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## **Investor Presentation Second Quarter 2010**

August 6, 2010

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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 in the Appendix of this presentation and in greater detail in today’s press release. Both are available on the Investor Relations page of our website at [www.armstrong.com](http://www.armstrong.com) .

	<b><u>2010</u></b> <b><u>Actual</u></b>	<b><u>2009</u></b> <b><u>Actual</u></b>	<b><u>Variance</u></b>
Net Sales <sup>(2)</sup>	\$745	\$732	1.8%
Operating Income <sup>(3)</sup>	59	49	22.1%
<i>% of Sales</i>	<i>8.0%</i>	<i>6.7%</i>	<i>130 bps</i>
Earning Per Share <sup>(4), (5)</sup>	\$0.56	\$0.46	\$0.10
Free Cash Flow	89	86	2
Net (Cash) Debt <sup>(6)</sup>	(141)	86	227

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

(2) As reported Net Sales: \$725 million in 2010 and \$706 million in 2009.

(3) As reported Operating Income: \$53 million in 2010 and \$47million in 2009.

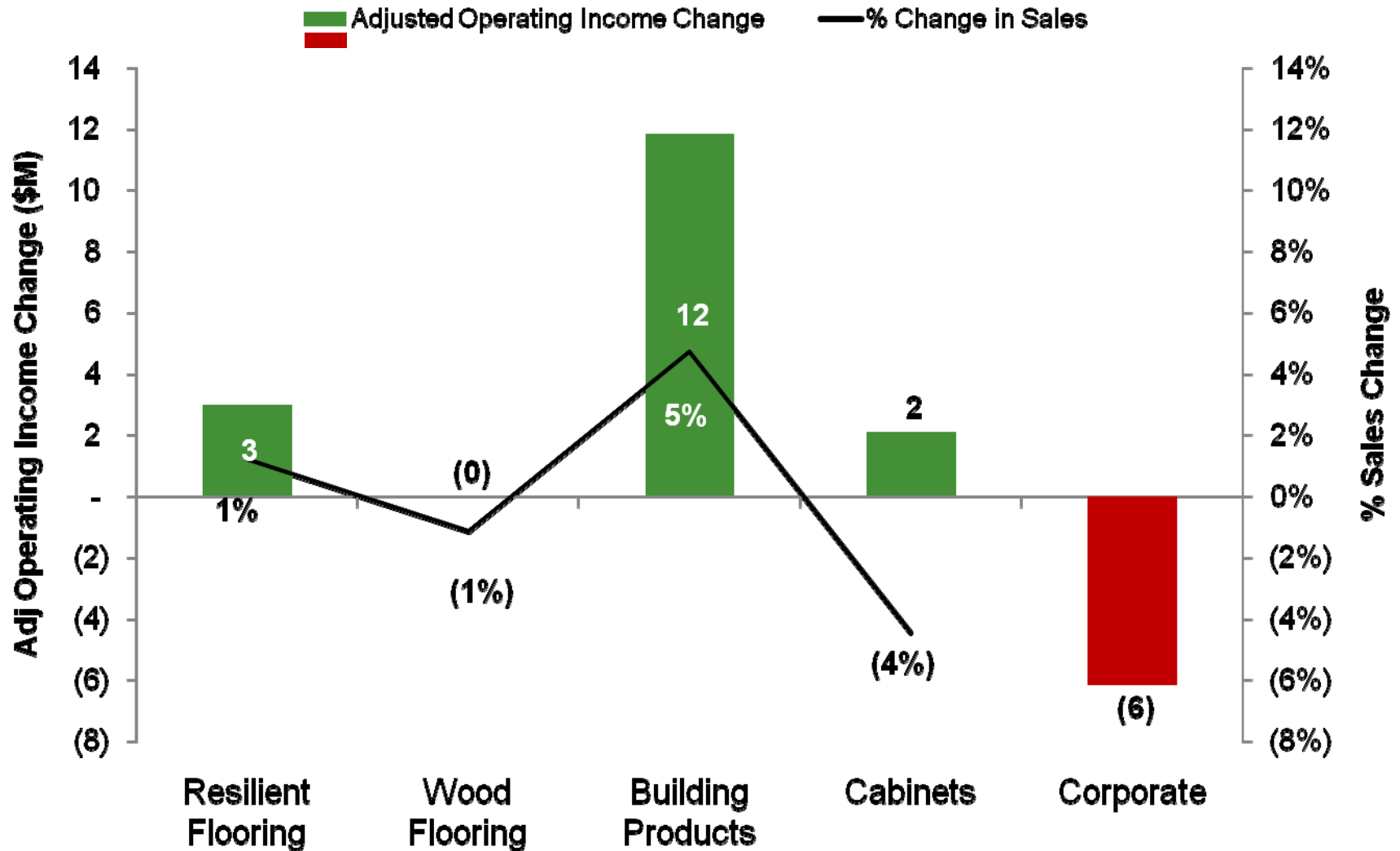
(4) As reported EPS: \$0.46 in 2010 and \$0.50 in 2009.

