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ARMSTRONG WORLD INDUSTRIES INC

FORM 10-K
(Annual Report)

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FORM 10-K

SECURITIES AND EXCHANGE COMMISSION

Washington, D. C. 20549

(Mark One)

[X] ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the fiscal year ended December 31, 1993

OR

[ ] TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from ______________________ to ________________________

Commission file number 1-2116

Armstrong World Industries, Inc.

(Exact name of registrant as specified in its charter)

Pennsylvania	23-0366390
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

P. O. Box 3001, Lancaster, Pennsylvania 17604
(Address of principal executive offices) (Zip Code)

Registrant's telephone number, including area code (717) 397-0611

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Name of each exchange on which registered
Common Stock ($1 par value)	New York Stock Exchange, Inc.
Preferred Stock Purchase Rights	Pacific Stock Exchange, Inc. (a)
9-3/4% Debentures Due 2008	Philadelphia Stock Exchange, Inc. (a)

(a) Common Stock and Preferred Stock Purchase Rights only

Securities registered pursuant to Section 12(g) of the Act:

None

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months, and (2) has been subject to such filing requirements for the past 90 days.

Yes X No

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. [X]

The aggregate market value of the Common Stock of registrant held by non- affiliates of the registrant based on the closing price ($56.625 per share) on the New York Stock Exchange on January 28, 1994, was approximately $1.8 billion. For the purposes of determining this amount only, registrant has defined affiliates as including (a) the executive officers named in Item 10 of this 10-K Report, (b) all directors of registrant, and (c) each shareholder that has informed registrant by February 14, 1994, as having sole or shared voting power over 5% or more of the outstanding Common Stock of registrant as of December 31, 1993.

This amount does not include the 5,527,692 shares of Series A ESOP Convertible Preferred Stock as of December 31, 1993, which vote with the Common Stock as if converted and have an aggregate liquidation preference of $263,947,293, held by Mellon Bank, N.A., as Trustee of the Company's Employee Stock Ownership Plan.

As of January 28, 1994, the number of shares outstanding of registrant's Common Stock was 37,252,580.

Documents Incorporated by Reference

Portions of the Proxy Statement dated March 14, 1994, relative to the April 25, 1994, annual meeting of the shareholders of registrant (the "Company's 1994 Proxy Statement") have been incorporated by reference into Part III of this Form 10-K Report.

PART I

Item 1. Business

Armstrong World Industries, Inc. is a Pennsylvania corporation incorporated in 1891. The Company is a manufacturer of interior furnishings, including floor coverings, building products and furniture, which are sold primarily for use in the furnishing, refurbishing, repair, modernization and construction of residential, commercial and institutional buildings. It also manufactures various industrial and other products. In late 1989, most of the assets (primarily inventory and plant, property and equipment) of the Company's carpet operations and the Company's subsidiary, Applied Color Systems, Inc., were divested. Unless the context indicates otherwise, the term "Company" means Armstrong World Industries, Inc. and its consolidated subsidiaries.

Industry Segments

The company operates worldwide in four reportable segments: floor coverings, building products, furniture, and industry products. Floor coverings sales include resilient floors, ceramic tile, and accessories.

Industry segments at December 31 (millions)	1993	1992	1991
Net trade sales:			
Floor coverings	$1,191.3	$1,134.9	$1,058.0
Building products	586.7	656.7	676.3
Furniture	449.7	438.4	417.9
Industry products	297.7	319.8	287.1
Total net sales	$2,525.4	$2,549.8	$2,439.3
Operating profit (Note 2):			
Floor coverings	$ 129.8	$ 30.2	$ 84.6
Building products	30.5	(7.3)	46.7
Furniture	26.6	10.3	18.2
Industry products	32.8	35.4	43.1
Total operating profit	$ 219.7	$ 68.6	$ 192.6
Depreciation and amortization:			
Floor coverings	$ 61.0	$ 65.5	$ 67.0
Building products	33.1	37.1	35.1
Furniture	12.9	13.5	13.6
Industry products	13.1	11.6	11.4
Corporate	$ 9.9	9.2	8.2
Total depreciation and amortization	$ 130.0	$ 136.9	$ 135.3

Capital additions (See Note 1 on page 8):			
Floor coverings	$ 59.1	$ 48.7	$ 61.0
Building products	23.8	25.4	39.1
Furniture	10.0	8.3	6.7
Industry products	20.7	29.3	21.6
Corporate	4.0	4.1	5.3
Total capital additions	$ 117.6	$ 115.8	$ 133.7
Identifiable assets (See Note 1 on page 8):			
Floor coverings	$ 808.0	$ 835.6	$ 915.1
Building products	475.2	491.6	556.0
Furniture	234.6	238.7	239.7
Industry products	203.8	192.9	188.6
Corporate	207.7	251.0	250.5
Total assets	$1,929.3	$2,009.8	$2,149.9

Note 2:

Restructuring charges in operating profit (millions)	1993	1992	1991
Floor coverings	$27.7	$ 80.8	$ 3.0
Building products	13.7	35.0	4.3
Furniture	.6	4.8	.3
Industry products	12.9	12.5	2.2
Total restructuring charges in operating profit	$54.9	$133.1	$ 9.8

Narrative Description of Business

The Company manufactures and sells interior furnishings, including floor coverings (resilient flooring and all ceramic tile), building products, and furniture, and makes and markets a variety of specialty products for the building, automotive, textile, and other industries. The Company's activities extend worldwide.

