



Armstrong World Industries

**Investor Presentation
Fourth Quarter 2010**

February 28, 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 – Fourth Quarter 2010 Adjusted ⁽¹⁾

	2010 Actual	2009 Actual	Variance
Net Sales ⁽²⁾	\$652	\$657	(0.7%)
Operating Income ⁽³⁾	19	26	(27.6%)
<i>% of Sales</i>	<i>2.9%</i>	<i>3.9%</i>	<i>(100 bps)</i>
EBITDA	47	54	(14.0%)
<i>% of Sales</i>	<i>7.1%</i>	<i>8.2%</i>	<i>(110 bps)</i>
Earnings Per Share ^{(4), (5)}	\$0.11	\$0.23	(\$0.12)
Free Cash Flow	43	53	(10)
Net (Cash) Debt ⁽⁶⁾	559	(97)	656

(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: \$643 million in 2010 and \$653 million in 2009.

(3) As reported Operating Loss: (\$30 million) in 2010 and (\$2 million) in 2009.

(4) As reported EPS: (\$0.36) in 2010 and (\$0.07) in 2009.

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

(6) Total cash as of December 31, 2010 of \$316 million was comprised of \$36 million in domestic cash and \$280 million in foreign cash. Total cash as of December 31, 2009 of \$570 million was comprised of \$328 million in domestic cash and \$241 million in foreign cash. Total debt was \$875 million in 2010 and \$473 million in 2009.

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



Q4 2010 – Adjusted Operating Income to Reported Net Income

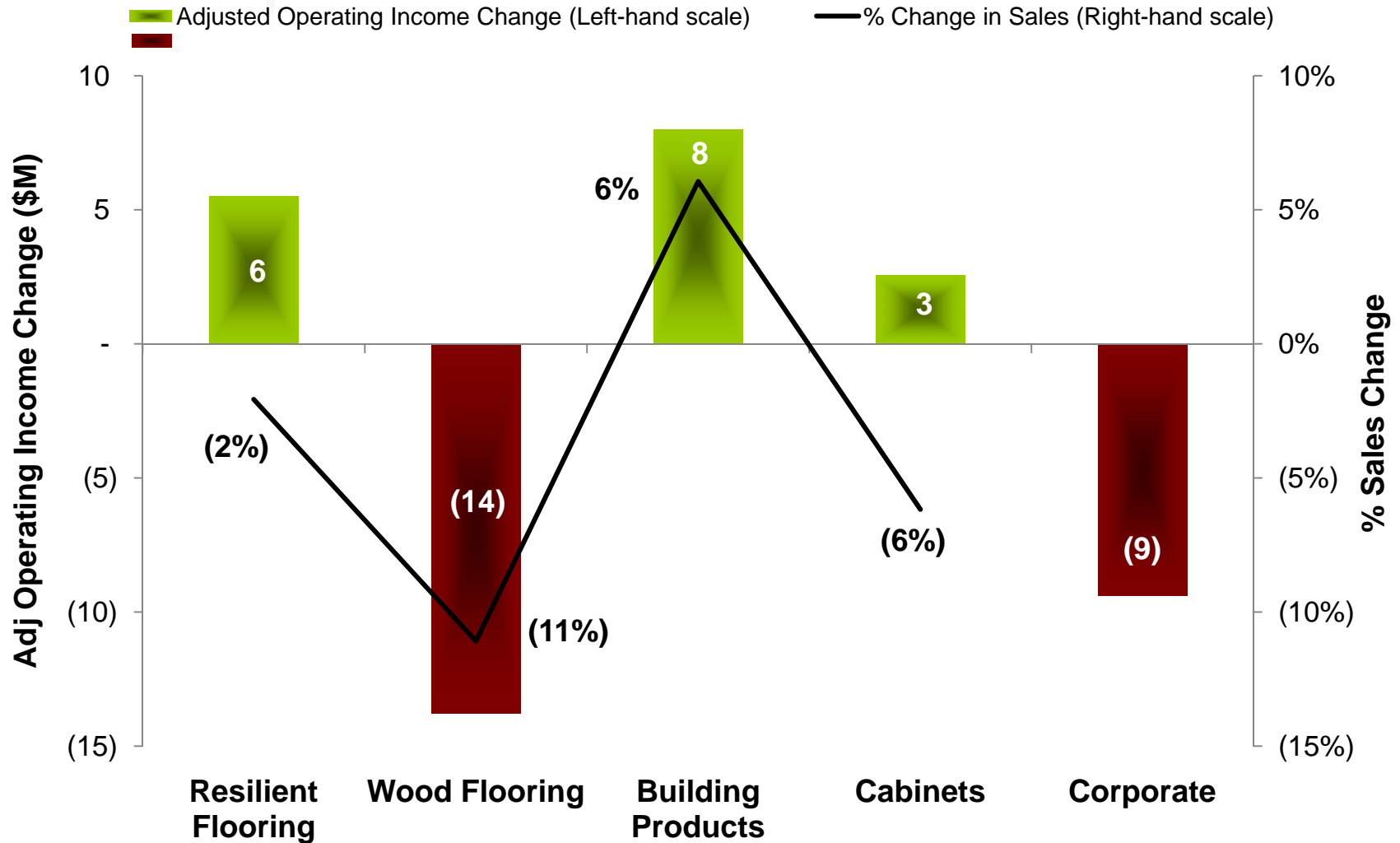
	<u>2010</u>	<u>2009</u>	<u>V</u>
Operating Income – Adjusted ⁽¹⁾	\$19	\$26	(\$7)
Foreign Exchange Movements	1	(1)	2
Cost Reduction Initiatives	(22)	(9)	(13)
Asset Impairments	(22)	(18)	(4)
Restructuring	(7)	-	(7)
Executive Transition	(1)	-	(1)
Gain from Settlement of Note Receivable	<u>2</u>	=	<u>2</u>
Operating Income – As Reported	(\$30)	(\$2)	(\$28)
Interest (Expense) Income	<u>(8)</u>	<u>(3)</u>	<u>(5)</u>
EBT	(\$38)	(\$5)	(\$33)
Tax (Expense) Benefit	<u>17</u>	<u>1</u>	<u>16</u>
Net Income	(\$21)	(\$4)	(\$17)

