



Earnings Call Presentation 2nd Quarter 2012 July 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. 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, July 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 – Second Quarter 2012

	2012	2011	Variance
Net Sales ⁽¹⁾	\$707	\$729	(3.0)%
Operating Income ⁽²⁾	85	82	3.1%
% of Sales	12.0%	11.3%	70 bps
EBITDA	110	108	1.3%
% of Sales	15.5%	14.9%	60 bps
Earnings Per Share ⁽³⁾	\$0.71	\$0.69	2.9%
Free Cash Flow	36	50	(28.0)%
Net Debt	878	542	337

(1) As reported Net Sales: \$710 million in 2012 and \$749 million in 2011

(2) As reported Operating Income : \$77 million in 2012 and \$73 million in 2011

(3) As reported EPS: \$0.70 in 2012 and \$0.64 in 2011

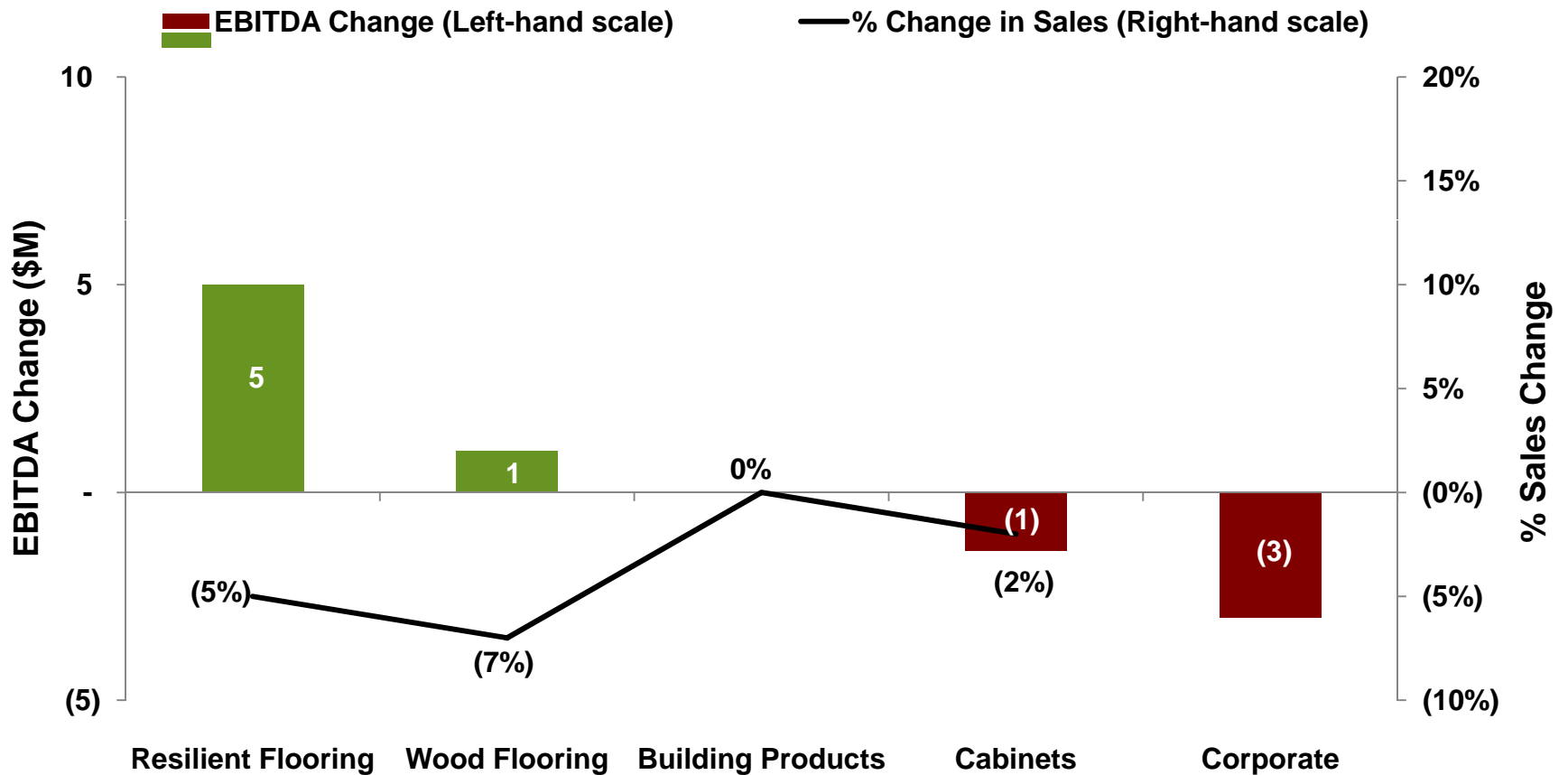


Second Quarter 2012 vs. PY– Adjusted EBITDA to Reported Net Income

	2012	2011	V
EBITDA– Adjusted	\$110	\$108	\$2
Depreciation and Amortization	(25)	(26)	1
Operating Income – Adjusted	\$85	\$82	\$3
Foreign Exchange Movements	-	1	(1)
Cost Reduction Initiatives	(7)	(4)	(3)
Accelerated Depreciation (not included above)	(1)	(4)	3
Restructuring	-	(2)	2
Operating Income – As Reported	\$77	\$73	\$4
Interest (Expense)	(14)	(12)	(2)
EBT	\$63	\$61	\$2
Tax (Expense)	(21)	(23)	2
Net Income	\$42	\$38	\$4