Floor Coverings

The Company is a prominent manufacturer of floor coverings for the interiors of homes and commercial and institutional buildings, with a broad range of resilient flooring, ceramic tile for floors, walls and countertops, together with adhesives, installation and maintenance materials and accessories. Resilient flooring, in both sheet and tile form, is made in a wide variety of types, designs, and colors. Included are types of flooring that offer such features as ease of installation, reduced maintenance (no-wax), and cushioning for greater underfoot comfort. Ceramic products include glazed wall and floor tile and marble (a portion of which is imported) and glazed and unglazed ceramic mosaic tile, all featuring a range of designs and colors, as well as quarry tile, natural stone and related installation products. Floor covering products are sold to the commercial and residential market segments through wholesalers, retailers, and contractors, and to the hotel/motel and manufactured homes industries. Ceramic products also are sold through sales service centers operated by American Olean Tile Company, Inc. ("American Olean"), a wholly-owned subsidiary which manufactures and markets ceramic tile.

Building Products

A major producer of ceiling materials in the United States and abroad, the Company markets both residential and architectural ceiling systems. Ceiling materials for the home are offered in a variety of types and designs; most provide noise reduction and incorporate Company-designed features intended to permit ease of installation. These residential ceiling products are sold through wholesalers and retailers. Architectural ceiling systems, designed for use in shopping centers, offices, schools, hospitals, and other commercial and institutional structures, are available in numerous colors, performance characteristics and designs and offer characteristics such as acoustical control, rated fire protection,

and aesthetic appeal. Architectural ceiling

materials and accessories, along with acoustical wall panels, are sold by the Company to ceiling systems contractors and to resale distributors.

Furniture

A wholly-owned subsidiary, Thomasville Furniture Industries, Inc., and its subsidiaries manufacture and market traditional and contemporary wood and upholstered furniture for use in dining rooms, bedrooms, living rooms, hotels/motels and other residential and commercial interior areas. Thomasville furniture is sold to retailers, contract accounts and government agencies. Thomasville also manufactures both assembled and ready-to-assemble furniture which is sold to retailers, wholesalers and contract accounts under the Armstrong name. In addition, it sells a line of imported furniture made by other producers.

Industry Products

The Company, including a number of its subsidiaries, makes and sells a variety of specialty products for the building, automotive, textile and other industries. These products include flexible pipe insulation sold for use in construction and in original equipment manufacture; gasket materials for new equipment and replacement use in the automotive, farm equipment, appliance, and other industries; textile mill supplies including cots and aprons sold to equipment manufacturers and textile mills; adhesives; and certain cork products. Industry products are sold, depending on type and ultimate use, to original equipment manufacturers, contractors, wholesalers, fabricators and end users.

The principal raw materials used in the manufacture of the Company's products are synthetic resins, lumber, plasticizers, latex, mineral fibers and fillers, clays, starches, perlite, and pigments and inks. In addition, the Company uses a wide variety of other raw materials. Most raw materials are purchased from sources outside of the Company. The Company also purchases significant amounts of packaging materials for the containment and shipment of its various products. During 1993, adequate supplies of raw materials were available to all of the Company's industry segments.

Customers' orders for the Company's products are mostly for immediate shipment. Thus, in each industry segment, the Company has implemented inventory systems, including its "just in time" inventory system, pursuant to which orders are promptly filled out of inventory on hand or the product is manufactured to meet the delivery date specified in the order. As a result, there historically has been no material backlog in any industry segment.

The competitive position of the Company has been enhanced by patents on products and processes developed or perfected within the Company or obtained through acquisition. Although the Company considers that, in the aggregate, its patents constitute a valuable asset, it does not regard any industry segment as being materially dependent upon any single patent or any group of related patents.

There is significant competition in all the industry segments in which the Company does business. Competition in each industry segment includes numerous active companies (domestic and foreign), with emphasis on price, product performance and service. In addition, with the exception of industrial and other products and services, product styling is a significant method of competition in the Company's industry segments. Increasing domestic competition from foreign producers is apparent in certain industry segments and actions continue to be taken to meet this competition.

The Company invested $117.6 million in 1993, $115.8 million in 1992, and $133.8 million in 1991 for additions to its property, plant and equipment.

Research and development activities are important and necessary in assisting the Company to carry on and improve its business. Principal research and development functions include the development of new products and processes and the improvement of existing products and processes. Research and development activities are conducted principally at the Company's Innovation Center in Lancaster, Pennsylvania.