(5) Earnings per share reflect an adjusted tax rate of 42% for both 2010 and 2009.

(6) Total cash in 2010 of \$600 million was comprised of \$372 million in domestic cash and \$228 million in foreign cash. Total cash in 2009 of \$403 million was comprised of: \$227 million in domestic cash and \$176 million in foreign cash. Total debt was \$458 million in 2010 and \$488 million in 2009.

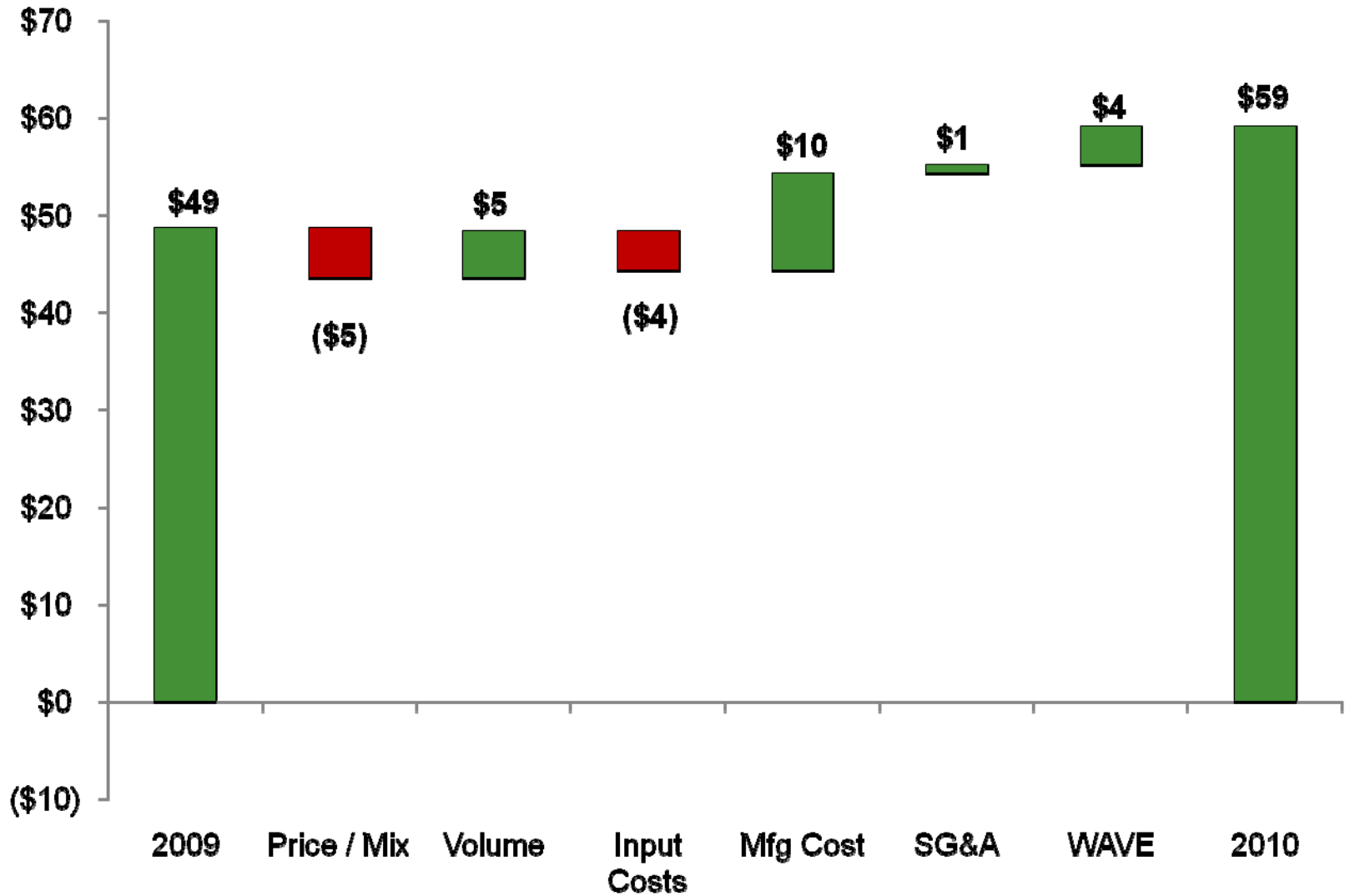
	<u>2010</u>	<u>2009</u>	<u>Δ</u>
<b>Operating Income – Adjusted <sup>(1)</sup></b>	<b>\$59</b>	<b>\$48</b>	<b>\$11</b>
Foreign Exchange Movements	3	-	3
Impairments	(6)	-	(6)
St. Gallen Closure	(2)	-	(2)
Cost Reduction Initiatives	<u>(1)</u>	<u>(1)</u>	-
<b>Operating Income – As Reported</b>	<b>\$53</b>	<b>\$47</b>	<b>\$6</b>
Interest (Expense) Income	<u>(4)</u>	<u>(4)</u>	-
<b>EBT</b>	<b>\$49</b>	<b>\$43</b>	<b>\$6</b>
Tax (Expense) Benefit	<u>(22)</u>	<u>(15)</u>	<u>(7)</u>
<b>Net Income</b>	<b>\$27</b>	<b>\$28</b>	<b>(\$1)</b>

