



Armstrong World Industries

Earnings Call Presentation First Quarter 2011

May 2, 2011





Safe Harbor Statement

This presentation contains “forward-looking statements” related to Armstrong World Industries, Inc.’s, future financial performance. Our results could differ materially from the results discussed in these forward-looking statements due to known and unknown risks and uncertainties. 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. We undertake no obligation to update any forward-looking statement beyond what is required by 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 is available on the Investor Relations page of our website at www.armstrong.com.



Key Metrics – First Quarter 2011 Adjusted ⁽¹⁾

	<u>2011 Actual</u>	<u>2010 Actual</u>	<u>Variance</u>
Net Sales ⁽²⁾	\$681	\$659	3.3%
Operating Income ⁽³⁾	66	27	144.4%
<i>% of Sales</i>	<i>9.7%</i>	<i>4.1%</i>	<i>560 bps</i>
EBITDA	93	55	69.1%
<i>% of Sales</i>	<i>13.7%</i>	<i>8.3%</i>	<i>530 bps</i>
Earnings Per Share ^{(4), (5)}	\$0.51	\$0.24	\$0.27
Free Cash Flow	(44)	(30)	(14)
Net (Cash) Debt ⁽⁶⁾	604	(59)	663

(1) Figures exclude non-recurring items such as charges for cost reduction initiatives, restructuring, etc. Figures also exclude the impact of foreign exchange movements.

(2) As reported Net Sales: \$685 million in 2011 and \$659 million in 2010.

(3) As reported Operating Income: \$52 million in 2011 and \$13 million in 2010

(4) As reported EPS: \$0.23 in 2011 and (\$0.34) in 2010.

(5) Earnings per share reflect an adjusted tax rate of 42% for both 2011 and 2010.

(6) Total cash in 2011 of \$244 million was comprised of \$133 million in domestic cash and \$111 million in foreign cash. Total cash in 2010 of \$526 million was comprised of \$308 million in domestic cash and \$218 million in foreign cash. Total debt was \$849 million in 2011 and \$467 million in 2010.

All figures in \$ millions unless otherwise noted. Figures may not add due to rounding.



