

# ARMSTRONG FLOORING, INC.

Investor Presentation

March 2016



**Armstrong®**  
**FLOORING**

Inspiring Great Spaces™

# SAFE HARBOR STATEMENT

Our disclosures in this presentation, including without limitation, those relating to future financial results guidance and the possible separation of our flooring business from our building products business, 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 or the separation of our businesses. 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. 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 Armstrong Flooring, Inc. recent Form 10 filing with the SEC. As a result, our actual results may differ materially from our expected results and from those expressed in our forward-looking statements. 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. The information in this presentation is only effective as of the date given, March 10, 2016, and is subject to change. Any distribution of this presentation after March 10, 2016 is not intended and will not be construed as updating or confirming such information.

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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 can be found in the appendix section of this presentation.

Armstrong competes globally in many diverse markets. References to "*market*" or "*share*" data are simply estimations based on a combination of internal and external sources and assumptions. They are intended only to assist discussion of the relative performance of product segments and categories for marketing and related purposes. No conclusion has been reached or should be reached regarding a "*product market*," a "*geographic market*" or "*market share*," as such terms may be used or defined for any economic, legal or other purpose.

# NEW, ENERGIZED EXECUTIVE TEAM

Motivated Management Team Driving the Business Forward



## **DON MAIER – PRESIDENT & CEO**

- 1 year as AFI CEO, 6 years with Armstrong
- 29 years of operational experience across industries
- Prior experience with TPG and Hill-Rom



## **JAY THOMPSON – SVP & CFO**

- 1 year with Armstrong
- Previously CFO at Chobani
- Prior experience with PepsiCo, TPG, Bain & Co. and Goldman Sachs



## **DAVE SCHULZ – SVP & COO**

- 4 years with Armstrong, current AWI CFO
- Previously CFO at P&G's Americas Snacks Division (14 years of experience at P&G)
- Previously served as an officer in the United States Marine Corps



## **DOMINIC RICE – SVP NORTH AMERICAN COMMERCIAL**

- 34 years with Armstrong
- Also leads Global Innovation and Corporate Communications
- Director and former Chairman of the Resilient Floor Covering Institute (RFCI)



## **JOE BONDI – SVP NORTH AMERICAN RESIDENTIAL**

- 2 years with Armstrong
- Prior experience with CertainTeed, Lutron and Sears
- 18 years of experience in B2B and B2C

# UNIQUE OPPORTUNITY TO BUILD VALUE

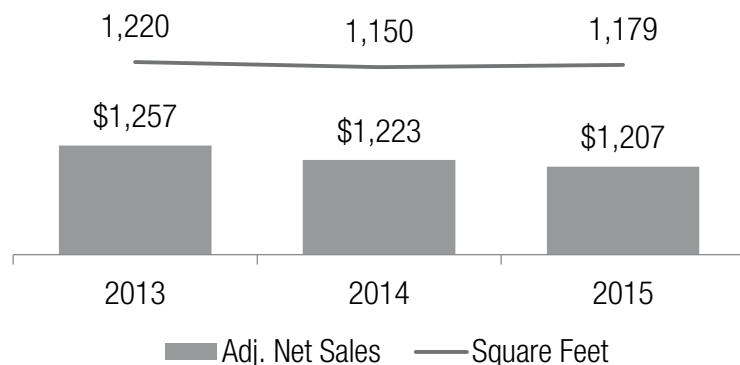
- ✓ Leading hard surfaces flooring company
- ✓ Most recognized brands
- ✓ Expansive product portfolio
- ✓ Renewed focus on innovation
- ✓ Differentiated go-to-market system
- ✓ Operational, financial and organizational transformation



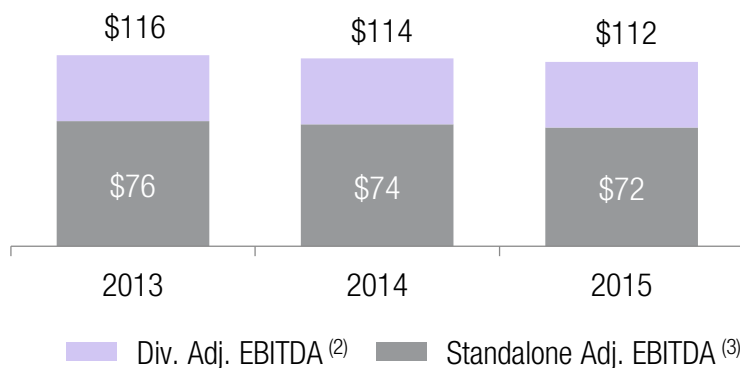
# NEED FOR TRANSFORMATION

Volume, Sales, and EBITDA “Flat” in Growing Market

## Volume (M) and Adjusted Net Sales<sup>(1)</sup> (\$M)



## Adjusted EBITDA (\$M)



## KEY DRIVERS

- Inconsistent market, channel and customer strategies
- Price and commodity relationships out-of-line with market
- Focus on SG&A reductions to sustain margins impacted core capabilities
- European flooring business a drag on overall focus

(1) Adjusted net sales based on 2015 budgeted FX rates

(2) Division adjusted EBITDA based on current AWI segment reporting basis at 2015 budgeted FX rates; excludes standalone corporate expenses

(3) Standalone EBITDA adjusted for \$40 million corporate G&A costs

# TRANSFORMATION UNDERWAY

Initiatives Starting to Show Results

## FOCUS AREAS

### Portfolio

- Exited European Flooring Business

### Product

- Focus on product innovation
- Manage under-performing SKUs
- Improvements in price and mix

### Go-to-Market

- Distributor and retailer support
- Merchandising investments
- Consumer purchase journey

### Completed Capital Investments

- New Luxury Vinyl Tile (LVT) plant
- Expanded Asia capacity
- Increased Engineered Wood capacity

### People

- New leadership team
- Customer-focused organization
- Incentive plans tied to shareholder returns

## Q4 2015 vs. Q4 2014 RESULTS

**+4%**

TOTAL UNIT  
VOLUME

**+20%**

ENGINEERED  
WOOD VOLUME

**+34%**

LVT VOLUME

**+10%**

ADJUSTED EBITDA

# MEDIUM-TERM FINANCIAL GOALS

Growth and Operating Leverage Leading to Bottom-line Expansion

## TOP-LINE GROWTH

**5 - 6%**  
Annualized

## REVENUE FLOW THROUGH

**20 - 30%**  
Incr. EBITDA Margins

## EBITDA MARGIN

**10%**



# AGENDA

**OUR BUSINESS**

INVESTMENT HIGHLIGHTS

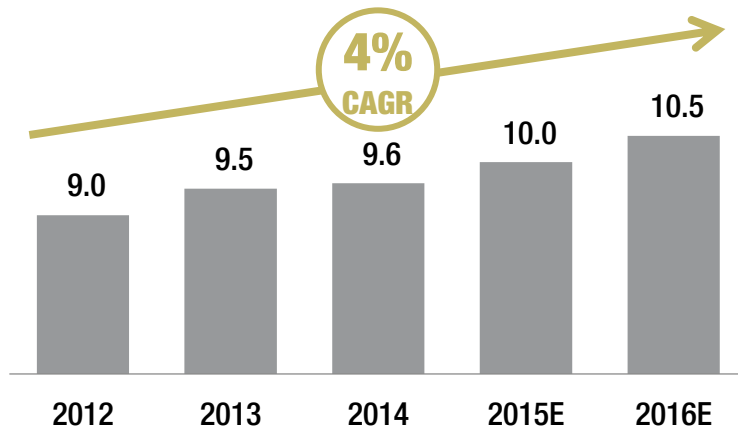
FINANCIAL OUTLOOK



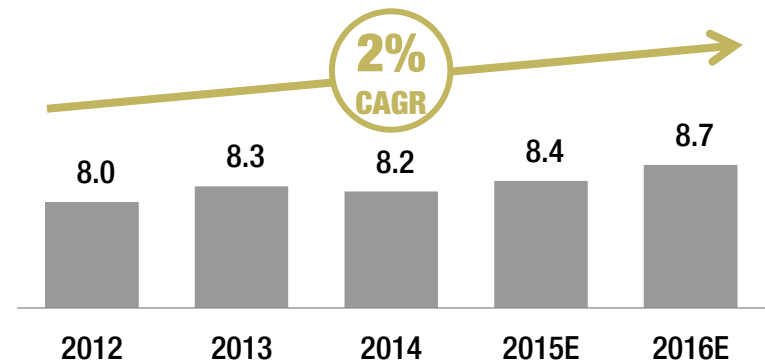
# HARD SURFACE FLOORING: AN ATTRACTIVE CATEGORY