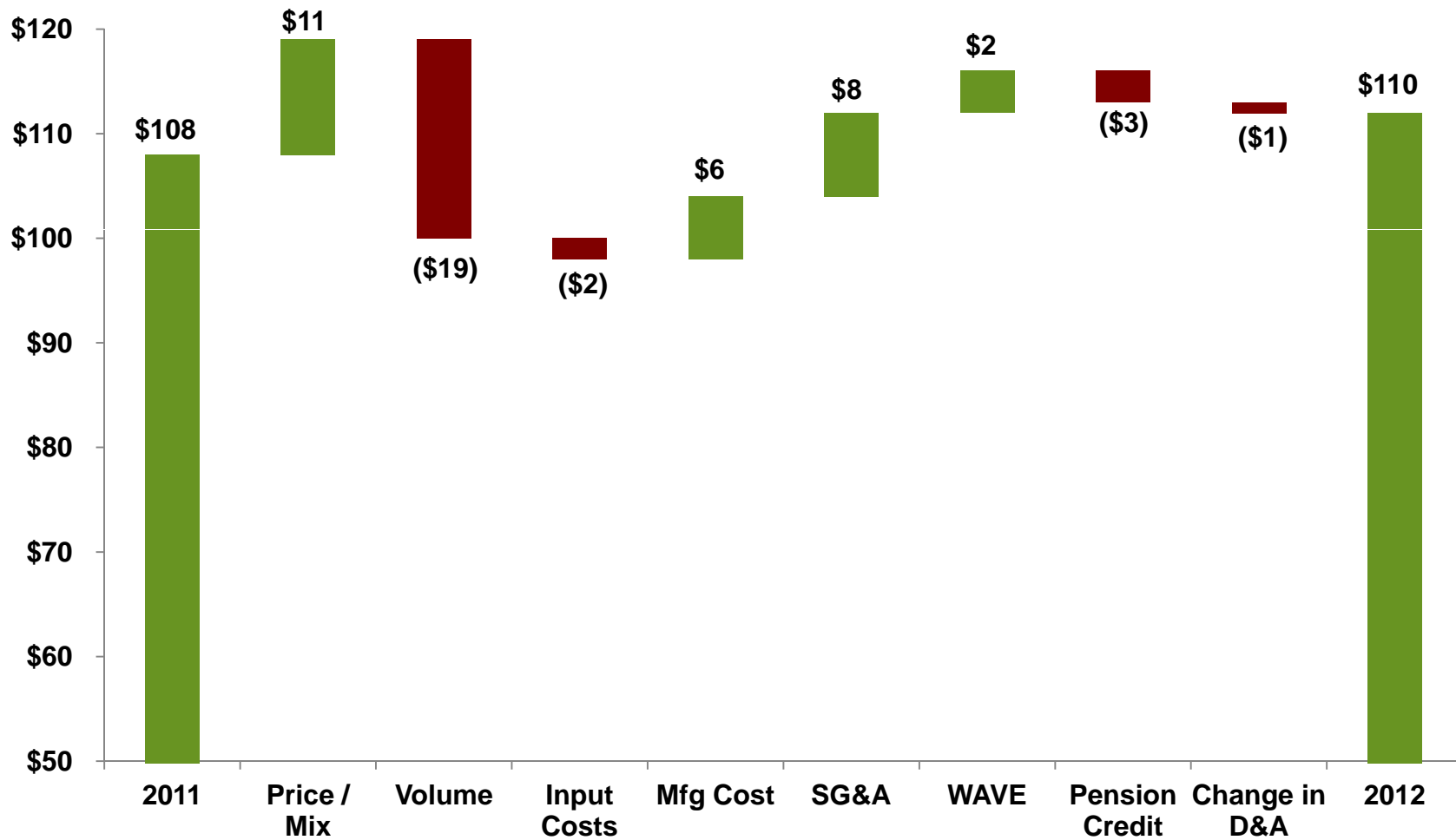


Second Quarter Sales and EBITDA by Segment – 2012 vs. PY



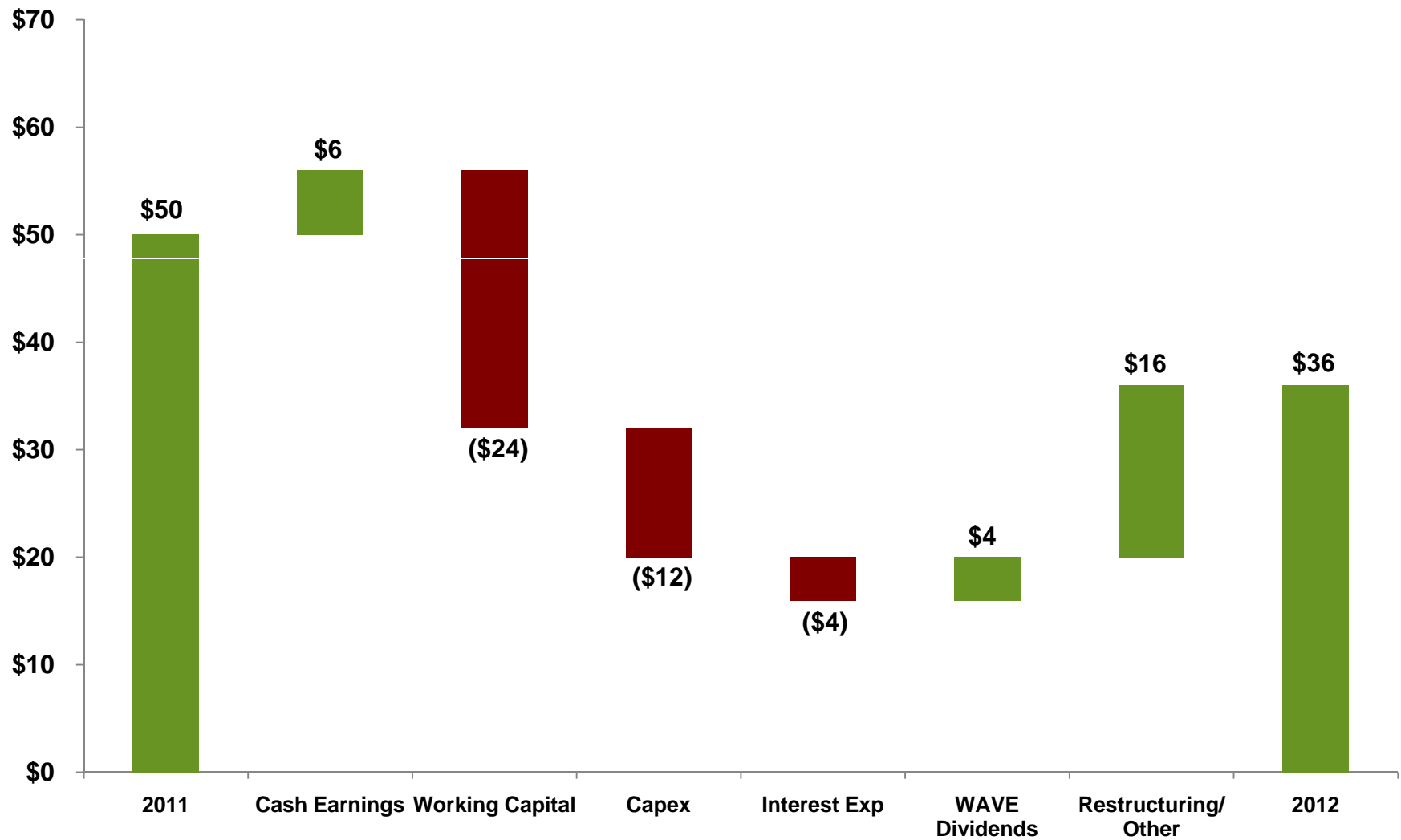


EBITDA Bridge – Second Quarter 2012 vs. Prior Year





Free Cash Flow – Second Quarter 2012 vs. Prior Year





