

Armstrong Financial Appendix – Reconciliation to GAAP

Reconciliation to GAAP *(unaudited)* Sales by Segment

	<u>2005</u> <u>As Reported</u>	<u>FX Adj</u>	<u>2005</u> <u>Adjusted</u>
Resilient Flooring	1,232	50	1,282
Wood Flooring	834	-	834
Building Products	1,047	52	1,099
Cabinets	213	-	213
Consolidated	\$ 3,326	\$ 101	\$ 3,427

	<u>2006</u> <u>As Reported</u>	<u>FX Adj</u>	<u>Other Adj</u>	<u>2006</u> <u>Adjusted</u>
Resilient Flooring	1,208	48	-	1,257
Wood Flooring	838	2	3	843
Building Products	1,150	53	-	1,202
Cabinets	231	-	-	231
Consolidated	\$ 3,426	\$ 103	\$ 3	\$ 3,532

	<u>2007</u> <u>As Reported</u>	<u>FX Adj</u>	<u>2007</u> <u>Adjusted</u>
Resilient Flooring	1,231	14	1,245
Wood Flooring	792	-	792
Building Products	1,292	15	1,307
Cabinets	235	-	235
Consolidated	\$ 3,550	\$ 29	\$ 3,579

	<u>2008</u> <u>Estimate</u>	<u>FX Adj</u>	<u>2008</u> <u>Est - Adj</u>
Resilient Flooring	1,312	(44)	1,269
Wood Flooring	675	(2)	673
Building Products	1,413	(46)	1,367
Cabinets	191	-	191
Consolidated	\$ 3,591	\$ (92)	\$ 3,500

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CONSOLIDATED	Twelve Months Ended December 31, 2005	Twelve Months Ended December 31, 2006	Twelve Months Ended December 31, 2007	Twelve Months Ended December 31, 2008
(amounts in millions)				
Operating Income, Adjusted	\$ 182.9	\$ 272.0	\$ 307.0	\$ 275.0
Fresh-Start:				
Change in depreciation and amortization	(5.1)	(3.9)	2.7	9.3
Change in costs for benefit plans	27.2	20.4	-	-
Impact on hedging-related activity	-	(1.0)	(5.8)	-
Inventory-related costs	(1.3)	28.3	-	-
Inventory-related costs WAVE	-	3.7	-	-
Expenses from WAVE step-up	(6.7)	(5.0)	-	-
Other Significant Items:				
Business interruption claim	(3.5)	(4.7)	-	-
Cost reduction initiatives expenses	52.4	30.0	0.2	4.3
Product warranty accrual	-	3.3	-	-
Legal settlement	(6.4)	(8.6)	-	-
Pension Curtailment	16.9	-	-	-
Fixed Asset Impairment	3.2	-	-	-
Contribution to Armstrong Foundation	-	5.0	-	-
Liability settlement related to a divested business	-	2.8	-	-
Environmental accrual	3.1	-	1.1	-
(Gain)/Loss on sale of properties	-	(17.0)	-	-
Gain on insurance settlement	-	-	(5.0)	-
Chapter 11 related post-emergence expenses	-	4.6	7.1	(1.3)
Review of strategic alternatives	-	-	8.7	1.2
Foreign exchange rate effects	2.0	3.3	1.3	(2.7)
Operating Income, Reported	\$ 101.1	210.8	\$ 296.7	\$ 264.2
RESILIENT FLOORING				
(amounts in millions)				
Operating Income, Adjusted	\$ -	\$ 26.4	\$ 41.2	\$ 25.9
Fresh-Start:				
Change in depreciation and amortization	3.4	2.5	0.8	3.3
Change in costs for benefit plans	3.2	2.4	-	-
Impact on hedging-related activity	-	(0.2)	(1.5)	-
Inventory-related costs	(1.3)	5.9	-	-
Other Significant Items:				
Business interruption claim	(3.5)	(4.7)	-	-
Cost reduction initiatives expenses	28.9	27.3	-	(1.2)
Legal settlement	(5.2)	-	-	-
Fixed Asset Impairment	1.8	-	-	-
Environmental accrual	3.1	-	1.1	-
(Gain)/Loss on sale of properties	-	(17.0)	-	-
Foreign exchange rate effects	(2.0)	(1.2)	0.4	(0.1)
Operating Income, Reported	\$ (28.4)	11.4	\$ 40.4	\$ 23.9

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WOOD FLOORING	Twelve Months Ended	Twelve Months Ended	Twelve Months Ended	Twelve Months Ended
(amounts in millions)	December 31, 2005	December 31, 2006	December 31, 2007	December 31, 2008
Operating Income, Adjusted	\$ 87.7	\$ 73.5	\$ 64.5	\$ 33.6
Fresh-Start:				
Change in depreciation and amortization	12.6	9.4	0.2	1.0
Inventory-related costs	-	12.4	-	-
Other Significant Items:				
Cost reduction initiatives expenses	14.0	2.2	-	-
Product warranty accrual	-	3.3	-	-
Legal settlement	(1.2)	-	-	-
Fixed Asset Impairment	1.4	-	-	-
Foreign exchange rate effects	-	0.2	-	-
Operating Income, Reported	\$ 60.9	\$ 46.0	\$ 64.3	\$ 32.6