Hard Surface Growing at 2x Rate of Soft Surface

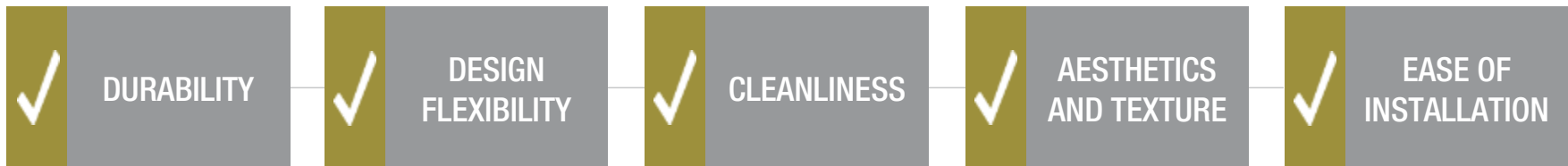
US Hard Surface Flooring Volume ('12-'16E)<sup>(1)</sup>



US Soft Surface Flooring Volume ('12-'16E)<sup>(1)</sup>



## Key Consumer Demands



# AFI - LEADER IN HARD SURFACE FLOORING

Integrated Business Across Resilient and Wood

**2015 ADJ. NET SALES:** \$1,207 million  
**2015 DIVISION ADJ. EBITDA:** \$112 million<sup>(1)</sup>  
**STANDALONE ADJ. EBITDA:** \$72 million<sup>(2)</sup>

BRANDS THAT  
CROSS PRODUCT  
CATEGORIES

STRONG CHANNEL  
OVERLAP

LOGISTICS AND  
CUSTOMER SERVICE

LEVERAGED  
CORPORATE  
SERVICES

## RESILIENT FLOORING SEGMENT

2015 Adj. Net Sales: \$727 million  
2015 Adj. EBITDA: \$73 million<sup>(1)</sup>  
Plants: 6 US, 2 China, and  
1 Australia



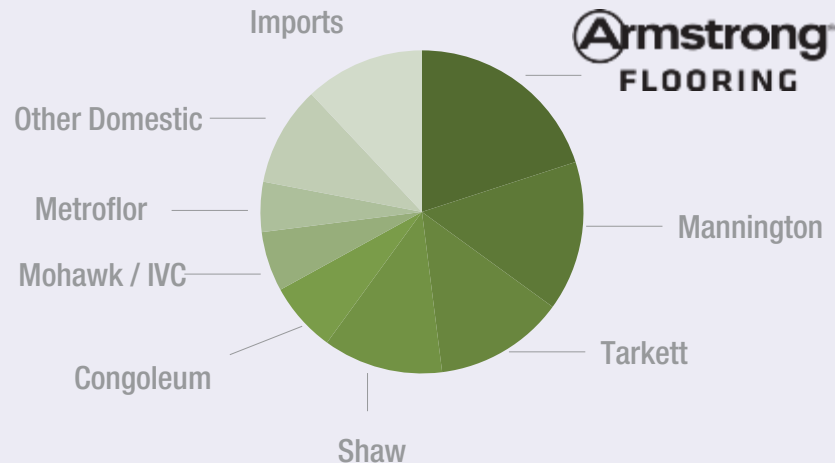
## WOOD FLOORING SEGMENT

2015 Adj. Net Sales: \$480 million  
2015 Adj. EBITDA: \$39 million<sup>(1)</sup>  
Plants: 8 US

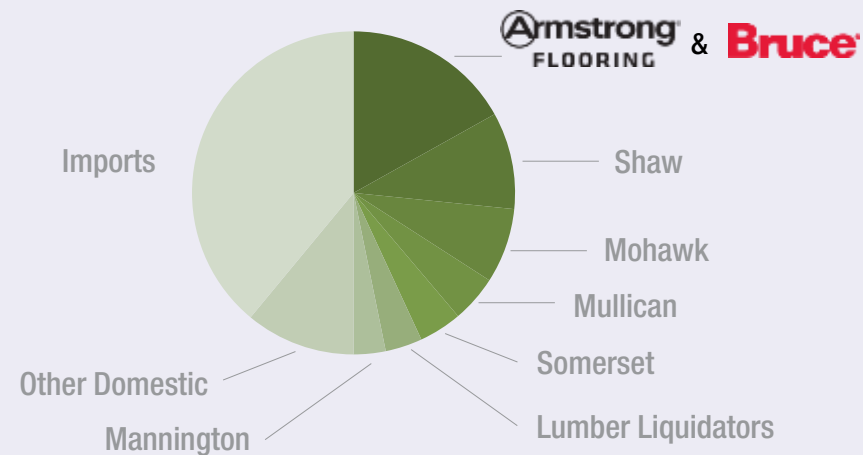
# #1 IN US RESILIENT AND WOOD FLOORING

## US Market Share Breakdown

### RESILIENT FLOORING <sup>(1)</sup>



### WOOD FLOORING <sup>(2)</sup>



# BROAD PRODUCT MIX

## RESILIENT FLOORING<sup>(1)</sup>



Resilient Sheet

40%



Luxury Vinyl Tile (LVT)

15%



Resilient Tile

35%



Laminate / Other

10%

## WOOD FLOORING<sup>(1)</sup>



Solid Wood

60%

Engineered Wood

40%



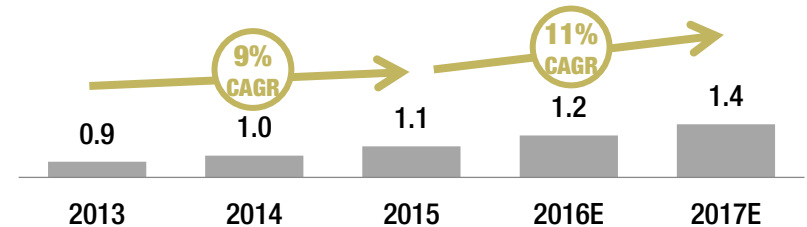
# POSITIONED TO LEVERAGE MARKET RECOVERY

Outlook Supports Industry Volume Growth

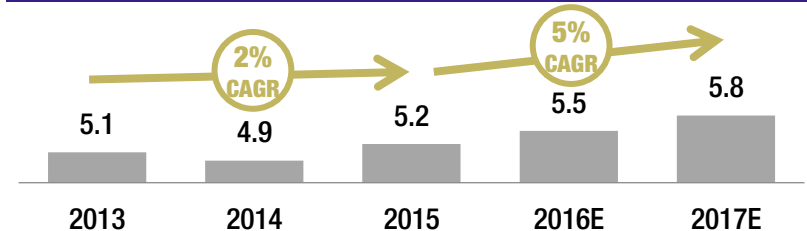
## 2015 NET SALES BY END USE



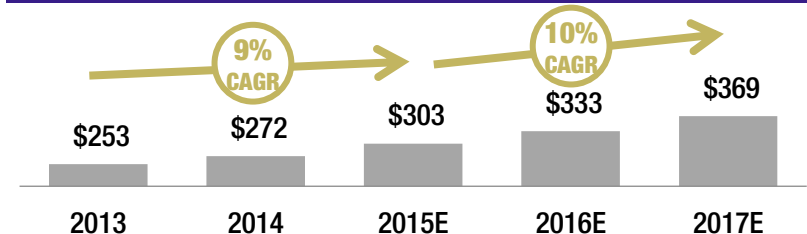
## US Housing Starts (millions)