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



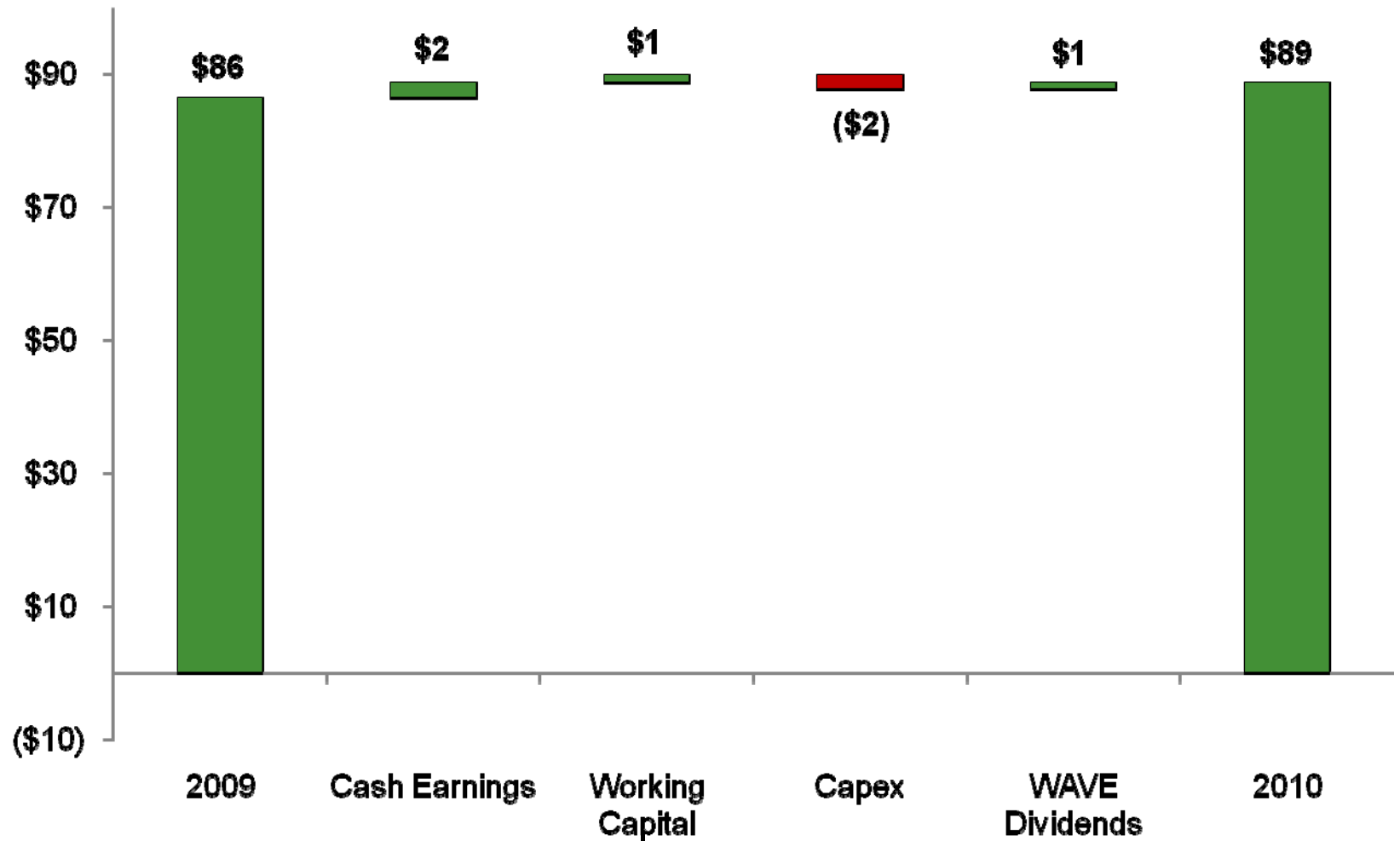
Figures exclude non-recurring items such as charges for cost reduction initiatives, restructuring, accounting changes, etc. Figures also exclude the impact of foreign exchange movements and discontinued operations.

