjusted
Building Products	52	2	54	52	2	54
Resilient Flooring	(2)	9	7	(1)	-	(1)
Wood Flooring	-	-	-	8	1	9
Unallocated Corporate (Expense) Income	(20)	-	(20)	(17)	2	(15)

Full Year						
	2013 Reported	Comparability ⁽¹⁾ Adjustments	2013 Adjusted	2012 Reported	Comparability ⁽¹⁾ Adjustments	2012 Adjusted
Building Products	263	3	266	230	25	255
Resilient Flooring	44	18	62	57	2	59
Wood Flooring	6	-	6	37	2	39
Unallocated Corporate (Expense) Income	(74)	2	(72)	(53)	2	(51)

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



Cash Flow

(\$ millions)	Fourth Quarter		Full Year	
	2013	2012	2013	2012
Net cash from operations	\$52	\$79	\$214	\$220
Net cash (used for) investing	(59)	(30)	(146)	(92)
Add back (subtract) adjustments to reconcile to free cash flow				
Restricted cash	-	-	-	(1)
Divestiture	-	(25)	-	(39)
Free Cash Flow	(\$7)	\$24	\$68	\$88

Cash flow information includes cash flows attributable to Cabinets