## US Existing Home Sales (millions)



## US Non-Residential Construction (\$Bn)<sup>(1)</sup>



# PROFITABILITY IMPROVING IN PACIFIC RIM

## 2015 Pacific Rim Net Sales Breakdown



## KEY FACTS

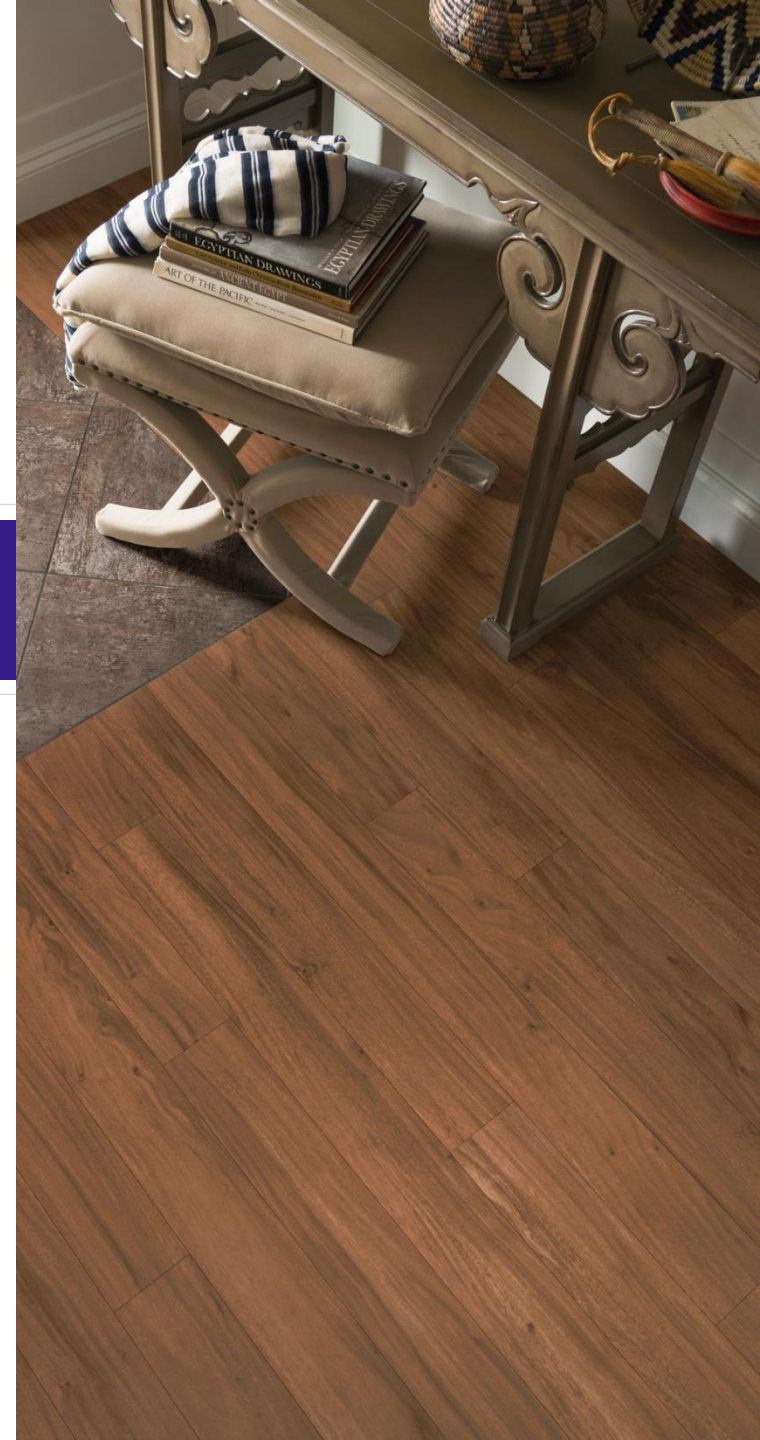
- Approximately \$100 million in 2015 revenue
- Strong share positions
- Advanced manufacturing in place
- Future alternative supply source for North American Commercial Sheet

# AGENDA

OUR BUSINESS

**INVESTMENT HIGHLIGHTS**

FINANCIAL OUTLOOK



# INVESTMENT HIGHLIGHTS

## 1 COMPETITIVE ADVANTAGES

- Most recognized brands
- Expansive product portfolio
- Advantaged go-to-market system