Key Metrics – 1st Half of 2012

	2012 Actual	2011 Actual	Variance
Net Sales ⁽¹⁾	\$1,370	\$1,406	(2.5)%
Operating Income ⁽²⁾	142	148	(4.5)%
% of Sales	10.3%	10.5%	(20) bps
EBITDA	192	201	(4.5)%
% of Sales	14.0%	14.3%	(30) bps
Earnings Per Share ⁽³⁾	\$1.19	\$1.21	(1.7)%
Free Cash Flow	(14)	6	Unfavorable
Net (Cash) Debt	878	542	337

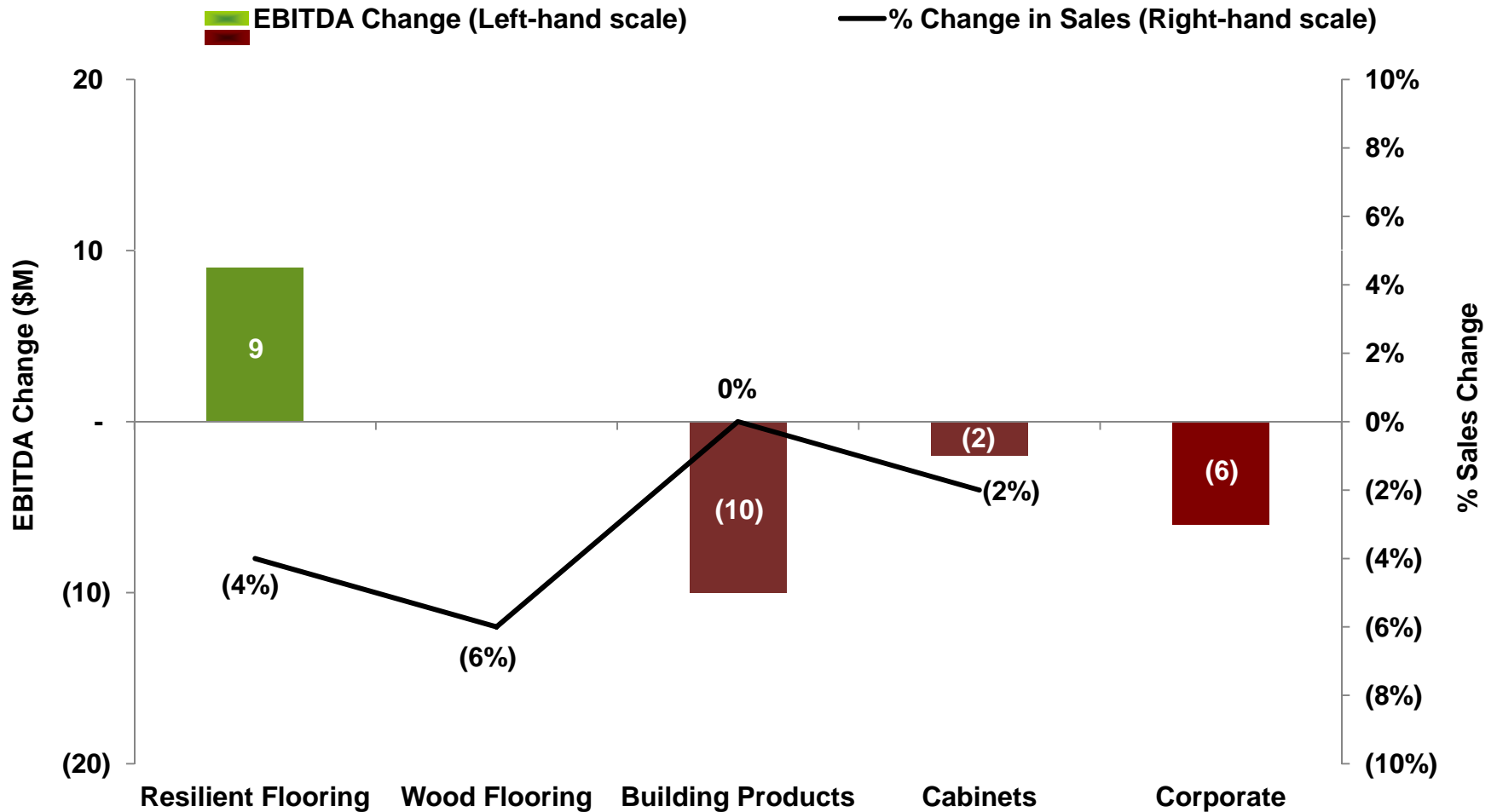
(1) As reported Net Sales: \$1,378 million in 2012 and \$1,434 million in 2011.