(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.



Q4 Sales and Adjusted Operating Income ⁽¹⁾ by Segment – 2010 vs. 2009

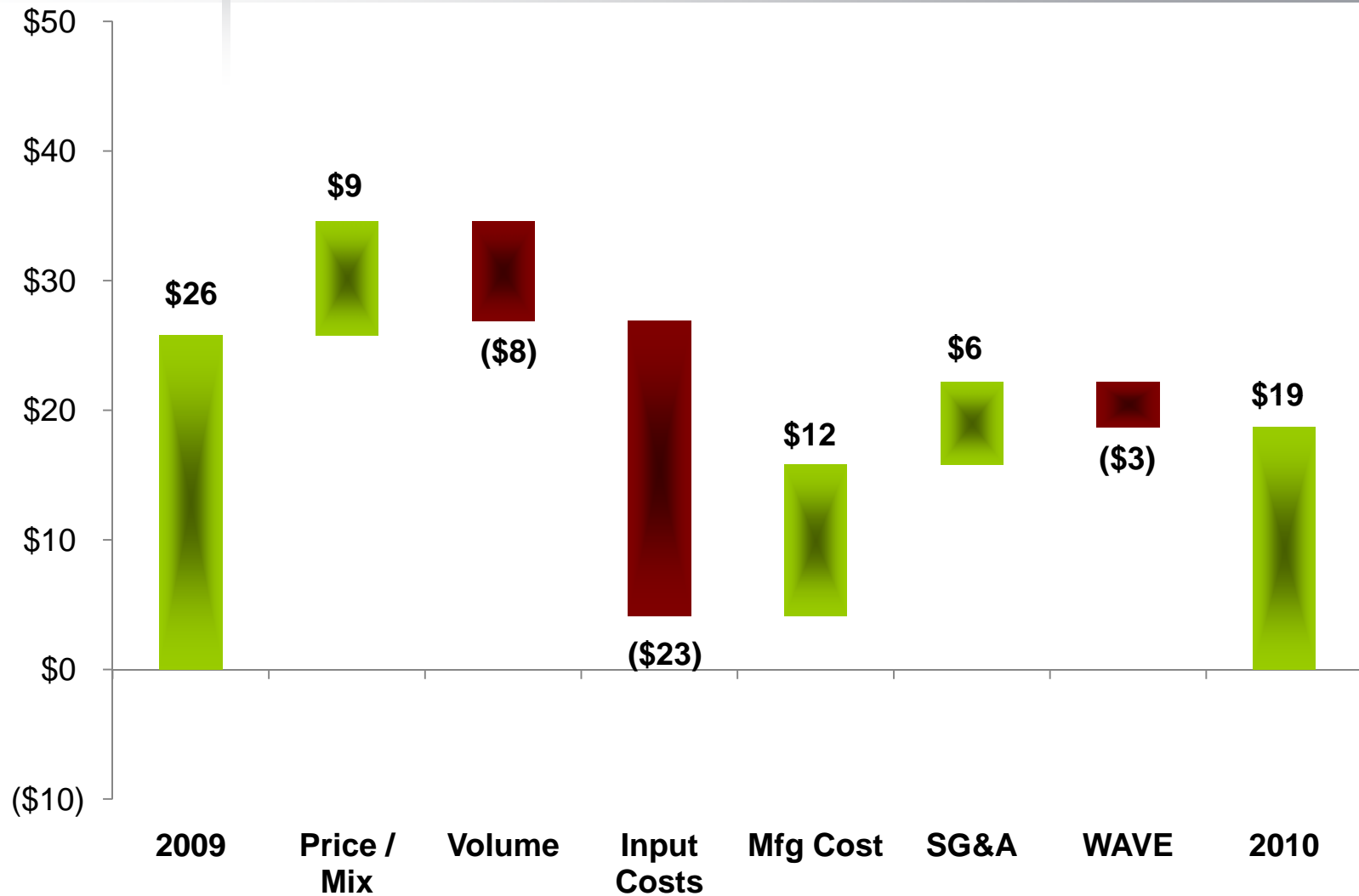


(1) Figures exclude non-recurring items such as charges for cost reduction initiatives, restructuring, etc. Figures also exclude the impact of foreign exchange movements.