2

TRANSFORMATION

3

TOP-LINE GROWTH

4

BOTTOM-LINE DRIVERS

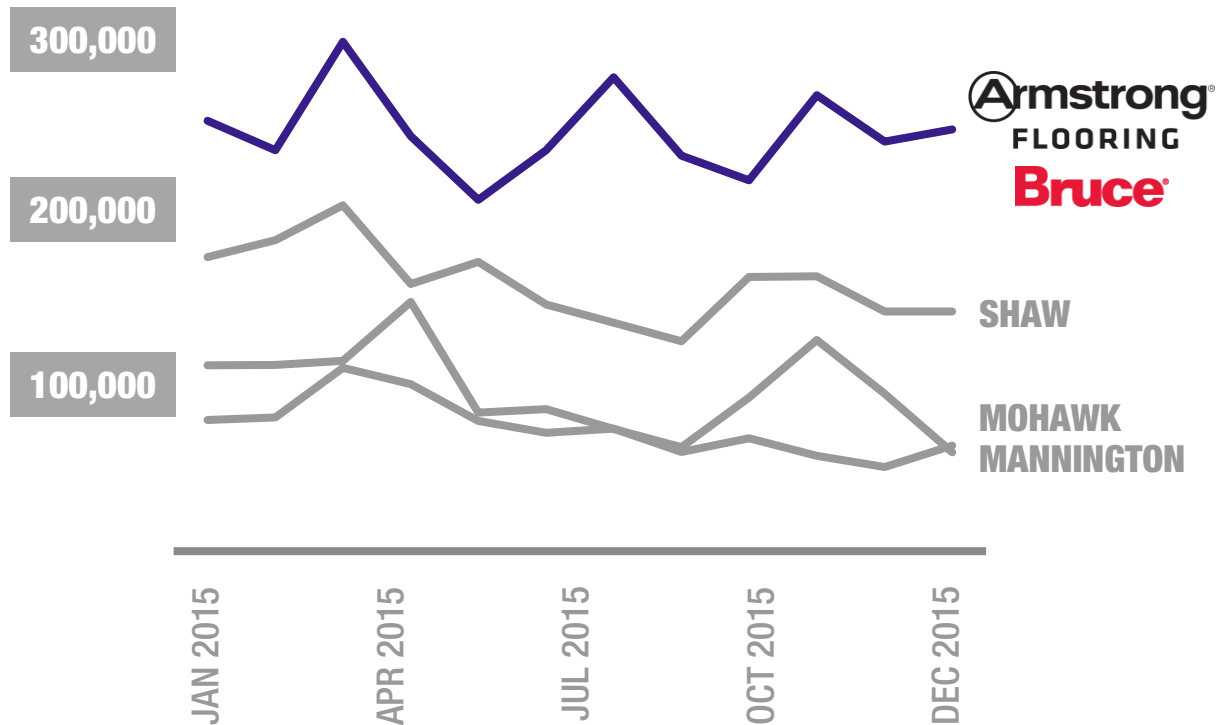
# MOST RECOGNIZED BRANDS AND MOST VISITED MANUFACTURER WEBSITE

1

## KEY AFI BRANDS (1)



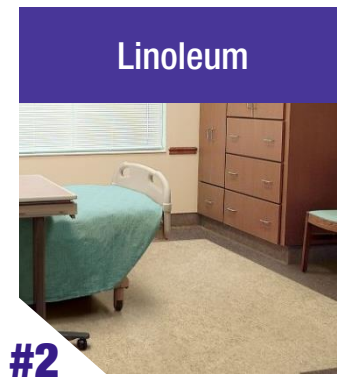
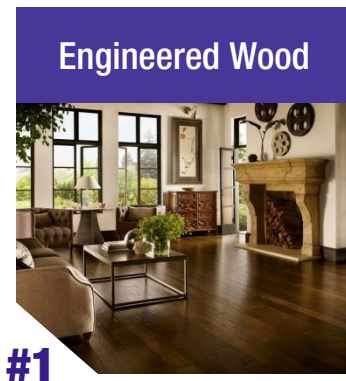
## MONTHLY WEBSITE VISITS (2)



# EXPANSIVE PRODUCT PORTFOLIO

Leadership Position Creates Opportunity

1



△ AFI MARKET POSITION

# GO-TO-MARKET SYSTEM CREATES COMPETITIVE ADVANTAGE

1

Distribution + Direct Model Best Serves Customers

## DISTRIBUTION SALES

- Support to ~15,000 local and regional retailers and contractors
- Superior coverage, service, and availability
- Complements AFI specification strengths



## DIRECT SALES

- Large, national customers
- Home centers
- Direct relationships for cost efficiency
- Key consumer touchpoint

**~55%**

**~45%**

# INVESTMENT HIGHLIGHTS

1

COMPETITIVE ADV.

## 2 TRANSFORMATION

- Positioning to high growth categories
- Renewed focus on distribution
- Improved innovation process

3

TOP-LINE GROWTH

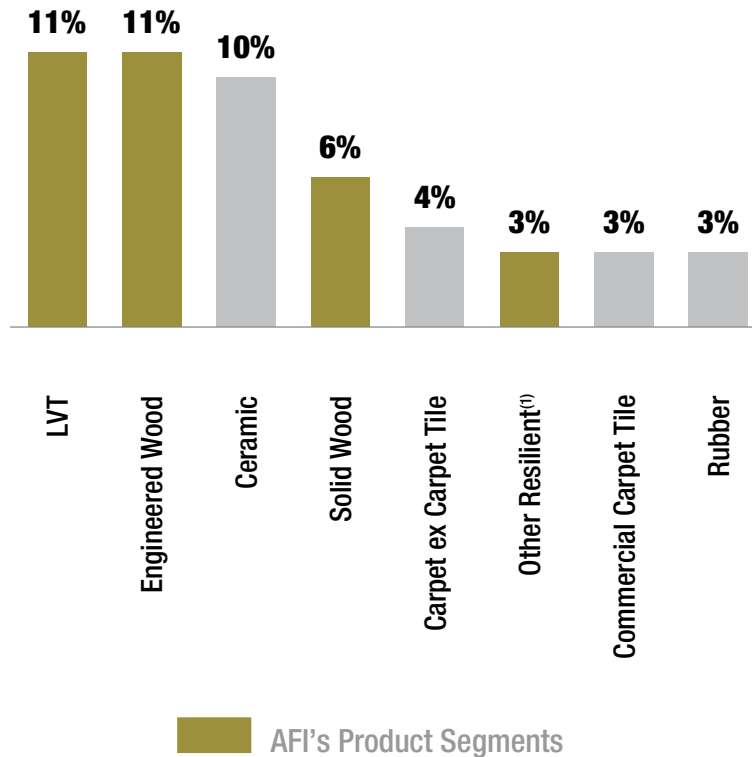
4

BOTTOM-LINE DRIVERS

# POSITIONING TO GROW IN ATTRACTIVE HARD SURFACE CATEGORIES

2

2012-2016E US Sales Growth (CAGR) by Category



# WINNING WITH DISTRIBUTION

OPPORTUNITY TO DOUBLE CURRENT DISTRIBUTOR SALES

## DISTRIBUTOR “SHARE OF WALLET” OPPORTUNITY

PERCENT OF AFI DISTRIBUTOR SALES IN 2015 – TOTAL \$2.6B



## DISTRIBUTION INITIATIVES



# REFOCUSSED INNOVATION PLATFORM

2

Establishing a Pipeline for Growth

## PRODUCT DEVELOPMENT INITIATIVES

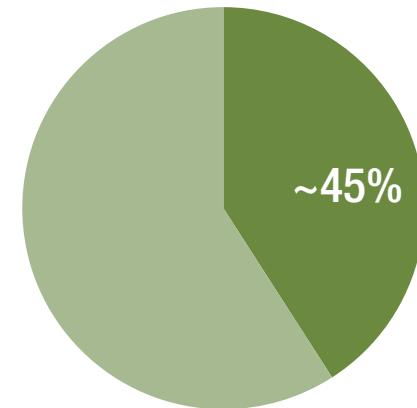
### STRUCTURE

- New R&D leader
- Global R&D organization
- Regional innovation centers

### PROCESS

- Consumer driven
- Leverage across products
- Repeatable processes

## RESULTS



% of 2015 Sales from New Products<sup>(1)</sup>

4x

Increase in  
Annual US  
Patents Filed  
(2011 to 2015)

# INCREASED RATE OF PRODUCT INNOVATION

2

## Durability



DIAMOND10™ Technology



Performance Plus™

Performance Plus™ with  
Acrylic Impregnation

## Design



VIVERO™ Luxury Vinyl Tile



Alterna™ Luxury Vinyl Tile and  
Architectural Remnants™ Laminate

## Materials



LUXE PLANK® with  
Rigid Core Technology



Striations BBT™ Bio-flooring

## Installation



Fastak™ and I-Set™



INTEGRILOCK™  
SYSTEM

VIVERO™ with Integrilock™

# INVESTMENT HIGHLIGHTS

1

COMPETITIVE ADV.

2

TRANSFORMATION

## 3 TOP-LINE GROWTH

- Consumer-centric innovation
- VIVERO™ LVT Case Study

4

BOTTOM-LINE DRIVERS

# TOP-LINE GROWTH STRATEGY

3

Repeatable Process to Drive Disciplined Market Share Gains





## **CASE STUDY: VIVERO™ LVT**

AFI's new Luxury Vinyl Tile with  
DIAMOND10™ Technology

# CASE STUDY: VIVERO™ LVT

3

## 1 CONSUMER INSIGHT

“A product that looks great, no matter what life throws at it.”