Q1 2011 – Adjusted EBITDA to Reported Net Income

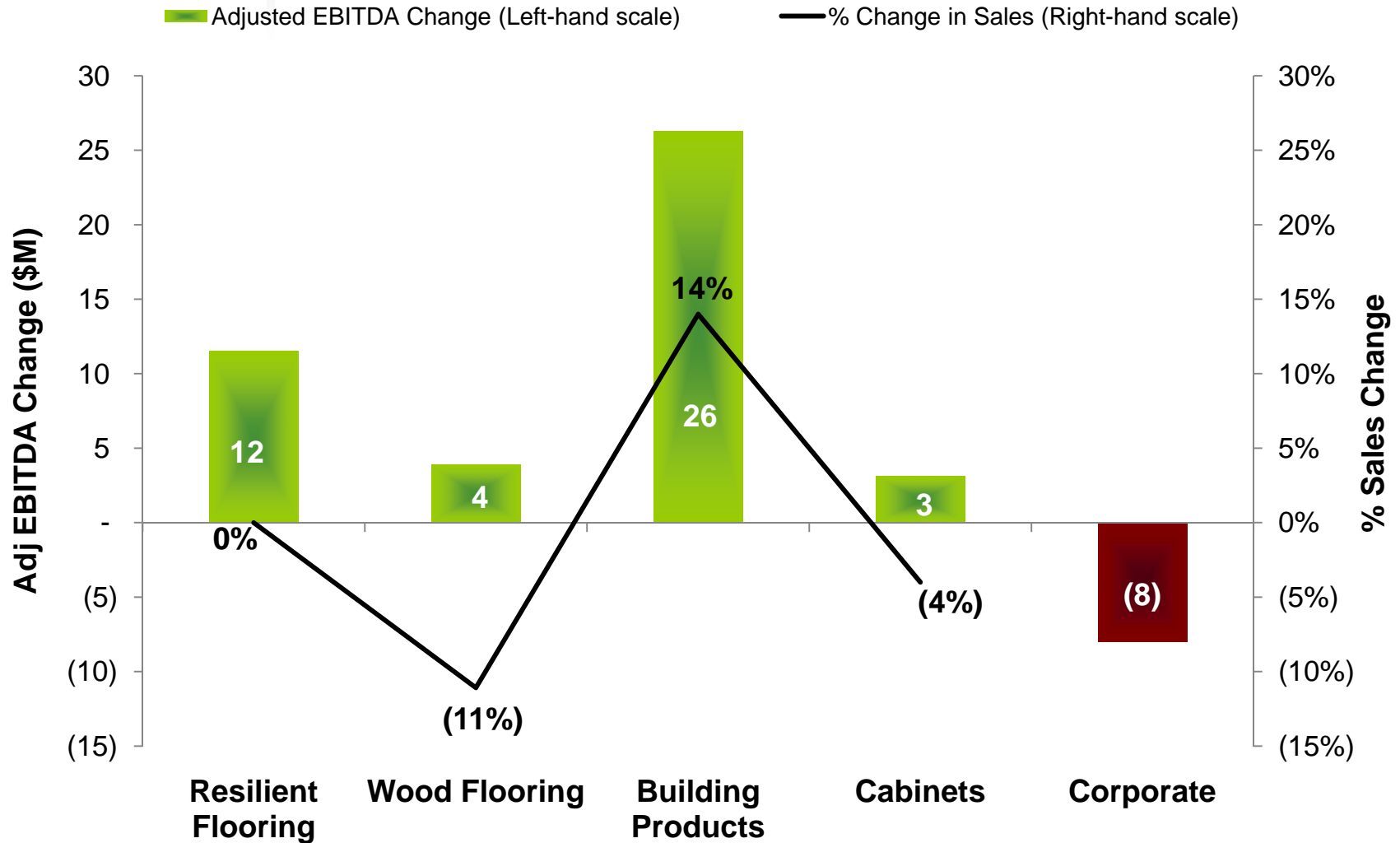
	<u>2011</u>	<u>2010</u>	<u>V</u>
EBITDA– Adjusted ⁽¹⁾	\$93	\$55	\$38
Depreciation and Amortization	(27)	(28)	1
Operating Income – Adjusted ⁽¹⁾	\$66	\$27	\$39
Foreign Exchange Movements	1	(1)	2
Cost Reduction Initiatives	(5)	(2)	(3)
Accelerated Depreciation (not included above)	(5)	-	(5)
Restructuring	(5)	-	(5)
Executive Transition	=	<u>(11)</u>	<u>11</u>
Operating Income – As Reported	\$52	\$13	\$39
Interest (Expense) Income	<u>(14)</u>	<u>(3)</u>	<u>(11)</u>
EBT	\$38	\$10	\$28
Healthcare Reform- Medicare Subsidy Elimination	=	(22)	22
Tax (Expense) Benefit	<u>(24)</u>	<u>(7)</u>	<u>(17)</u>
Net Income	\$14	(\$19)	\$33

(1) Figures exclude non-recurring items such as charges for cost reduction initiatives, restructuring, etc. Figures also exclude the impact of foreign exchange movements.

All figures in \$ millions unless otherwise noted. Figures may not add due to rounding.



