



Earnings Call Presentation

1st Quarter 2014

April 28, 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, April 28, 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 2014 is used for all currency translations in 2014 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 2014 results and guidance, and 2013 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 2014

	2014	2013	Variance
Net Sales ⁽¹⁾	\$631	\$614	2.8%
Operating Income ⁽²⁾	54	53	2.4%
% of Sales	8.5%	8.5%	0 bps
EBITDA	83	78	7.0%
% of Sales	13.2%	12.7%	50 bps
Earnings Per Share ⁽³⁾	\$0.42	\$0.21	99%
Free Cash Flow	(55)	(51)	(6.8%)
Net Debt	977	792	185
ROIC ⁽⁴⁾	8.0%	10%	(200 bps)

(1) As reported Net Sales: \$634 million in 2014 and \$622 million in 2013

(2) As reported Operating Income: \$53 million in 2014 and \$47 million in 2013

(3) As reported EPS: \$0.30 in 2014 and \$0.05 in 2013

(4) Unadjusted

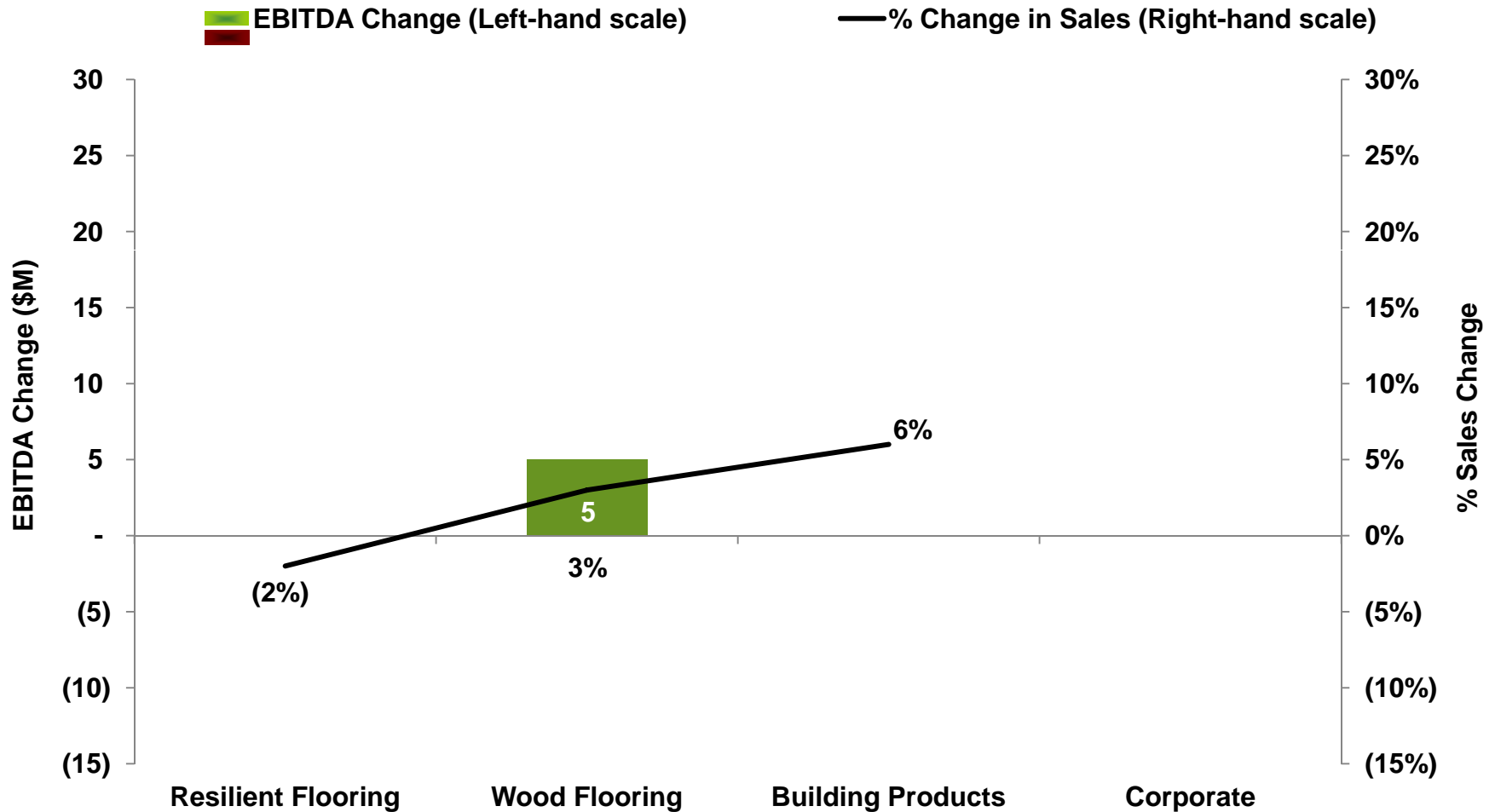


First Quarter 2014 vs. PY– Adjusted EBITDA to Reported Net Income

	2014	2013	V
EBITDA– Adjusted	\$83	\$78	\$5
Depreciation and Amortization	(29)	(25)	(4)
Operating Income – Adjusted	\$54	\$53	\$1
Foreign Exchange Movements	-	-	-
Cost Reduction Initiatives	1	6	(5)
Operating Income – As Reported	\$53	\$47	\$6
Interest/Other (Expense)	(17)	(32)	15
EBT	\$36	\$15	\$21
Tax (Expense)	(19)	(12)	(7)
Net Income	\$17	\$3	\$14