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Adjusted Operating Income ⁽¹⁾ Bridge – Q4 2010 versus Prior Year

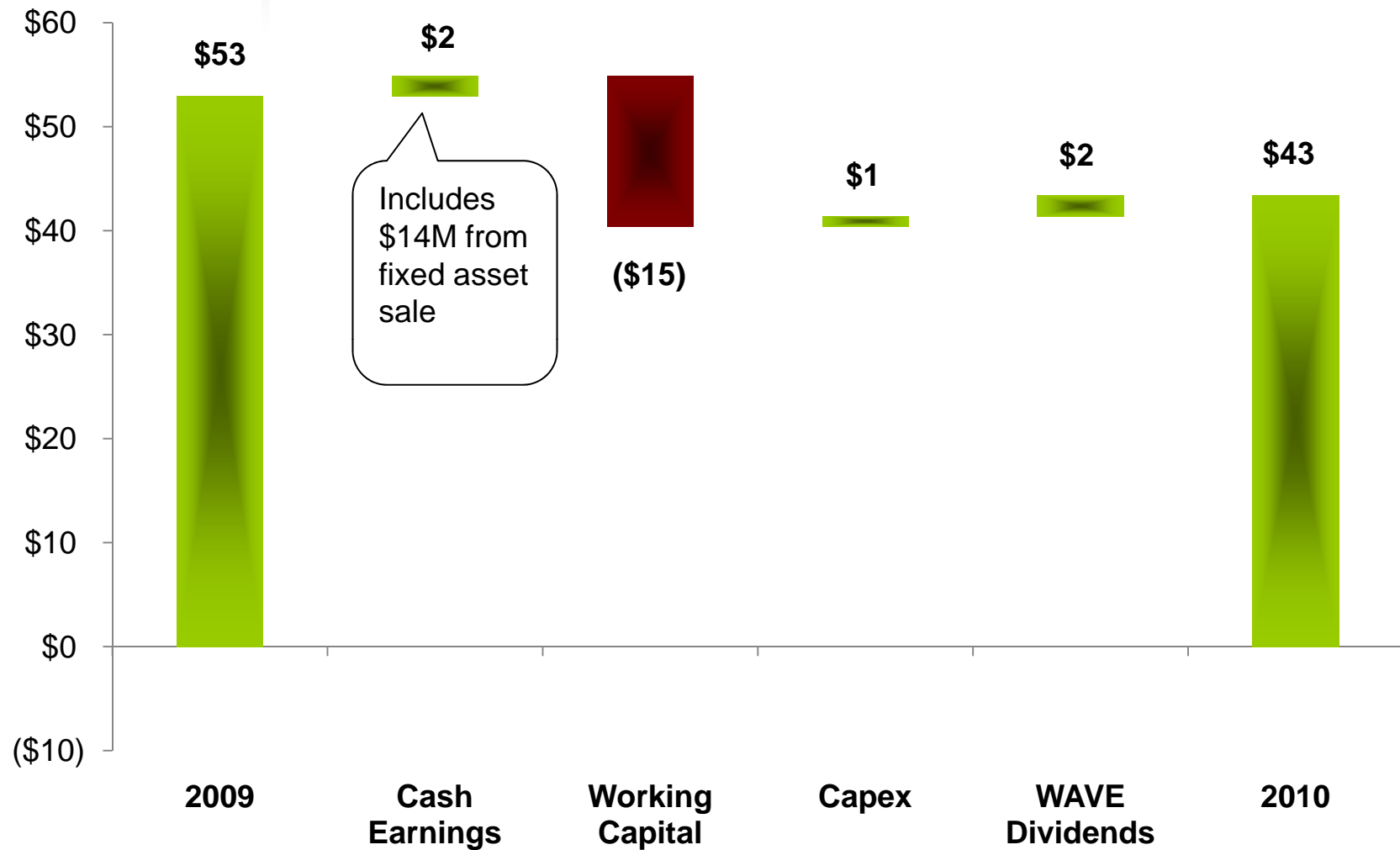


(1) Figures exclude non-recurring items such as charges for cost reduction initiatives, restructuring, etc. Figures also exclude the impact of foreign exchange movements.