(2) As reported Operating Income: \$119 million in 2012 and \$125 million in 2011

(3) As reported EPS: \$1.01 in 2012 and \$ 0.87 in 2011.

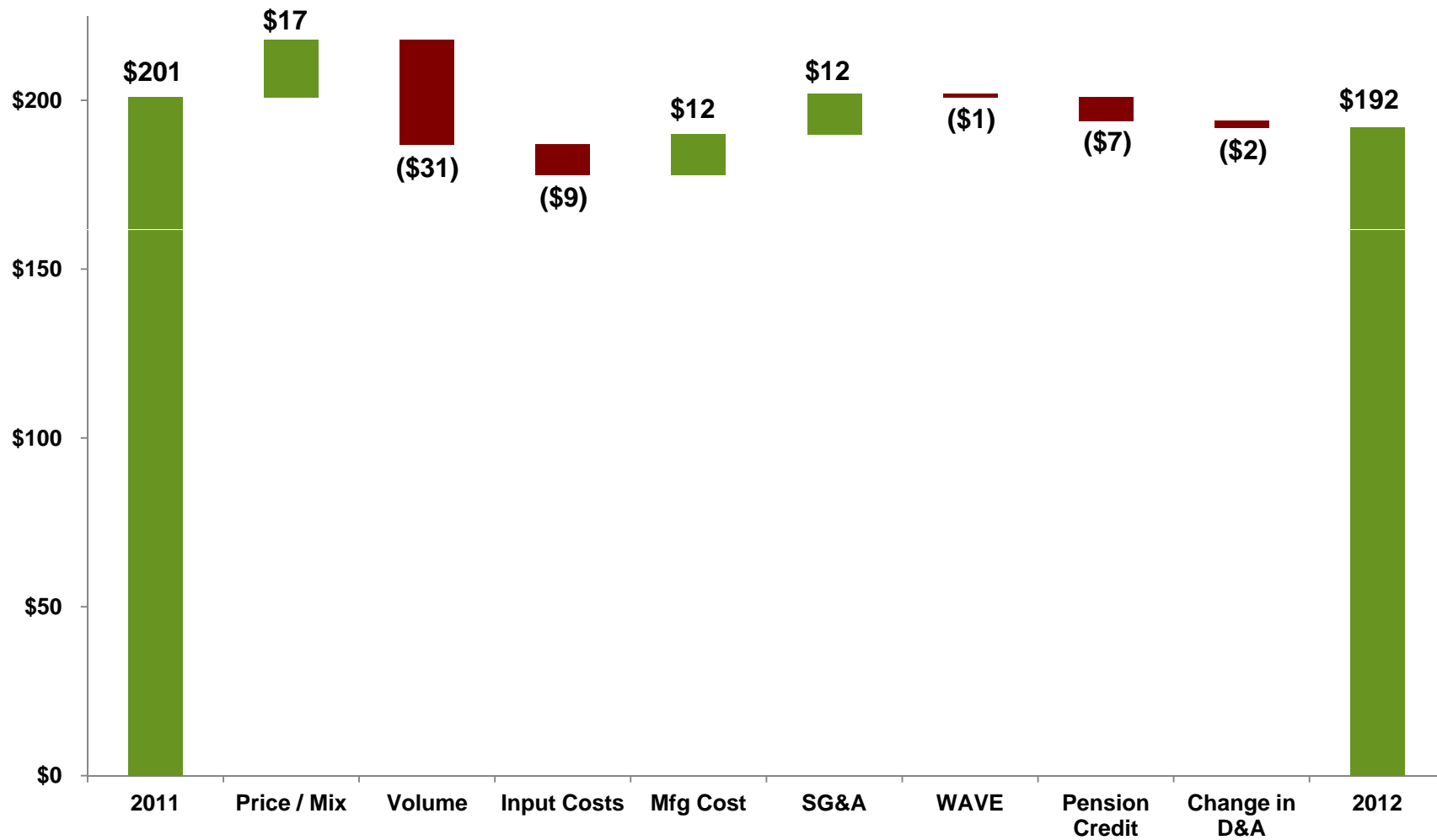


1H Sales and EBITDA by Segment – 2012 vs. 2011