BUILDING PRODUCTS	Twelve Months Ended	Twelve Months Ended	Twelve Months Ended	Twelve Months Ended
(amounts in millions)	December 31, 2005	December 31, 2006	December 31, 2007	December 31, 2008
Operating Income, Adjusted	\$ 138.1	\$ 178.0	\$ 219.9	\$ 231.6
Fresh-Start:				
Change in depreciation and amortization	(20.8)	(15.6)	1.1	4.2
Change in costs for benefit plans	5.0	3.7	-	-
Impact on hedging-related activity	-	(0.8)	(4.3)	-
Inventory-related costs	-	9.2	-	-
Inventory-related costs WAVE	-	3.7	-	-
Expenses from WAVE step-up	(6.7)	(5.0)	-	-
Other Significant Items:				
Cost reduction initiatives expenses	7.9	0.6	0.2	-
Foreign exchange rate effects	4.2	4.4	1.5	(2.7)
Operating Income, Reported	\$ 148.5	\$ 177.8	\$ 221.4	\$ 230.1

CABINETS	Twelve Months Ended	Twelve Months Ended	Twelve Months Ended	Twelve Months Ended
(amounts in millions)	December 31, 2005	December 31, 2006	December 31, 2007	December 31, 2008
Operating Income, Adjusted	\$ (7.2)	\$ 7.8	\$ 5.5	\$ (3.5)
Fresh-Start:				
Change in depreciation and amortization	0.9	0.7	-	-
Inventory-related costs	-	0.8	-	-
Other Significant Items:				
Cost reduction initiatives expenses	1.6	-	-	-
Gain on insurance settlement	-	-	(5.0)	-
Foreign exchange rate effects	-	-	-	-
Operating Income, Reported	\$ (9.7)	\$ 6.3	\$ 10.5	\$ (3.5)

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UNALLOCATED CORPORATE EXPENSE	Twelve Months Ended December 31, 2005	Twelve Months Ended December 31, 2006	Twelve Months Ended December 31, 2007	Twelve Months Ended December 31, 2008
(amounts in millions)				
Operating Income, Adjusted	\$ (35.5)	\$ (13.6)	\$ (23.8)	\$ (12.6)
Fresh-Start:				
Change in depreciation and amortization	(1.2)	(0.9)	0.6	0.8
Change in costs for benefit plans	19.1	14.3	-	-
Other Significant Items:				
Cost reduction initiatives expenses	-	(0.1)	-	5.5
Legal settlement	-	(8.6)	-	-
Pension Curtailment	16.9	-	-	-
Contribution to Armstrong Foundation	-	5.0	-	-
Liability settlement related to a divested business	-	2.8	-	-
Chapter 11 related post-emergence expenses	-	4.6	7.1	(1.3)
Review of strategic alternatives	-	-	8.7	1.2
Foreign exchange rate effects	(0.1)	-	(0.3)	0.2
Operating Income, Reported	\$ (70.2)	\$ (30.7)	\$ (39.9)	\$ (19.0)

Reconciliation of Free Cash Flow

	2005 Act	2006 Act	2007 Act	2008 Est
NET CASH FROM OPERATIONS	\$ 170	\$ (633)	\$ 575	\$ 235
Plus/(minus): Net Cash from Investing	(72)	(172)	(37)	(65)
Add back/(subtract):				
Emergence related payments	-	849	26	4
Divestiture	-	-	(58)	-
Acquisitions	-	73	5	1
Free Cash Flow	<u>\$ 98</u>	<u>\$ 117</u>	<u>\$ 511</u>	<u>\$ 175</u>

Reconciliation to GAAP (unaudited)

CONSOLIDATED	Twelve Months Ended December 31, 2005	Twelve Months Ended December 31, 2006	Twelve Months Ended December 31, 2007	Twelve Months Ended December 31, 2008
(amounts in millions)				
Operating Income, Adjusted	\$ 182.9	\$ 272.0	\$ 307.0	\$ 275.0
Depreciation and Amortization, as reported	158.6	134.0	137.8	146.7
Fresh start change in Depreciation and Amort	5.1	3.9	(2.7)	(9.3)
Cost reduction initiative Dep'n and amort adj	(25.0)	(2.0)	-	-
EBITDA Adjusted	\$ 321.6	\$ 407.9	\$ 442.1	\$ 412.4

Net Debt calculation

Total Debt, as reported	NM	816.2	514.4	500.0
Cash, as reported	NM	252.5	514.0	400.0
less operating cash	NM	(150.0)	(150.0)	(150.0)
Non Operating cash	NM	102.5	364.0	250.0
Net Debt	NM	713.7	150.4	250.0
Net Debt/EBITDA	NM	1.7	0.3	0.6