Q1 Sales and Adjusted EBITDA ⁽¹⁾ by Segment – 2011 vs. 2010

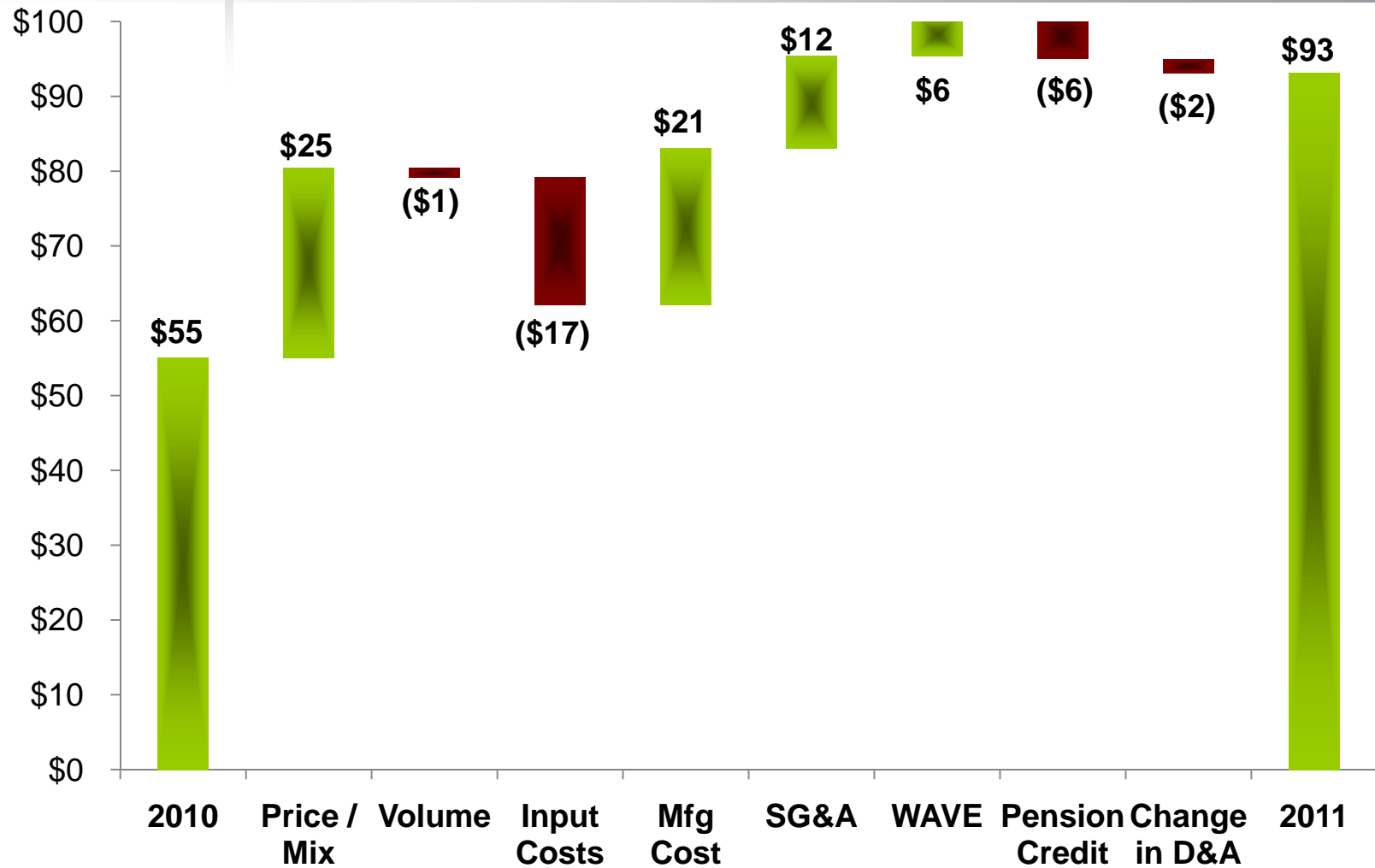


(1) Figures exclude non-recurring items such as charges for cost reduction initiatives, restructuring, etc. Figures also exclude the impact of foreign exchange movements.