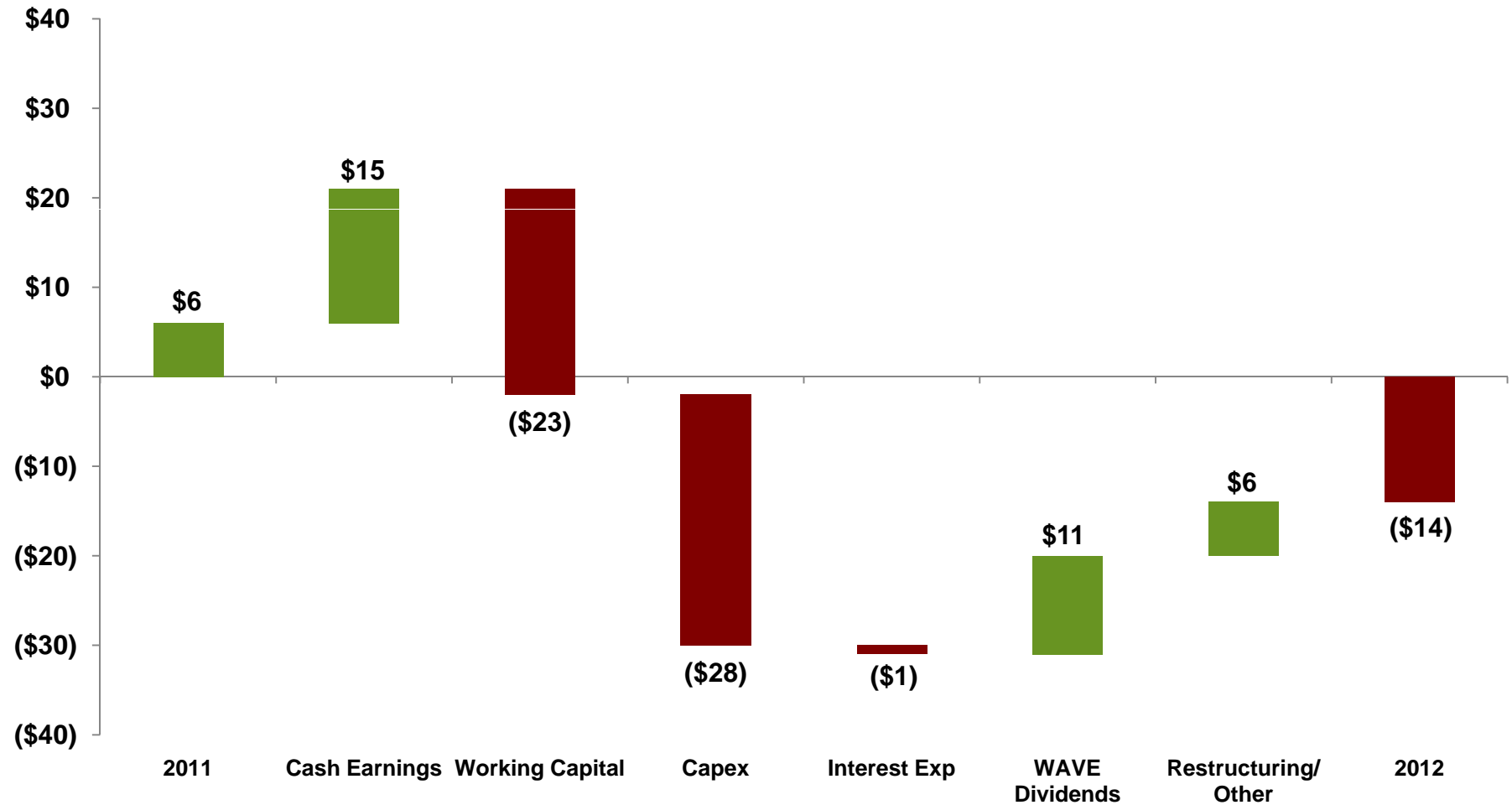


EBITDA Bridge – 1H 2012 vs. Prior Year





Free Cash Flow – 1H 2012 vs. Prior Year

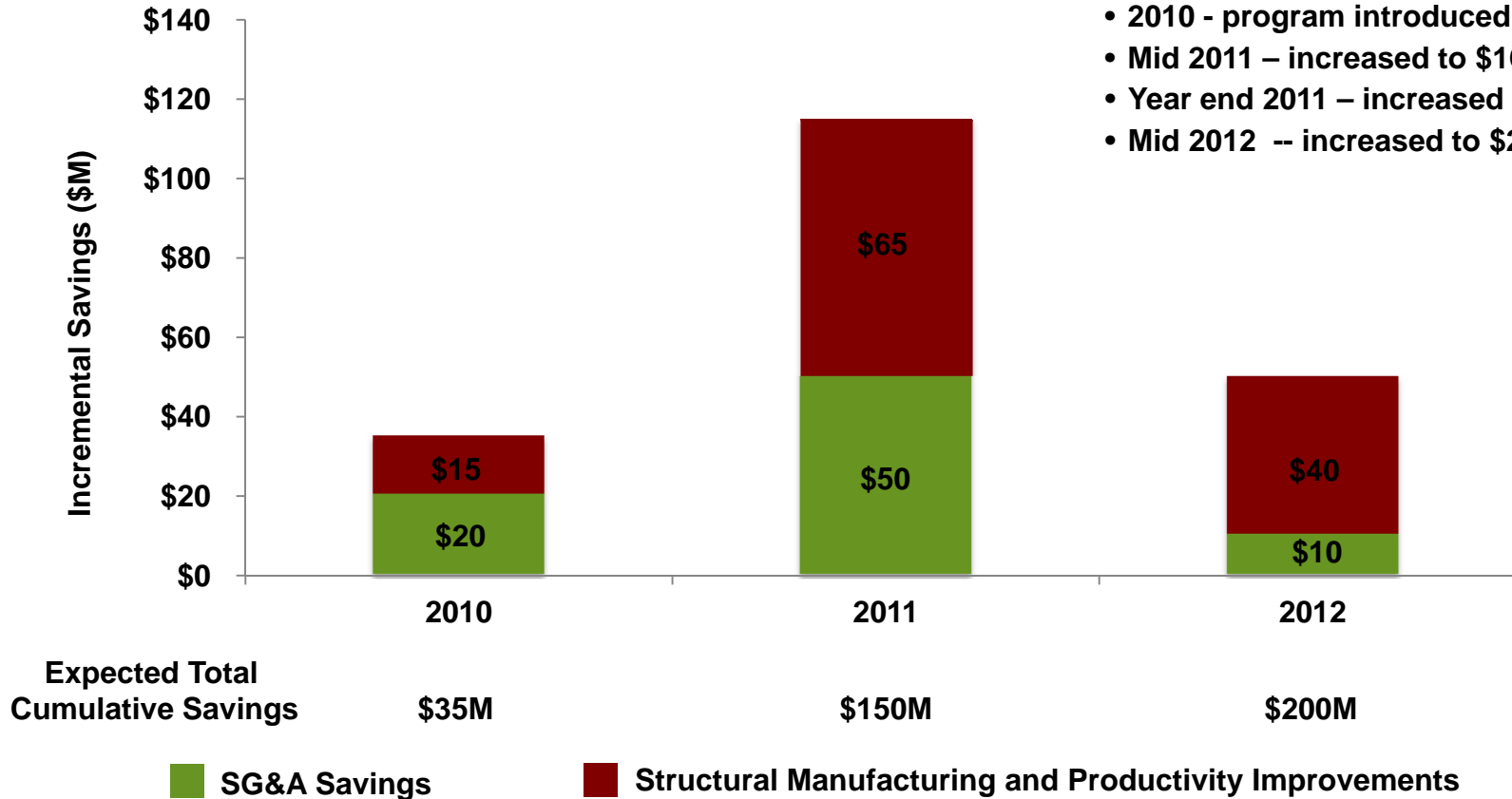




Cost Savings Program

Cost Out Program Evolution

- 2010 - program introduced with \$150M goal
- Mid 2011 – increased to \$165M
- Year end 2011 – increased to \$185M
- Mid 2012 -- increased to \$200M



Cumulative savings of \$200 million expected from manufacturing and SG&A.