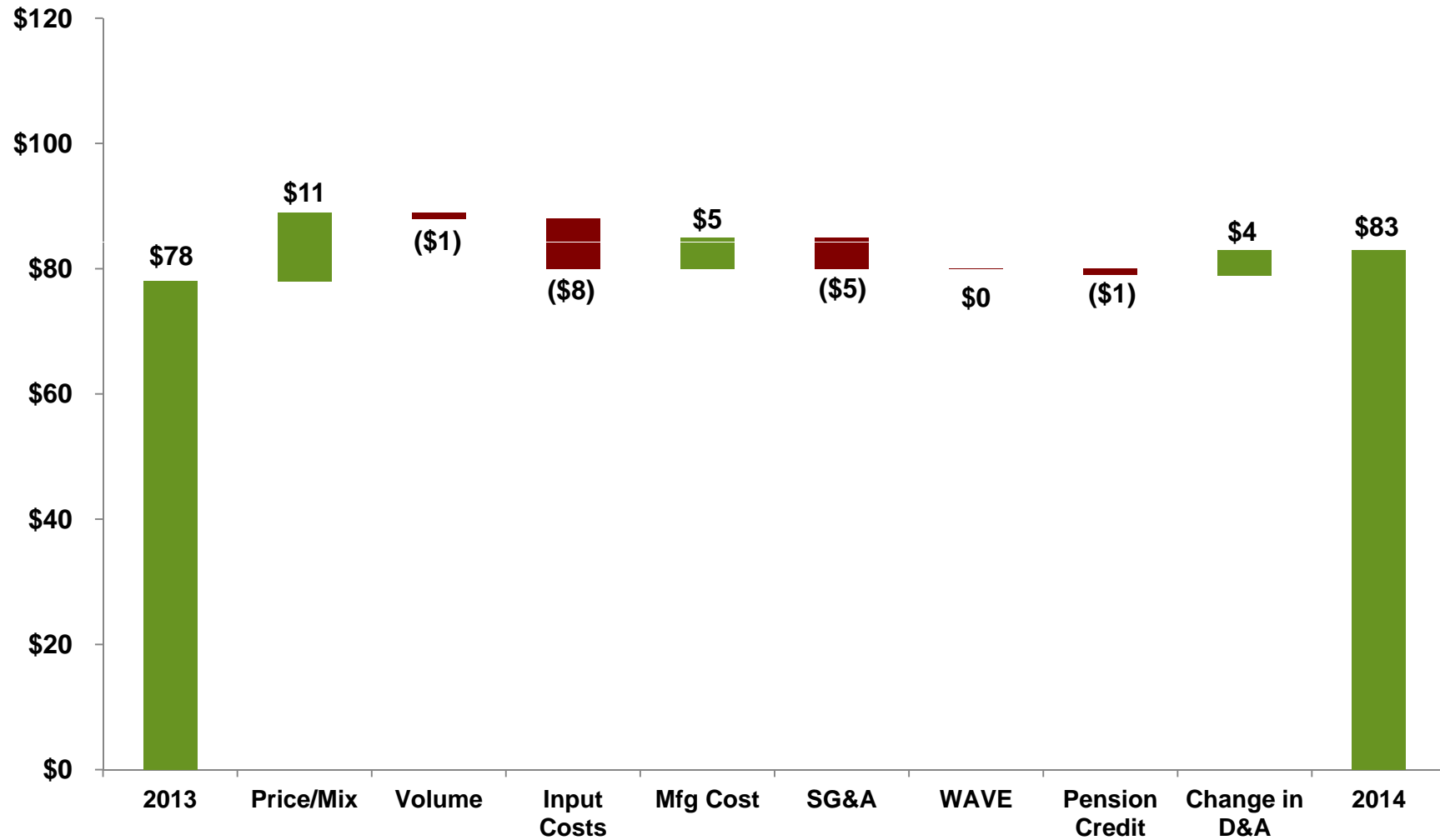


First Quarter Sales and EBITDA by Segment – 2014 vs. PY



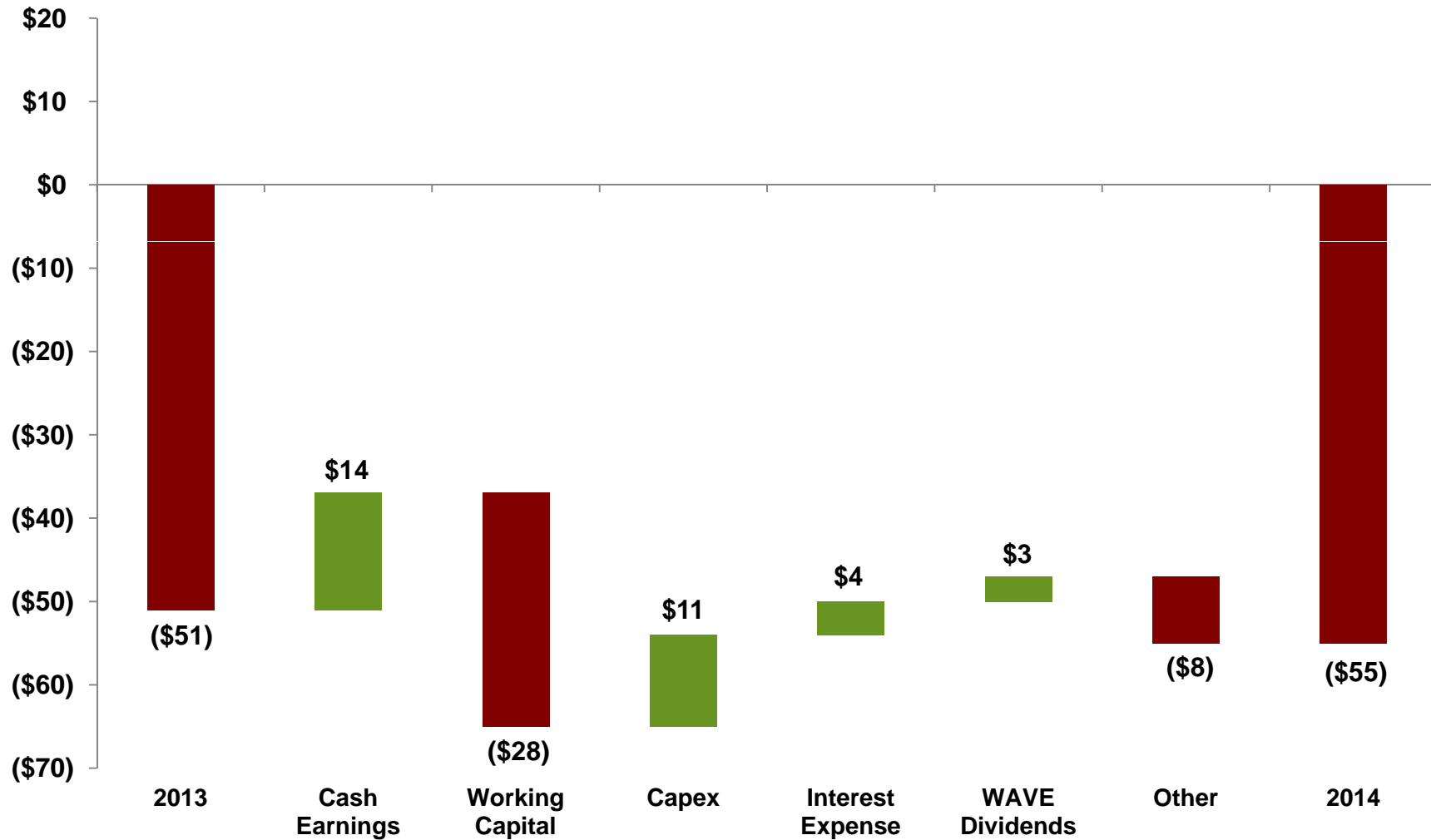


EBITDA Bridge – First Quarter 2014 vs. Prior Year





Free Cash Flow – First Quarter 2014 vs. Prior Year





Key Metrics – Guidance 2014

	2014 Estimate Range ⁽¹⁾		2013 ⁽²⁾	Variance		
Net Sales⁽³⁾	2,800	to 2,900	2,700	4%	to	7%
Operating Income⁽⁴⁾	275	to 300	257	7%	to	17%
EBITDA	400	to 430	366	9%	to	17%
Earnings Per Share⁽⁵⁾	\$2.55	to \$2.80	\$1.98	29%	to	41%
Free Cash Flow	45	to 85	68	(34)%	to	25%

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

(2) 2013 results are presented using 2014 budgeted foreign exchange rates

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

(4) As reported Operating Income: \$270 - \$295 million in 2014 and \$239 million 2013