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Adjusted EBITDA⁽¹⁾ Bridge – Q1 2011 versus Prior Year

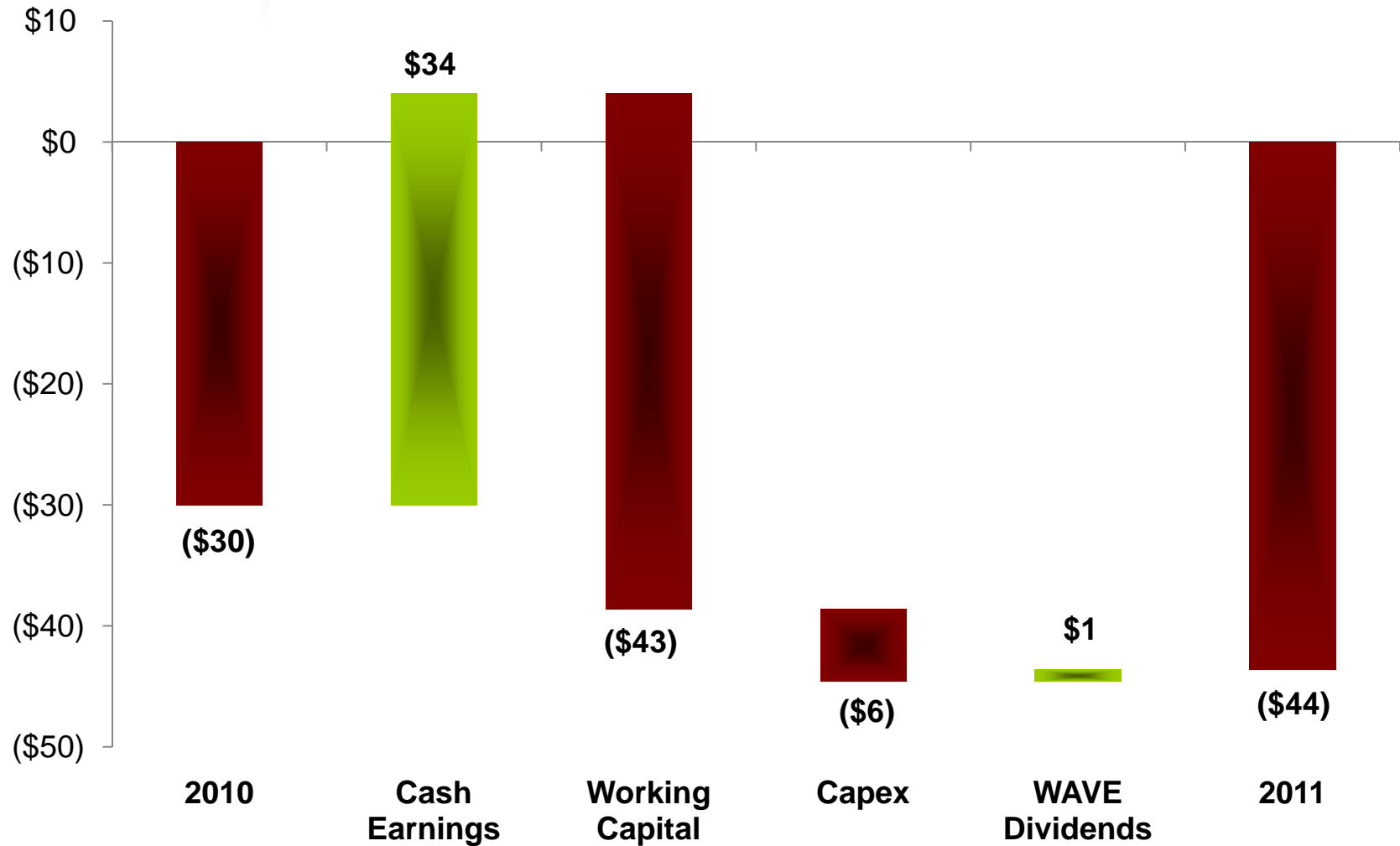


(1) Figures exclude non-recurring items such as charges for cost reduction initiatives, restructuring, etc. Figures also exclude the impact of foreign exchange movements.

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Free Cash Flow – First Quarter 2011 versus Prior Year



All figures in \$ millions unless otherwise noted. Figures may not add due to rounding.