Key Metrics – Guidance 2012

	2012 Estimate Range		2011	Variance		
Net Sales⁽¹⁾	2,750	to 2,850	2,819	(2)%	to	1%
Operating Income⁽²⁾	290	to 320	272	7%	to	18%
EBITDA	400	to 430	377	6%	to	14%
Earnings Per Share⁽³⁾	\$2.40	to \$2.70	\$2.23	8%	to	21%
Free Cash Flow	30	to 70	170	(82)%	to	(59)%

(1) 2012 sales estimate figures include foreign exchange impact, 2011 as reported sales were \$2,860 million

(2) As reported Operating Income: \$260- \$290 million in 2012 and \$239 million 2011

(3) As reported earnings per share: \$2.20- \$2.50 in 2012 and \$1.90 in 2011



2012 Financial Outlook

Raw Material & Energy Inflation *

▶ \$20 - \$30 million increase

Manufacturing Productivity*

▶ Adjusted Gross Margin +50 to +100 bps vs. 2011

U.S. Pension Credit

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

Earnings from WAVE *

▶ Flat vs. 2011

Cash Taxes/ETR

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

Q3

▶ Sales \$740 – \$780 million EBITDA \$120 – \$140 million

Capital Spending*

▶ \$225 - \$250 million

Exclusions from EBITDA*

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

* Changed from April Outlook



Appendix





1H 2012 - Adjusted EBITDA to Reported Net Income

	2012	2011	V
EBITDA– Adjusted	\$192	\$201	(\$9)
Depreciation and Amortization	(50)	(53)	3
Operating Income – Adjusted	\$142	\$148	(\$6)
Foreign Exchange Movements	1	2	(1)
Cost Reduction Initiatives	(9)	(9)	-
Accelerated Depreciation and Impairments (not included above)	(15)	(9)	(6)
Restructuring	-	(7)	7
Operating Income – As Reported	\$119	\$125	(\$6)
Interest (Expense) Income	(25)	(26)	1
EBT	\$94	\$99	(\$5)
Tax (Expense) Benefit	(34)	(48)	14
Net Income	\$60	\$51	\$9



Adjusted Operating Income to Free Cash Flow

	2012 Estimate Range		
Adjusted Operating Income	290	to	320
D&A		110	
Adjusted EBITDA	400	to	430
Changes in Working Capital	(15)	to	(30)
Capex	(225)	to	(250)
Pension Credit		(12)	
Interest Expense	(50)	to	(55)
Cash Taxes	(10)	to	(20)
Other, including cash payments for restructuring and one-time items		(25)	
Free Cash Flow	30	to	70



Consolidated Results

Second Quarter

	2012 Reported	Comparability ⁽¹⁾ Adjustments	FX ⁽²⁾ Adj	2012 Adjusted	2011 Reported	Comparability ⁽¹⁾ Adjustments	FX ⁽²⁾ Adj	2011 Adjusted
Net Sales	710	-	(3)	707	749	-	(20)	729
Operating Income	77	8	-	85	73	10	(1)	82
EPS	\$0.70	\$0.01	\$-	\$0.71	\$0.64	\$0.06	(\$ 0.01)	\$0.69

YTD

	2012 Reported	Comparability ⁽¹⁾ Adjustments	FX ⁽²⁾ Adj	2012 Adjusted	2011 Reported	Comparability ⁽¹⁾ Adjustments	FX ⁽²⁾ Adj	2011 Adjusted
Net Sales	1,378	-	(8)	1,370	1,434	-	(28)	1,406
Operating Income	119	24	(1)	142	125	25	(2)	148
EPS	\$1.01	\$0.19	(\$0.01)	\$1.19	\$0.87	\$0.36	(\$0.02)	\$1.21

(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)

Second Quarter

	2012 Reported	Comparability ⁽¹⁾ Adjustments	2012 Adjusted	2011 Reported	Comparability ⁽¹⁾ Adjustments	2011 Adjusted
Building Products	54	7	61	57	4	61
Resilient Flooring	22	-	22	11	6	17
Wood Flooring	14	-	14	13	-	13
Cabinets	(1)	-	(1)	1	-	1
Unallocated Corporate (Expense) Income	(12)	1	(11)	(10)	-	(10)

YTD

	2012 Reported	Comparability ⁽¹⁾ Adjustments	2012 Adjusted	2011 Reported	Comparability ⁽¹⁾ Adjustments	2011 Adjusted
Building Products	97	22	119	119	10	129
Resilient Flooring	33	1	34	10	14	24
Wood Flooring	16	-	16	17	(1)	16
Cabinets	(2)	-	(2)	-	-	-
Unallocated Corporate (Expense) Income	(25)	-	(25)	(21)	-	(21)

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



Cash Flow

(\$ millions)	Second Quarter		YTD	
	2012	2011	2012	2011
Net cash from operations	63	68	30	32
Net cash (used for) investing	(27)	(15)	(42)	(23)
Add back (subtract) adjustments to reconcile to free cash flow				
Restricted cash	-	(3)	(2)	(3)
Free Cash Flow	36	50	(14)	6