## INNOVATION

2

### Consumer Demands

Increasing Importance

Durability

Style / Look

Price

Material

Low Maintenance

Ease of Installation

## 4 PURCHASE JOURNEY

## GO-TO-MARKET

3

# CASE STUDY: VIVERO™ LVT

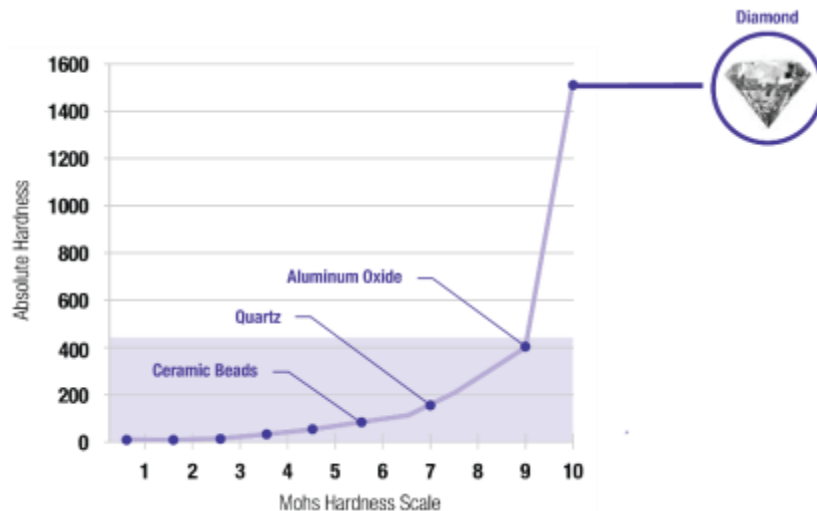
3

1

CONSUMER INSIGHT

INNOVATION

2



“Best-in-Class”  
scratch and stain resistance



4

PURCHASE JOURNEY

GO-TO-MARKET

3

# CASE STUDY: VIVERO™ LVT

3

1

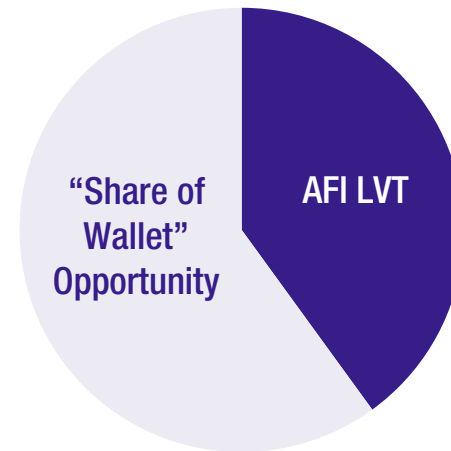
CONSUMER INSIGHT



INNOVATION

2

Simplified pricing and marketing



TOTAL DISTRIBUTOR LVT SALES

4

PURCHASE JOURNEY



GO-TO-MARKET

3

# CASE STUDY: VIVERO™ LVT

3

1

CONSUMER INSIGHT



INNOVATION

2

Retailer programs  
that close the sale



- Retailer training
- Merchandising
- Market development
- Promotional programs

4

PURCHASE JOURNEY



GO-TO-MARKET

3



# A new luxury flooring product

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Setting the standard  
for design, durability  
and value

To view the video included in this presentation,  
visit: [www.armstrong.com/diamond10](http://www.armstrong.com/diamond10)

# INVESTMENT HIGHLIGHTS

1

COMPETITIVE ADV.

2

TRANSFORMATION

3

TOP-LINE GROWTH

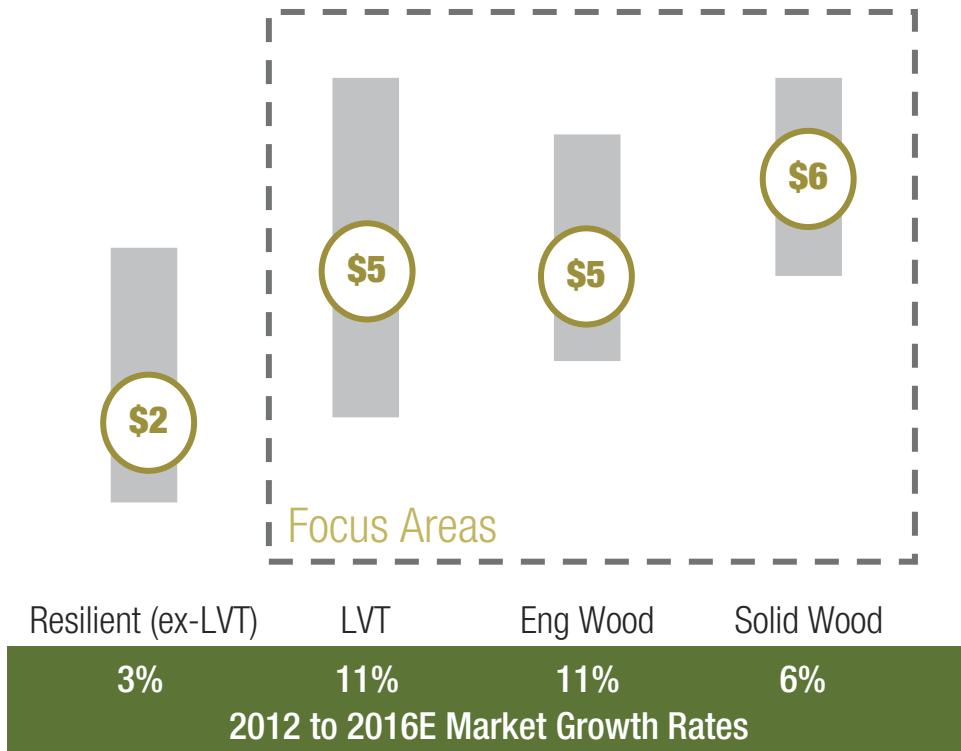
## 4 BOTTOM-LINE DRIVERS

- Portfolio mix
- Wood economics
- Continuous improvement

# IMPROVING PORTFOLIO MIX

Shift in Mix Will Improve Profit per Square Foot

## Average Retail Price Per SF and Growth Rates<sup>(1)</sup>



○ Average Independent Retail Price  
(Dollars per square foot)

■ Retail Price Range  
(Dollars per square foot)

## KEY FACTS

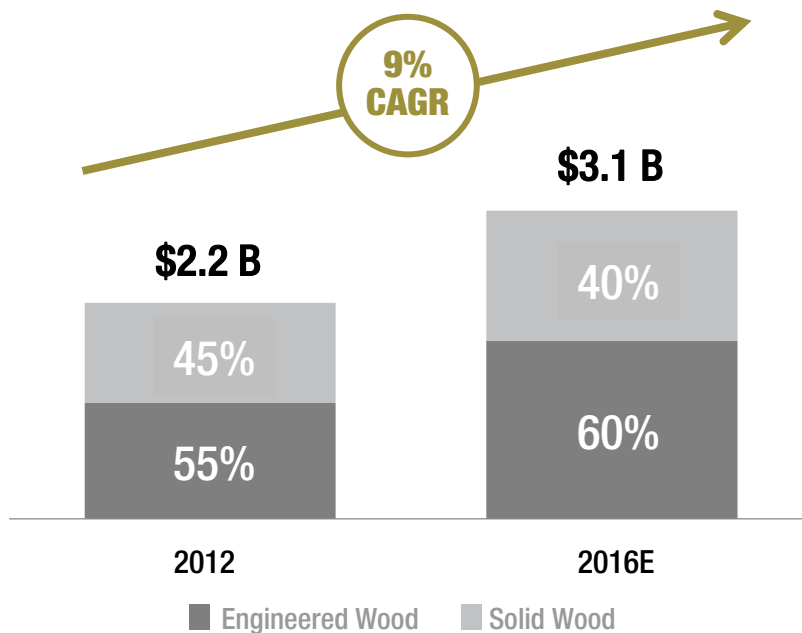
- Market growth favoring product categories with higher retail prices per square foot
- AFI will benefit from market growth in higher profit categories given a positive correlation between retail price and profit per square foot
- We are taking actions to further accelerate our revenue weighting in these categories