# Operating Income Bridge – Q2 2010 versus Prior Year



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

# Free Cash Flow – Second Quarter 2010 versus Prior Year



	<b><u>2010</u></b> <b><u>Actual</u></b>	<b><u>2009</u></b> <b><u>Actual</u></b>	<b><u>Variance</u></b>
Net Sales <sup>(2)</sup>	\$1,415	\$1,430	(1.0%)
Operating Income <sup>(3)</sup>	86	51	67.6%
<i>% of Sales</i>	<i>6.1%</i>	<i>3.6%</i>	<i>250 bps</i>
Earning Per Share <sup>(4), (5)</sup>	\$0.79	\$0.45	\$0.34
Free Cash Flow	59	41	18
Net (Cash) Debt <sup>(6)</sup>	(141)	86	227

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

(2) As reported Net Sales: \$1,384 million in 2010 and \$1,374 million in 2009.

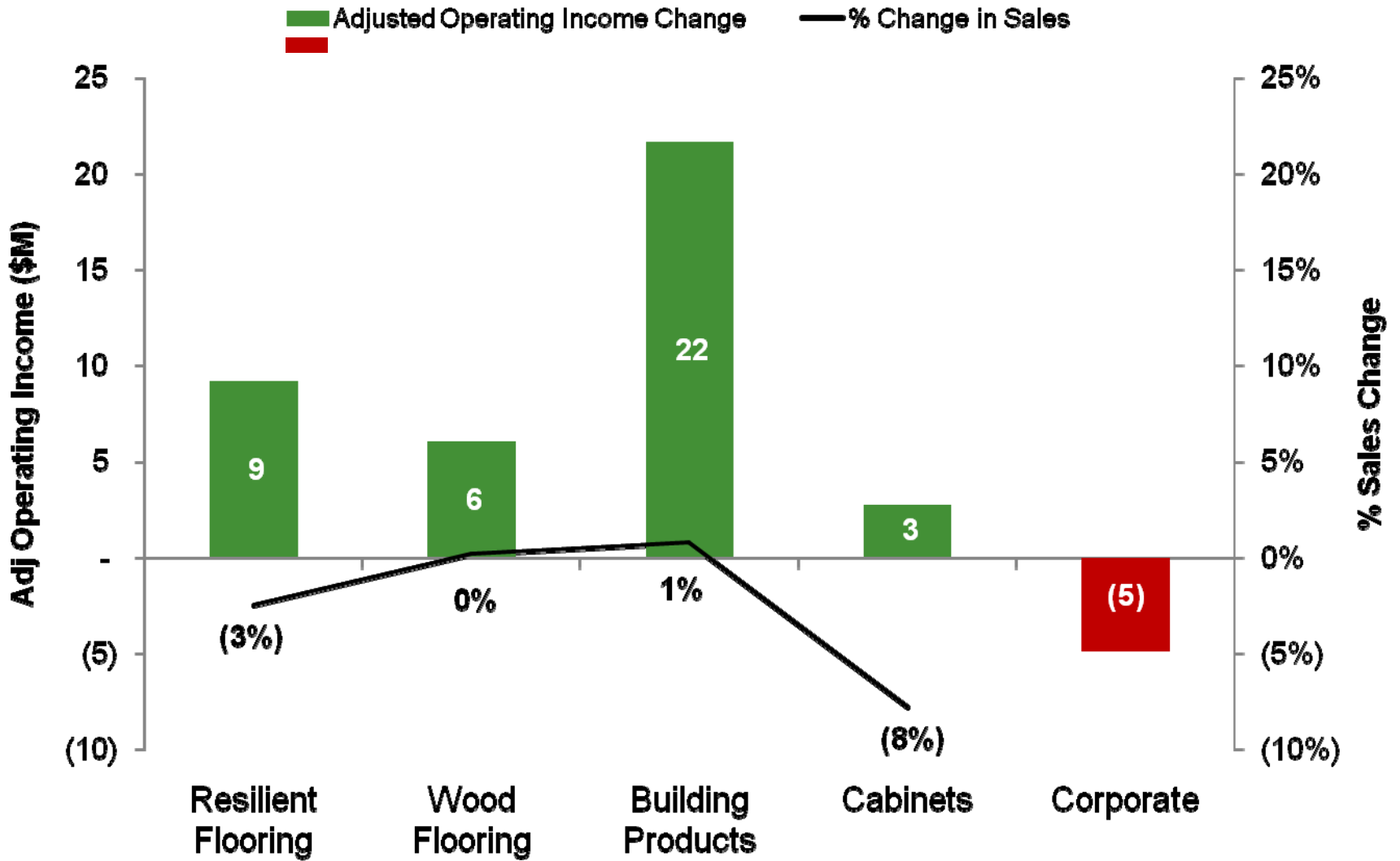
(3) As reported Operating Income: \$66 million in 2010 and \$48 million in 2009.