Key Metrics ⁽¹⁾ – Guidance 2011

	2011		2010	Variance	
	<u>Estimate Range</u>				
Net Sales	2,800	to 3,000	2,766	1%	to 8%
Operating Income ⁽²⁾	270	to 310	189	43%	to 64%
EBITDA	375	to 415	303	24%	to 37%
Earnings Per Share ^{(3),(4)}	\$2.17	to \$2.57	\$1.73	25%	to 49%
Free Cash Flow	80	to 120	180	(56%)	to (33%)

(1) Figures exclude non-recurring items such as charges for cost reduction initiatives, restructuring, etc.

(2) As reported Operating Income: \$240- 280 million in 2011 and \$81 million 2010.

(3) Earnings per share reflect an adjusted tax rate of 42% for both 2011 and 2010.

(4) As reported earnings per share: \$1.83 - \$2.25 in 2011 and \$0.19 in 2010.

All figures in \$ millions unless otherwise noted.

- Raw Material & Energy Inflation* \$40 - \$50 million increase
- Manufacturing Productivity* Gross Margin +125 to +225 bps vs. 2010
- U.S. Pension Credit ~\$25 million, down ~\$25 million vs. 2010
60% manufacturing, 40% SG&A
- Earnings from WAVE \$5 - \$10 million vs. 2010
- Cash Taxes/ETR ~\$15 million. Adjusted ETR of 42%
- Q2 Sales \$740 – \$790 million
EBITDA \$105 – \$120 million
- Capital Spending ~\$180-\$200 million
- Exclusions from EBITDA ~\$18 - 27 million associated with already announced actions

* Changed from February Outlook



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Appendix



Adjusted Operating Income to Free Cash Flow

	2011 Estimate Range		
Adjusted Operating Income	270	to	310
D&A			105
Adjusted EBITDA	375	to	415
Changes in Working Capital	5	to	25
Capex	(180)	to	(200)
Pension Credit			(25)
Interest Expense			(50)
Cash Taxes			(15)
Other, including cash payments for restructuring and one-time items			(30)
Free Cash Flow	80	to	120

All figures in \$ millions unless otherwise noted.



Consolidated Results

First Quarter								
	<u>2011 Reported</u>	<u>Comparability⁽¹⁾ Adjustments</u>	<u>FX⁽²⁾ Adj</u>	<u>2011 Adjusted</u>	<u>2010 Reported</u>	<u>Comparability⁽¹⁾ Adjustments</u>	<u>FX⁽²⁾ Adj</u>	<u>2010 Adjusted</u>
Net Sales	685	-	(4)	681	659	-	-	659
Operating Income	52	15	(1)	66	13	14	-	27
EPS	\$0.23	\$0.30	(\$0.02)	\$0.51	(\$0.34)	\$0.58	\$ -	\$0.24

(1) See earnings press release and 10-Q for additional detail on comparability adjustments

(2) Eliminates impact of foreign exchange movements

All figures in \$ millions unless otherwise noted. Figures may not add due to rounding.



Segment Operating Income (Loss)

First Quarter						
	<u>2011 Reported</u>	<u>Comparability⁽¹⁾ Adjustments</u>	<u>2011 Adjusted</u>	<u>2010 Reported</u>	<u>Comparability⁽¹⁾ Adjustments</u>	<u>2010 Adjusted</u>
Resilient Flooring	(1)	8	7	(5)	-	(5)
Wood Flooring	3	-	3	(2)	-	(2)
Building Products	61	7	68	43	(1)	42
Cabinets	(1)	-	(1)	(4)	-	(4)
Unallocated Corporate (Expense) Income	(10)	(1)	(11)	(19)	15	(4)

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

All figures in \$ millions unless otherwise noted. Figures may not add due to rounding.



Cash Flow

	<u>First Quarter</u>	
(\$-millions)	<u>2011</u>	<u>2010</u>
Net Cash From Operations	(36)	(28)
Plus / (Minus) Net Cash from Investing	<u>(8)</u>	<u>(2)</u>
Equals Free Cash Flow	(44)	(30)

All figures in \$ millions unless otherwise noted. Figures may not add due to rounding.