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



Free Cash Flow – Fourth Quarter 2010 versus Prior Year



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



Key Metrics – Full Year 2010 Adjusted ⁽¹⁾

	2010 <u>Actual</u>	2009 <u>Actual</u>	<u>Variance</u>
Net Sales ⁽²⁾	\$2,833	\$2,853	(0.7%)
Operating Income ⁽³⁾	188	157	20.2%
<i>% of Sales</i>	<i>6.6%</i>	<i>5.5%</i>	<i>110 bps</i>
EBITDA	303	296	2.4%
<i>% of Sales</i>	<i>10.7%</i>	<i>10.4%</i>	<i>30 bps</i>
Earning Per Share ^{(4), (5)}	\$1.72	\$1.44	\$0.28
Free Cash Flow	180	211	(31)
Net (Cash) Debt ⁽⁶⁾	559	(97)	656

(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: \$2,766 million in 2010 and \$2,780 million in 2009.

(3) As reported Operating Income: \$81 million in 2010 and \$91 million in 2009.

(4) As reported EPS: \$0.19 in 2010 and \$1.36 in 2009.

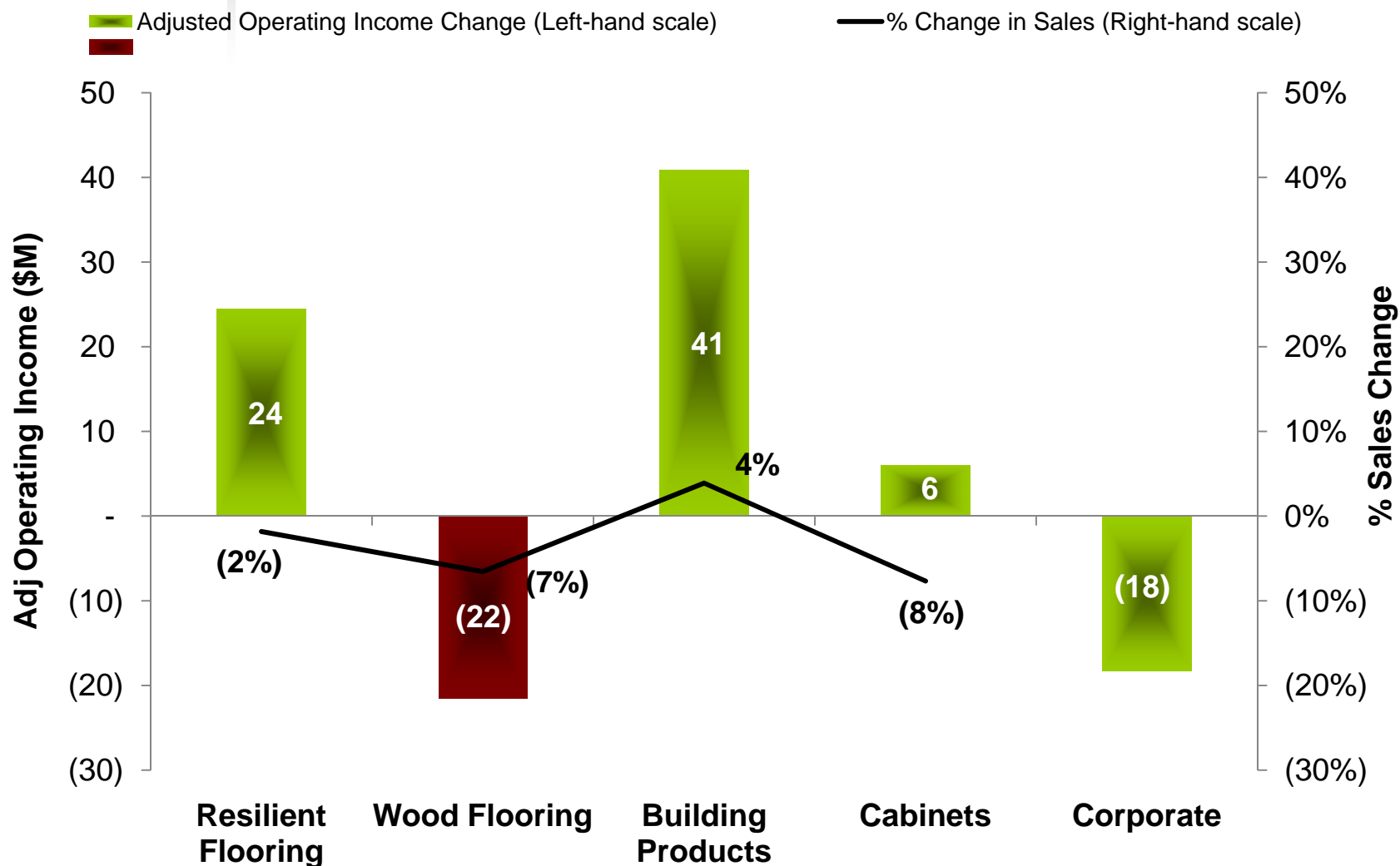
(5) Earnings per share reflect an adjusted tax rate of 42% for both 2010 and 2009.