(4) As reported EPS: \$0.13 in 2010 and \$0.30 in 2009.

(5) Earnings per share reflect an adjusted tax rate of 42% for both 2010 and 2009.

(6) Total cash in 2010 of \$600 million was comprised of \$372 million in domestic cash and \$228 million in foreign cash. Total cash in 2009 of \$403 million was comprised of: \$227 million in domestic cash and \$176 million in foreign cash. Total debt was \$458 million in 2010 and \$488 million in 2009.





Figures exclude non-recurring items such as charges for cost reduction initiatives, restructuring, accounting changes, etc. Figures also exclude the impact of foreign exchange movements and discontinued operations.

	<b>2010</b>			<b>2009 Actual</b>	<b>Variance</b>	
	<u>Estimate Range</u>					
Net Sales	2,700	to	2,850	2,780	(3%)	to 3%
Operating Income <sup>(2)</sup>	170	to	190	157	9%	to 21%
Earnings Per Share <sup>(3),(4)</sup>	\$1.55	to	\$1.75	\$1.44	8%	to 22%
Free Cash Flow	85	to	105	211	(60%)	to (50%)

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

(2) As reported Operating Income: \$131-151 million in 2010 and \$91 million 2010.

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

(4) As reported earnings per share: \$0.76-\$0.96 in 2010 and \$1.36 in 2010.

- Raw Material & Energy Inflation                      \$25 - \$35 million increase
  
- Manufacturing Productivity \*                              Gross Margin flat to +1 point
  
- U.S. Pension Credit    ~\$10 million decline versus 2009
  
- Strategic Initiatives    ~\$10 million investment in SG&A
  
- SG&A Reductions \*    \$5 - \$10 million reduction
  
- Earnings from WAVE    + / - \$5 million versus 2009
  
- Cash Taxes/ETR    ~\$10 million. Adjusted ETR of 42%
  
- Q3 \*    Operating Income range of \$62 - \$72 million
  
- Capital Spending    ~\$120 - \$130 million
  
- Exclusions from Adjusted OI \*                              ~\$15 million for executive transition expense,  
~\$25 million for cost reduction initiatives