# DRIVING WOOD PROFITABILITY

4

Core to AFI Growth Strategy

## US WOOD FLOORING MARKET<sup>(1)</sup>



## INITIATIVES TO ENHANCE VALUE



**PRODUCT &  
CHANNEL MIX**



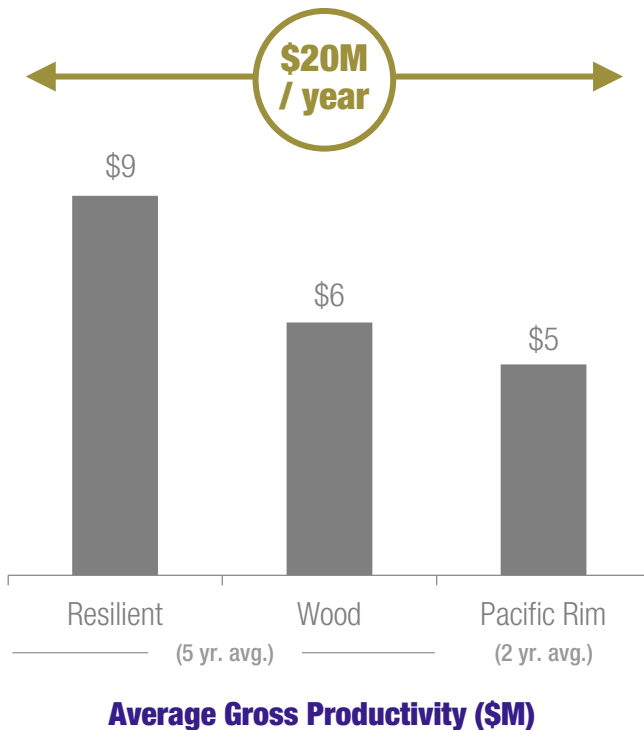
**INNOVATION**



**OPERATIONAL  
IMPROVEMENTS**

# CULTURE OF CONTINUOUS IMPROVEMENT 4

## PRODUCTIVITY SAVINGS



## SELECTED EXAMPLES

### RESILIENT

Migrated an off-line, manual packing operation into the mainstream production process

### WOOD

Shifted solid wood plants from 3 to 2 shifts through process redesign and technology investment

### PACIFIC RIM

Expanded Wujiang, China homogeneous plant capacity by 33% through process reengineering

# AGENDA

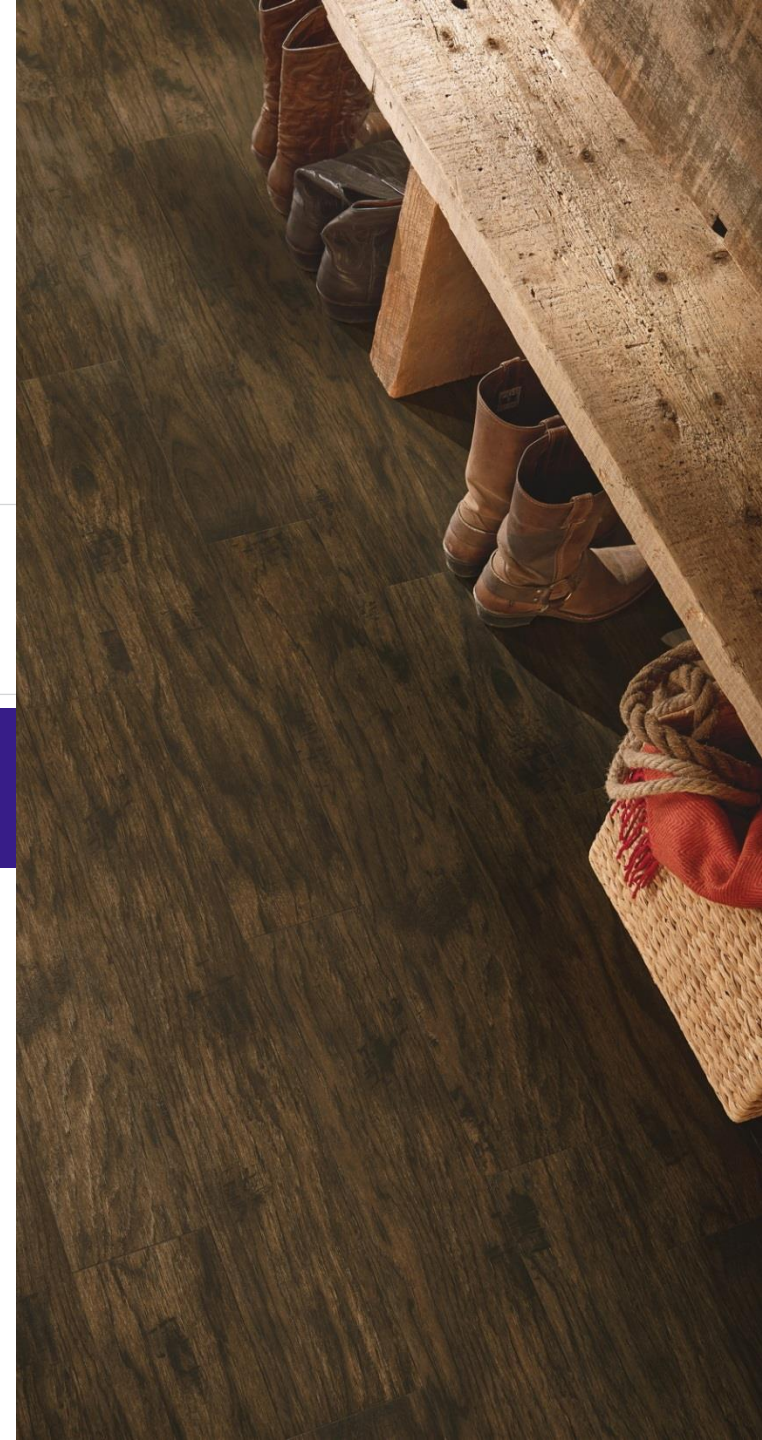
OUR BUSINESS

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INVESTMENT HIGHLIGHTS

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**FINANCIAL OUTLOOK**



# STRONG BALANCE SHEET WITH FOCUS ON LIQUIDITY

## Pro Forma Balance Sheet<sup>(1)</sup>

### Assets (\$M)

Cash	\$38
Current Assets	350
PP&E / Other Assets	514
<b>Total Assets</b>	<b>\$902</b>

### Liabilities & Equity (\$M)

Current Liabilities (Excl. Debt)	\$161
Total Debt	98
Pension & Post Retirement Liabilities	123
Other Liabilities	14
<b>Total Liabilities</b>	<b>\$396</b>
 Shareholders' Equity	 \$505
<b>Total Liabilities &amp; Equity</b>	<b>\$902</b>

## STRONG, LIQUID BALANCE SHEET

- Low-cost (L+150), \$225M asset-based loan
- \$100M initial draw; plenty of liquidity
- Gross leverage at 1.6x; net leverage at 1.0x

## CONSERVATIVE CAPITAL DEPLOYMENT

- Step-down in capital spending
- Targeted working capital improvements

# MEDIUM-TERM FINANCIAL GOALS

Growth and Operating Leverage Leading to Bottom-line Expansion

## REASONS TO BELIEVE



### TOP-LINE GROWTH

**5 - 6%**  
Annualized

### REVENUE FLOW THROUGH

**20 - 30%**  
Incr. EBITDA Margins

### EBITDA MARGIN

**10%**

# 2016 GUIDANCE

**2015**

**2016**

ADJ. NET SALES

\$1,183 million<sup>(1)</sup>

\$1,200 - \$1,250 million

*1% - 6% growth*

ADJ. EBITDA

\$61 million<sup>(1)</sup>

\$65 - \$80 million

*7% - 31% growth*

CAPITAL EXPENDITURES

\$62 million<sup>(2)</sup>

\$50 - \$60 million

FREE CASH FLOW<sup>(3)</sup>

Negative

Positive

**ARMSTRONG CHALLENGED US TO  
TEST THEIR NEW VIVERO STAIN  
RESISTANT LUXURY VINYL FLOORING.  
HERE ARE THE RESULTS.**



To view the video included in this presentation,  
visit: [www.armstrong.com/diamond10](http://www.armstrong.com/diamond10)