(6) Total cash in 2010 of \$316 million was comprised of \$36 million in domestic cash and \$280 million in foreign cash. Total cash in 2009 of \$570 million was comprised of: \$328 million in domestic cash and \$241 million in foreign cash. Total debt was \$875 million in 2010 and \$473 million in 2009.

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



Full Year Sales and Adjusted Operating Income ⁽¹⁾ by Segment – 2010 vs. 2009

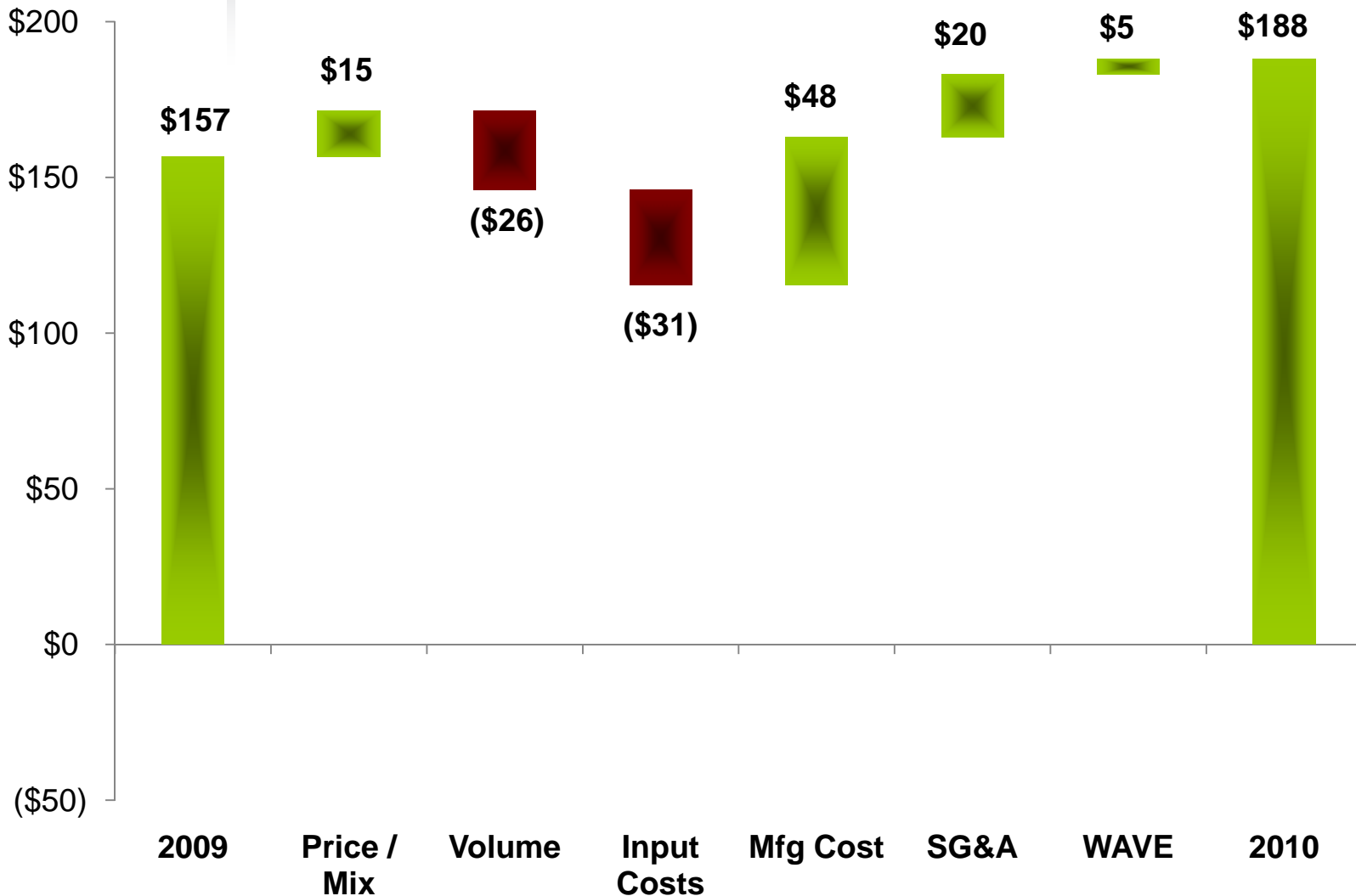


(1) Figures exclude non-recurring items such as charges for cost reduction initiatives, restructuring, etc. Figures also exclude the impact of foreign exchange movements.