\* Changed from April guidance

# Appendix



## 1H 2010 – Adjusted Operating Income to Reported Net Income

	<u>2010</u>	<u>2009</u>	<u>V</u>
<b>Operating Income – Adjusted <sup>(1)</sup></b>	<b>\$86</b>	<b>\$51</b>	<b>\$35</b>
Foreign Exchange Movements	1	-	1
Impairments	(8)	-	(8)
Executive Severance	(11)	-	(11)
Cost Reduction Initiatives	<u>(2)</u>	<u>(3)</u>	<u>1</u>
<b>Operating Income – As Reported</b>	<b>\$66</b>	<b>\$48</b>	<b>\$18</b>
Interest (Expense) Income	<u>(6)</u>	<u>(7)</u>	<u>1</u>
<b>EBT</b>	<b>\$60</b>	<b>\$41</b>	<b>\$19</b>
Healthcare Reform – Medicare Subsidy Elimination	(22)	-	(22)
Tax (Expense) Benefit	<u>(31)</u>	<u>(24)</u>	<u>(7)</u>
<b>Net Income</b>	<b>\$7</b>	<b>\$17</b>	<b>(\$10)</b>

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



## Normalized Operating Income to Free Cash Flow

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	<b>2010 <u>Estimate Range</u></b>		
Adjusted Operating Income	170	to	190
D&A			120
Changes in Working Capital			30
Capex			(125)
Pension Credit			(50)
Interest Expense			(15)
Cash Taxes			(10)
Executive Transition			(15)
Other, including retiree expense			(20)
Free Cash Flow	85	to	105

## Second Quarter

	2010 <u>Reported</u>	Comparability <sup>(1)</sup> <u>Adjustments</u>	FX <sup>(2)</sup> <u>Adj</u>	2010 <u>Adjusted</u>	2009 <u>Reported</u>	Comparability <sup>(1)</sup> <u>Adjustments</u>	FX <sup>(2)</sup> <u>Adj</u>	2009 <u>Adjusted</u>
<b>Net Sales</b>	725	-	20	745	706	-	26	732
<b>Operating Income</b>	53	7	(1)	59	47	2	-	49
<b>EPS</b>	\$0.46	\$0.11	(\$0.01)	\$0.56	\$0.50	(\$0.04)	-	\$0.46

## Full Year

	2010 <u>Reported</u>	Comparability <sup>(1)</sup> <u>Adjustments</u>	FX <sup>(2)</sup> <u>Adj</u>	2010 <u>Adjusted</u>	2009 <u>Reported</u>	Comparability <sup>(1)</sup> <u>Adjustments</u>	FX <sup>(2)</sup> <u>Adj</u>	2009 <u>Adjusted</u>
<b>Net Sales</b>	1,384	-	32	1,415	1,374	-	56	1,430
<b>Operating Income</b>	66	21	(1)	86	48	4	-	51
<b>EPS</b>	\$0.13	\$0.67	(\$0.01)	\$0.79	\$0.30	\$0.15	-	\$0.45

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

(2) Eliminates impact of foreign exchange movements.

## Second Quarter

	<u>2010 Reported</u>	<u>Comparability<sup>(1)</sup> Adjustments</u>	<u>2010 Adjusted</u>	<u>2009 Reported</u>	<u>Comparability<sup>(1)</sup> Adjustments</u>	<u>2009 Adjusted</u>
<b>Resilient Flooring</b>	10	1	12	7	1	9
<b>Wood Flooring</b>	(2)	-	1	1	-	1
<b>Building Products</b>	53	2	55	43	-	43
<b>Cabinets</b>	-	-	-	(3)	-	(3)
<b>Unallocated Corporate (Expense) Income</b>	(11)	3	(8)	(2)	-	(2)

## Full Year

	<u>2010 Reported</u>	<u>Comparability<sup>(1)</sup> Adjustments</u>	<u>2010 Adjusted</u>	<u>2009 Reported</u>	<u>Comparability<sup>(1)</sup> Adjustments</u>	<u>2009 Adjusted</u>
<b>Resilient Flooring</b>	5	1	6	(5)	2	(3)
<b>Wood Flooring</b>	-	-	-	(7)	-	(7)
<b>Building Products</b>	96	1	97	75	1	76
<b>Cabinets</b>	(4)	-	(4)	(7)	-	(7)
<b>Unallocated Corporate (Expense) Income</b>	(29)	17	(12)	(7)	-	(7)

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



(\$-millions)	<u>Second Quarter</u>		<u>Full Year</u>	
	<u>2010</u>	<u>2009</u>	<u>2010</u>	<u>2009</u>
<b>Net Cash From Operations</b>	84	90	56	50
<b>Plus / (Minus) Net Cash from Investing</b>	5	(4)	3	(1)
<b>Add back / (subtract):</b>				
<b>Divestitures</b>	-	-	-	(8)
<b>Free Cash Flow</b>	<b>89</b>	<b>86</b>	<b>59</b>	<b>41</b>