(5) As reported earnings per share: \$2.10 - \$2.35 in 2014 and \$1.71 in 2013



2014 Financial Outlook

Raw Material & Energy Inflation*

▶ \$30 - \$40 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⁾

Q2

▶ Sales⁽¹⁾ \$710– \$750 million; EBITDA \$90 – \$110 million

Capital Spending*

▶ \$195 - \$215 million

Exclusions from EBITDA

▶ < \$5 million

(1) Net sales include foreign exchange impact

(2) As reported ETR of 49% for 2014

* Changed from February Outlook



Appendix





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	(195)	to	(215)
Interest Expense	(45)	to	(50)
Cash Taxes	(30)	to	(40)
Other, including cash payments for restructuring and one-time items		(5)	
Free Cash Flow	45	to	85



Consolidated Results

First Quarter

	2014 Reported	Comparability ⁽¹⁾ Adjustments	FX ⁽²⁾ Adj	2014 Adjusted	2013 Reported	Comparability ⁽¹⁾ Adjustments	FX ⁽²⁾ Adj	2013 Adjusted
Net Sales	634	-	(3)	631	622	-	(8)	614
Operating Income	53	1	-	54	47	6	-	53
EPS	\$0.30	\$0.12	-	\$0.42	\$0.05	\$0.16	-	\$0.21

(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)

First Quarter						
	2014 Reported	Comparability ⁽¹⁾ Adjustments	2014 Adjusted	2013 Reported	Comparability ⁽¹⁾ Adjustments	2013 Adjusted
Building Products	58	-	58	59	-	59
Resilient Flooring	9	1	10	6	6	12
Wood Flooring	5	-	5	1	-	1
Unallocated Corporate (Expense) Income	(20)	-	(20)	(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	
	2014	2013
Net cash (used for) operations	(\$33)	(\$14)
Net cash (used for) investing	(22)	(37)
Free Cash Flow	(\$55)	(\$51)