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



Adjusted Operating Income ⁽¹⁾ Bridge – Full Year 2010 versus Prior Year

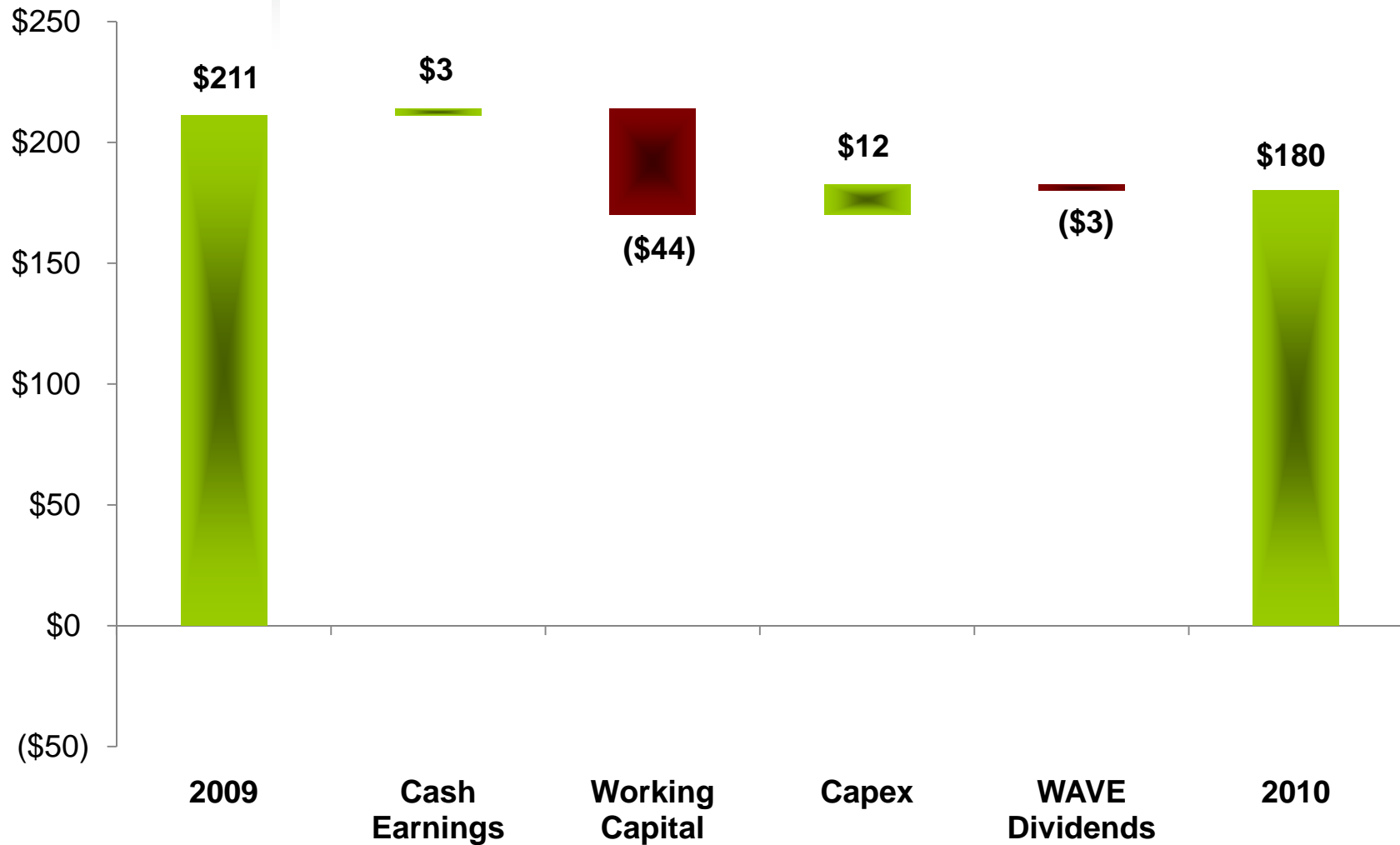


(1) Figures exclude non-recurring items such as charges for cost reduction initiatives, restructuring, etc. Figures also exclude the impact of foreign exchange movements.

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



Free Cash Flow – Full Year 2010 versus Prior Year



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



Capital Structure as of December 31, 2010

<u>CASH</u>	<u>Balance (\$M)</u>		
US Cash	\$36		
International Cash	<u>280</u> ⁽¹⁾		
TOTAL Cash	\$316		

<u>DEBT</u>	<u>Balance (\$M)</u>	<u>Interest Rate</u>	<u>Maturity</u>
Revolver (\$250M)	\$25 ⁽¹⁾	3.28% ⁽²⁾	2015
A/R Securitization (\$100M)	-	1.20%	2013
Term Loan A / B	250 / 550	3.28% / 5.00% ⁽²⁾	2015 / 2017
Industrial Development Bond / Other	<u>50</u>	~2.00%	>2025
TOTAL Debt	\$875		

Net Debt	\$559		
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(1) In January 2011, a significant amount of international cash was repatriated with the proceeds used to pay off the revolver.