# UNIQUE OPPORTUNITY TO BUILD VALUE

- ✓ Leading hard surfaces flooring company
- ✓ Most recognized brands
- ✓ Expansive product portfolio
- ✓ Renewed focus on innovation
- ✓ Differentiated go-to-market system
- ✓ Operational, financial and organizational transformation



# Appendix

# FLOOR TYPE DEFINITIONS

- **Resilient Tile** - Highly durable commercial flooring (VCT: “Vinyl Composition Tile”) and economical, easy to install “peel-and-stick” tiles used in residential applications.
- **Resilient Sheet** - Vinyl sheet flooring available in a variety of constructions to meet the performance, design and cost needs for commercial and residential applications.
- **Luxury Vinyl Tile (“LVT”)** - Cutting-edge printing and photographic designs on a vinyl foundation layer with design, aesthetic and shape flexibility.
- **Linoleum** - Among the “greenest” of floors, linoleum is made from natural materials, is naturally anti-bacterial and biodegradable.
- **Laminate** - High-resolution printed image design layer topped with a synthetic wear layer sealed to a dense, fiberboard core.
- **Solid Wood** - Classic oak, maple and other solid hardwood boards milled from a single piece of lumber cut to different widths and lengths.
- **Engineered Wood** - Multiple wood veneers bonded together with a hardwood ‘face’ layer to create a dimensionally stable product offering greater design and installation options than solid wood products.

# 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. Reconciliations to the nearest GAAP-equivalent measures are presented on the following pages.
- We report in comparable dollars to remove the effects of currency translation on the P&L. The budgeted exchange rate for 2015 is used for all currency translations in 2015 and prior years.
- We remove the impact of discrete expenses and income. Examples include plant closures, restructuring actions, separation costs and other large unusual items.

Item Adjustments		
	Comparable Dollars	Other Adjustments
Net Sales	Yes	No
Gross Profit	Yes	Yes
SG&A Expense	Yes	Yes
Operating Income	Yes	Yes
Cash Flow	No	No
EBITDA	Yes	Yes

# NET SALES RECONCILIATION

(\$ millions)

Net Sales	2011	2012	2013	2014	2015
Adjusted Net Sales at 2015 budgeted FX rates	\$ 1,229	\$ 1,197	\$ 1,257	\$ 1,223	\$ 1,207
2016 comparability FX adjustment	(29)	(29)	(26)	(25)	(24)
<b>Adjusted Net Sales at 2016 budgeted FX rates</b>	<b>1,201</b>	<b>1,169</b>	<b>1,230</b>	<b>1,197</b>	<b>1,183</b>
2015 comparability FX adjustment	47	43	35	25	6
GAAP Net Sales <sup>(1)</sup>	<u>\$ 1,247</u>	<u>\$ 1,212</u>	<u>\$ 1,265</u>	<u>\$ 1,223</u>	<u>\$ 1,189</u>

2015 Net Sales	2015	Q1	Q2	Q3	Q4
Adjusted Net Sales at 2015 budgeted FX rates	\$ 1,207	\$ 263	\$ 330	\$ 328	\$ 286
2016 comparability FX adjustment	(24)	(5)	(6)	(6)	(6)
<b>Adjusted Net Sales at 2016 budgeted FX rates</b>	<b>1,183</b>	<b>257</b>	<b>324</b>	<b>322</b>	<b>280</b>
2015 comparability FX adjustment	6	2	3	1	-
GAAP Net Sales <sup>(1)</sup>	<u>\$ 1,189</u>	<u>\$ 259</u>	<u>\$ 327</u>	<u>\$ 323</u>	<u>\$ 280</u>

2014 Net Sales	2014	Q1	Q2	Q3	Q4
Adjusted Net Sales at 2015 budgeted FX rates	\$ 1,223	\$ 282	\$ 336	\$ 327	\$ 278
2016 comparability FX adjustment	(25)	(5)	(7)	(7)	(6)
<b>Adjusted Net Sales at 2016 budgeted FX rates</b>	<b>1,197</b>	<b>277</b>	<b>329</b>	<b>320</b>	<b>271</b>
2015 comparability FX adjustment	25	5	7	8	6
GAAP Net Sales <sup>(1)</sup>	<u>\$ 1,223</u>	<u>\$ 282</u>	<u>\$ 336</u>	<u>\$ 328</u>	<u>\$ 277</u>

(1) Combined AFI on carve-out basis consistent with Form 10 presentation (GAAP)

# RESILIENT NET SALES RECONCILIATION

(\$ millions)

Resilient Flooring Segment Net Sales	2011	2012	2013	2014	2015
Adjusted Net Sales at 2015 budgeted FX rates	\$ 749	\$ 740	\$ 725	\$ 715	\$ 727
2016 comparability FX adjustment	(23)	(22)	(20)	(19)	(18)
<b>Adjusted Net Sales at 2016 budgeted FX rates</b>	<b>726</b>	<b>718</b>	<b>705</b>	<b>696</b>	<b>709</b>
2015 comparability FX adjustment	38	33	27	19	4
GAAP Net Sales <sup>(1)</sup>	<u>\$ 764</u>	<u>\$ 752</u>	<u>\$ 731</u>	<u>\$ 715</u>	<u>\$ 713</u>

2015 Resilient Flooring Segment Net Sales	2015	Q1	Q2	Q3	Q4
Adjusted Net Sales at 2015 budgeted FX rates	\$ 727	\$ 159	\$ 203	\$ 196	\$ 169
2016 comparability FX adjustment	(18)	(4)	(5)	(5)	(5)
<b>Adjusted Net Sales at 2016 budgeted FX rates</b>	<b>709</b>	<b>155</b>	<b>198</b>	<b>191</b>	<b>165</b>
2015 comparability FX adjustment	4	2	2	1	(1)
GAAP Net Sales <sup>(1)</sup>	<u>\$ 713</u>	<u>\$ 157</u>	<u>\$ 200</u>	<u>\$ 192</u>	<u>\$ 164</u>

2014 Resilient Flooring Segment Net Sales	2014	Q1	Q2	Q3	Q4
Adjusted Net Sales at 2015 budgeted FX rates	\$ 715	\$ 164	\$ 197	\$ 190	\$ 164
2016 comparability FX adjustment	(19)	(4)	(5)	(5)	(4)
<b>Adjusted Net Sales at 2016 budgeted FX rates</b>	<b>696</b>	<b>160</b>	<b>191</b>	<b>185</b>	<b>159</b>
2015 comparability FX adjustment	19	4	5	5	4
GAAP Net Sales <sup>(1)</sup>	<u>\$ 715</u>	<u>\$ 164</u>	<u>\$ 197</u>	<u>\$ 191</u>	<u>\$ 163</u>

(1) Combined AFI on carve-out basis consistent with Form 10 presentation (GAAP)

# WOOD NET SALES RECONCILIATION

(\$ millions)

Wood Flooring Segment Net Sales	2011	2012	2013	2014	2015
Adjusted Net Sales at 2015 budgeted FX rates	\$ 480	\$ 458	\$ 532	\$ 509	\$ 480
2016 comparability FX adjustment	(6)	(7)	(6)	(7)	(6)
<b>Adjusted Net Sales at 2016 budgeted FX rates</b>	<b>475</b>	<b>451</b>	<b>526</b>	<b>502</b>	<b>474</b>
2015 comparability FX adjustment	9	10	8	6	1
GAAP Net Sales <sup>(1)</sup>	<u>\$ 484</u>	<u>\$ 461</u>	<u>\$ 534</u>	<u>\$ 508</u>	<u>\$ 475</u>