(2) Term Loan A and the revolver interest rates are LIBOR + 3% and Term Loan B interest rate is LIBOR + 3.5% with a 1.5% floor.

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



\$150 Million Savings Program

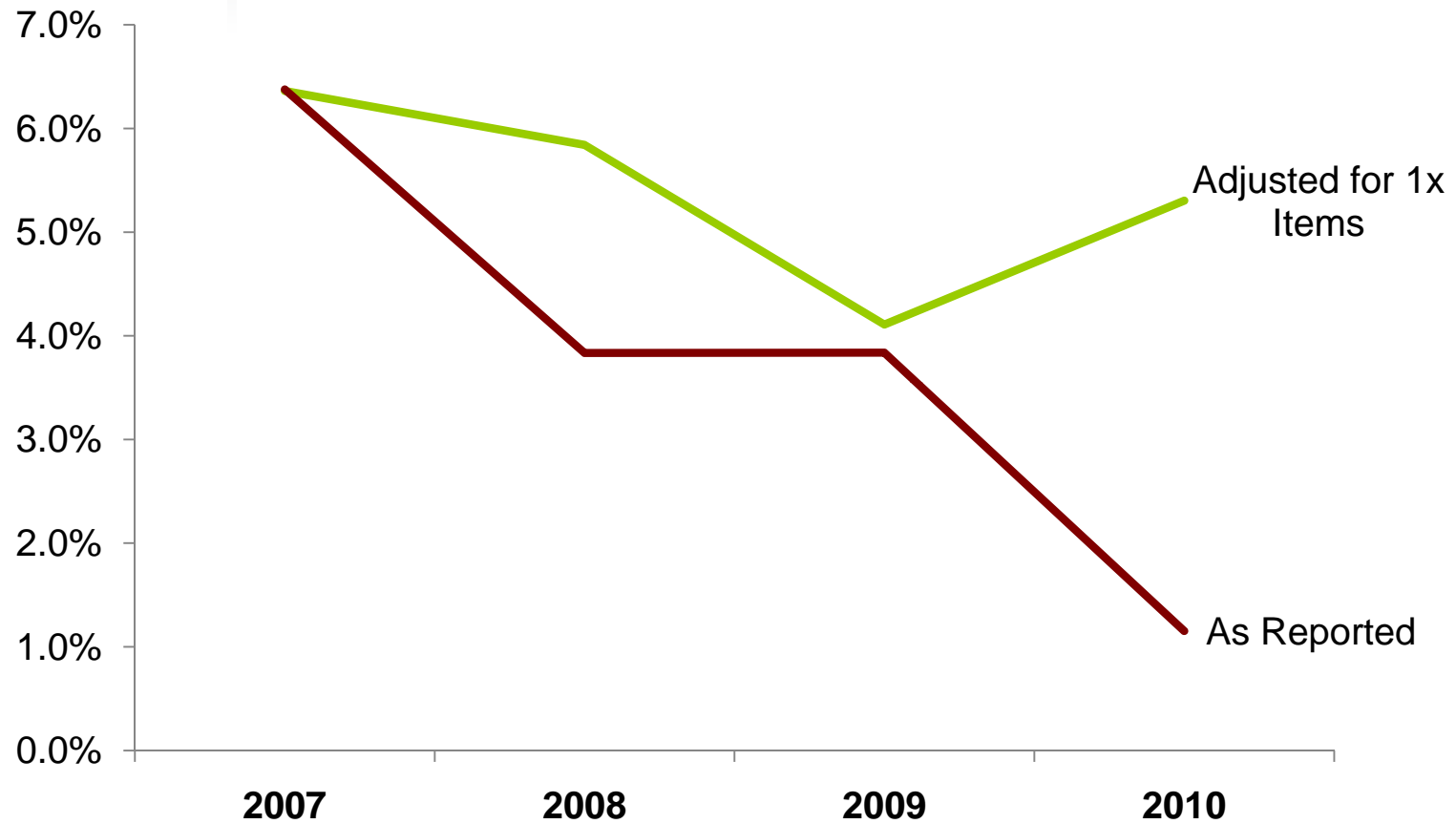


\$150M savings from manufacturing and SG&A, net of inflation.
Will use procurement savings to mitigate strong inflationary pressure.

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



AWI - Return on Invested Capital (ROIC)



**Near term goal is to return at least our cost of capital by 2013,
with domestic housing starts ~ 1 million units.**

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⁾	255	to 305	189	35%	to 62%
EBITDA	360	to 410	303	19%	to 35%
Earnings Per Share ^{(3),(4)}	\$2.04	to \$2.53	\$1.73	18%	to 47%
Free Cash Flow	70	to 120	180	(61%)	to (33%)

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

(2) As reported Operating Income: \$225 - 275 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: \$1.85 - \$2.34 in 2011 and \$0.19 in 2010.

All figures in \$ millions unless otherwise noted.

- Raw Material & Energy Inflation \$35 - \$45 million increase
- Manufacturing Productivity Gross Margin +100 to +200 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%
- Q1 Sales \$640 – \$705 million
EBITDA \$72 – \$88 million
- Capital Spending ~\$180-\$200 million
- Exclusions from EBITDA ~\$18 - 27 million associated with already
announced actions



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Appendix



Full Year 2010 – Adjusted Operating Income to Reported Net Income

	<u>2010</u>	<u>2009</u>	<u>V</u>
Operating Income – Adjusted ⁽¹⁾	\$188	\$157	\$31
Foreign Exchange Movements	2	-	2
Laminate Duty Refund	7	-	7
Cost Reduction Initiatives	(50)	(16)	(34)
Asset Impairments	(31)	(18)	(13)
Restructuring	(22)	-	(22)
Executive Transition	(15)	-	(15)
Gain on Settlement of Note Receivable	2	-	2
Accelerated Vesting	-	<u>(32)</u>	<u>32</u>
Operating Income – As Reported	\$81	\$91	(\$10)
Interest (Expense) Income	<u>(14)</u>	<u>(16)</u>	<u>2</u>
EBT	\$67	\$75	(\$8)
Tax (Expense) Benefit	<u>(56)</u>	<u>3</u>	<u>(59)</u>
Net Income	\$11	\$78	(\$67)

(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.



Normalized Operating Income to Free Cash Flow

	2011 Estimate Range		
Adjusted Operating Income	255	to	305
D&A			105
Adjusted EBITDA	360	to	410
Changes in Working Capital	10	to	30
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	70	to	120

All figures in \$ millions unless otherwise noted.



Consolidated Results

Fourth Quarter

	<u>2010 Reported</u>	<u>Comparability⁽¹⁾ Adjustments</u>	<u>FX⁽²⁾ Adj</u>	<u>2010 Adjusted</u>	<u>2009 Reported</u>	<u>Comparability⁽¹⁾ Adjustments</u>	<u>FX⁽²⁾ Adj</u>	<u>2009 Adjusted</u>
Net Sales	643	-	9	652	653	-	4	657
Operating Income	(30)	50	(1)	19	(2)	27	-	26
EPS	(\$0.36)	\$0.48	(\$0.01)	\$0.11	(\$0.07)	\$0.30	\$-	\$0.23

Full Year 2010

	<u>2010 Reported</u>	<u>Comparability⁽¹⁾ Adjustments</u>	<u>FX⁽²⁾ Adj</u>	<u>2010 Adjusted</u>	<u>2009 Reported</u>	<u>Comparability⁽¹⁾ Adjustments</u>	<u>FX⁽²⁾ Adj</u>	<u>2009 Adjusted</u>
Net Sales	2,766	-	66	2,833	2,780	-	73	2,853
Operating Income	81	108	(2)	188	91	65	1	157
EPS	\$0.19	\$1.55	(\$0.02)	\$1.72	\$1.36	\$0.07	\$0.01	\$1.44

(1) See earnings press release and 10-K 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)

Fourth Quarter						
	2010 <u>Reported</u>	Comparability ⁽¹⁾ <u>Adjustments</u>	2010 <u>Adjusted</u>	2009 <u>Reported</u>	Comparability ⁽¹⁾ <u>Adjustments</u>	2009 <u>Adjusted</u>
Resilient Flooring	(2)	3	1	(7)	2	(4)
Wood Flooring	(32)	28	(4)	(10)	20	10
Building Products	16	16	32	24	-	24
Cabinets	(1)	-	(1)	(8)	5	(3)
Unallocated Corporate (Expense) Income	(12)	(3)	(9)	-	-	-

Full Year 2010						
	2010 <u>Reported</u>	Comparability ⁽¹⁾ <u>Adjustments</u>	2010 <u>Adjusted</u>	2009 <u>Reported</u>	Comparability ⁽¹⁾ <u>Adjustments</u>	2009 <u>Adjusted</u>
Resilient Flooring	13	18	31	-	6	7
Wood Flooring	(46)	39	(7)	(6)	20	14
Building Products	171	27	198	156	1	157
Cabinets	(6)	-	(6)	(18)	6	(12)
Unallocated Corporate (Expense) Income	(51)	23	(28)	(41)	32	(9)

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

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



Cash Flow

(\$-millions)	<u>Fourth Quarter</u>		<u>Full Year</u>	
	<u>2010</u>	<u>2009</u>	<u>2010</u>	<u>2009</u>
Net Cash From Operations	49	82	190	260
Plus / (Minus) Net Cash from Investing	(37)	(29)	(41)	(41)
Add back / (subtract):				
Restricted Cash	30	-	30	-
Divestitures	1	-	1	(8)
Equals Free Cash Flow	43	53	180	211

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