2015 Wood Flooring Segment Net Sales	2015	Q1	Q2	Q3	Q4
Adjusted Net Sales at 2015 budgeted FX rates	\$ 480	\$ 103	\$ 128	\$ 132	\$ 117
2016 comparability FX adjustment	(6)	(1)	(1)	(2)	(1)
<b>Adjusted Net Sales at 2016 budgeted FX rates</b>	<b>474</b>	<b>102</b>	<b>126</b>	<b>130</b>	<b>116</b>
2015 comparability FX adjustment	1	1	-	-	-
GAAP Net Sales <sup>(1)</sup>	<u>\$ 475</u>	<u>\$ 103</u>	<u>\$ 127</u>	<u>\$ 130</u>	<u>\$ 116</u>

2014 Wood Flooring Segment Net Sales	2014	Q1	Q2	Q3	Q4
Adjusted Net Sales at 2015 budgeted FX rates	\$ 509	\$ 118	\$ 140	\$ 137	\$ 114
2016 comparability FX adjustment	(7)	(1)	(2)	(2)	(2)
<b>Adjusted Net Sales at 2016 budgeted FX rates</b>	<b>502</b>	<b>117</b>	<b>138</b>	<b>135</b>	<b>112</b>
2015 comparability FX adjustment	6	1	2	2	2
GAAP Net Sales <sup>(1)</sup>	<u>\$ 508</u>	<u>\$ 118</u>	<u>\$ 140</u>	<u>\$ 137</u>	<u>\$ 114</u>

(1) Combined AFI on carve-out basis consistent with Form 10 presentation (GAAP)

# EBITDA RECONCILIATION

(\$ millions)

	2013	2014	2015	Q1 2015	Q2 2015	Q3 2015	Q4 2015
<b>AWI Flooring Division Adjusted EBITDA at 2015 budgeted FX rates</b>	<b>\$ 116</b>	<b>\$ 114</b>	<b>\$ 112</b>	<b>\$ 13</b>	<b>\$ 43</b>	<b>\$ 38</b>	<b>\$ 18</b>
Standalone corporate expenses excluding depreciation and amortization <sup>(1)</sup>	(40)	(40)	(40)	(9)	(10)	(10)	(11)
AFI Standalone Adjusted EBITDA at 2015 budgeted FX rates	76	74	72	4	33	28	7
Comparability adjustments to 2016 FX rates	(5)	(3)	(11)	(1)	(5)	(4)	(1)
<b>AFI Standalone Adjusted EBITDA at 2016 budgeted FX rates</b>	<b>\$ 71</b>	<b>\$ 71</b>	<b>\$ 61</b>	<b>\$ 3</b>	<b>\$ 28</b>	<b>\$ 24</b>	<b>\$ 6</b>
<b>AWI Flooring Division Adjusted EBITDA at 2015 budgeted FX rates</b>	<b>\$ 116</b>	<b>\$ 114</b>	<b>\$ 112</b>	<b>\$ 13</b>	<b>\$ 43</b>	<b>\$ 38</b>	<b>\$ 18</b>
Comparability FX adjustment	1	5	(8)	(1)	(4)	(3)	-
Multilayered wood flooring duties	-	-	(4)	-	(4)	-	-
Cost reduction expenses	(4)	(13)	-	1	-	-	(1)
Impairment	-	(13)	-	-	-	-	-
Allocation of AWI corporate costs and other carve-out adjustments	(35)	(36)	(44)	(8)	(11)	(13)	(12)
Depreciation and amortization	(37)	(46)	(38)	(9)	(9)	(10)	(10)
<b>AFI Operating Income<sup>(2)</sup></b>	<b>\$ 41</b>	<b>\$ 11</b>	<b>\$ 18</b>	<b>\$ (4)</b>	<b>\$ 15</b>	<b>\$ 12</b>	<b>\$ (5)</b>

(1) Standalone D&A is \$6 million

(2) Combined AFI on carve-out basis consistent with Form 10 presentation (GAAP)

# SEGMENT EBITDA RECONCILIATION

(\$ millions)

	2013	2014	2015	Q1 2015	Q2 2015	Q3 2015	Q4 2015
<b>AWI Resilient Flooring Segment Adjusted EBITDA at 2015 budgeted FX rates</b>	\$ 99	\$ 93	\$ 73	\$ 10	\$ 32	\$ 25	\$ 7
Comparability adjustments to 2016 FX rates	(4)	(2)	(6)	-	(3)	(2)	(2)
<b>AWI Resilient Flooring Segment Adjusted EBITDA at 2016 budgeted FX rates</b>	<b>\$ 95</b>	<b>\$ 91</b>	<b>\$ 67</b>	<b>\$ 10</b>	<b>\$ 29</b>	<b>\$ 23</b>	<b>\$ 5</b>
<b>AWI Resilient Flooring Segment Adjusted EBITDA at 2015 budgeted FX rates</b>	\$ 99	\$ 93	\$ 73	\$ 10	\$ 32	\$ 25	\$ 7
Comparability FX adjustment	1	3	(5)	(1)	(3)	(2)	-
Multilayered wood flooring duties	-	-	-	-	-	-	-
Cost reduction expenses	(4)	(4)	-	2	-	(1)	(1)
Impairment	-	-	-	-	-	-	-
Allocation of AWI corporate costs and other carve-out adjustments	(22)	(23)	(31)	(5)	(8)	(10)	(8)
Depreciation and amortization	(25)	(30)	(26)	(6)	(6)	(7)	(7)
<b>AFI Resilient Flooring Segment Operating Income<sup>(1)</sup></b>	<b>\$ 49</b>	<b>\$ 39</b>	<b>\$ 11</b>	<b>\$ -</b>	<b>\$ 15</b>	<b>\$ 5</b>	<b>\$ (9)</b>

	2013	2014	2015	Q1 2015	Q2 2015	Q3 2015	Q4 2015
<b>AWI Wood Flooring Segment Adjusted EBITDA at 2015 budgeted FX rates</b>	\$ 17	\$ 21	\$ 39	\$ 2	\$ 11	\$ 14	\$ 12
Comparability adjustments to 2016 FX rates	-	(1)	(5)	(1)	(2)	(1)	(1)
<b>AWI Wood Flooring Segment Adjusted EBITDA at 2016 budgeted FX rates</b>	<b>\$ 17</b>	<b>\$ 20</b>	<b>\$ 34</b>	<b>\$ 1</b>	<b>\$ 9</b>	<b>\$ 13</b>	<b>\$ 11</b>
<b>AWI Wood Flooring Segment Adjusted EBITDA at 2015 budgeted FX rates</b>	\$ 17	\$ 21	\$ 39	\$ 2	\$ 11	\$ 14	\$ 12
Comparability FX adjustment	-	2	(3)	-	(1)	(1)	(1)
Multilayered wood flooring duties	-	-	(4)	-	(4)	-	-
Cost reduction expenses	-	(9)	-	-	-	-	-
Impairment	-	(13)	-	-	-	-	-
Allocation of AWI corporate costs and other carve-out adjustments	(13)	(13)	(13)	(3)	(3)	(3)	(4)
Depreciation and amortization	(12)	(16)	(12)	(3)	(3)	(3)	(3)
<b>AFI Wood Flooring Segment Operating Income<sup>(1)</sup></b>	<b>\$ (8)</b>	<b>\$ (28)</b>	<b>\$ 7</b>	<b>\$ (4)</b>	<b>\$ -</b>	<b>\$ 7</b>	<b>\$ 4</b>

(1) Combined AFI on carve-out basis consistent with Form 10 presentation (GAAP)