The Company spent $59.5 million in 1993, $60.3 million in 1992, and $55.6 million in 1991 on research and development activities worldwide for the continuing businesses.

The Company will incur capital expenditures in order to meet the new requirements of the Clean Air Act of 1990 and is awaiting the final promulgation of implementing regulations by various state agencies to determine the magnitude of additional costs and the time period over which they will be incurred. In 1993, the Company incurred capital expenditures of approximately $2.6 million for environmental compliance and control facilities and anticipates comparable annual expenditures for those purposes for the years 1994 and 1995.

As with many industrial companies, the Company is involved in proceedings under the Comprehensive Environmental Response, Compensation and Liability Act ("Superfund"), and similar state laws at approximately 21 sites. In most cases, the Company is one of many potentially responsible parties ("PRPs") who have voluntarily agreed to jointly fund the required investigation and remediation of each site. With regard to some sites, however, the Company disputes either liability or the proposed cost allocation. Sites where the Company is alleged to have contributed a significant volume of waste material include a former municipal landfill site in Volney, New York; and a former county landfill site in Buckingham County, Virginia, which is alleged to have received material from Thomasville Furniture Industries, Inc. Armstrong may also have rights of contribution or reimbursement from other parties or coverage under applicable insurance policies. The Company is also remediating environmental contamination resulting from past industrial activity at certain of its current plant sites.

Estimates of future liability are based on an evaluation of currently available facts regarding each individual site and consider factors including existing technology, presently enacted laws and regulations, and prior Company experience in remediation of contaminated sites. Although current law imposes joint and several liability on all parties at any Superfund site, the Company's contribution to the remediation of these sites is expected to be limited by the number of other companies which have also been identified as potentially liable for site costs. As a result, the Company's estimated liability reflects only the Company's expected share. In determining the probability of contribution, the Company considers the solvency of the parties, whether responsibility is being disputed, the terms of any existing agreements, and experience regarding similar matters. The estimated liabilities do not take into account any claims for recoveries from insurance or third parties, unless a coverage commitment has been provided by the insurer.

Because of uncertainties associated with remediation activities and technologies, regulatory interpretations, and the allocation of those costs among various other parties, the Company has accrued $4.9 million to reflect its estimated liability for environmental remediation. As assessments and remediation activities progress at each individual site, these liabilities are reviewed to reflect additional information as it becomes available.

Actual costs to be incurred at identified sites in the future may vary from the estimates, given the inherent uncertainties in evaluating environmental liabilities. Subject to the imprecision in estimating environmental remediation costs, the Company believes that any sum it may have to pay in connection with environmental matters in excess of the amounts noted above would not have a materially adverse effect on its financial condition liquidity or results of operations.

As of December 31, 1993, the Company had approximately 21,000 active employees, of whom approximately 4,150 are located outside the United States. Year-end employment in 1993 was below the level at the end of 1992. About 38% of the Company's approximately 11,950 hourly-paid employees in the United States are represented by labor unions.

Geographic Areas

United States net trade sales include export sales to non-affiliated customers of $27.0 million in 1993, $24.4 million in 1992, and $29.3 million in 1991.

"Europe" includes operations located primarily in England, France, Germany, Italy, the Netherlands, Spain, and Switzerland. Operations in Australia, Canada, China, Hong Kong, Indonesia, Japan, Korea, Singapore, and Thailand are in "Other foreign."

Transfers between geographic areas and commissions paid to affiliates marketing exported products are accounted for by methods that approximate arm's-length transactions, after considering the costs incurred by the selling company and the return on assets employed of both the selling unit and the purchasing unit. Operating profits of a geographic area include profits accruing from sales to affiliates.

Geographic areas at December 31 (millions)	1993	1992	1991
Net trade sales:			
United States	$1,910.7	$1,841.5	$1,761.7
Europe	456.6	544.5	508.5
Other foreign	158.1	163.8	169.1
Total foreign	614.7	708.3	677.6
Inter-area transfers:			
United States	76.1	69.9	65.5
Europe	6.0	4.0	3.9
Other foreign	21.9	18.5	9.9
Eliminations	(104.0)	(92.4)	(79.3)
Total net sales	$2,525.4	$2,549.8	$2,439.3
Operating profit:			
United States	$ 178.0	$ 50.7	$ 131.5
Europe	31.7	22.5	51.8
Other foreign	10.0	(4.6)	9.3
Total foreign	41.7	17.9	61.1
Total operating profit	$ 219.7	$ 68.6	$ 192.6
Identifiable assets (Note 1):			
United States	$1,311.7	$1,338.0	$1,435.5
Europe	347.0	362.5	398.5
Other foreign	63.2	64.9	74.9
Corporate	207.7	251.0	250.5
Eliminations	(.3)	(6.6)	(9.5)
Total assets	$1,929.3	$2,009.8	$2,149.9

Reconciliation (millions)	1993	1992	1991
Operating profit	$219.7	$ 68.6	$ 192.6
Corporate expense, net	(91.0)	(87.4)	(46.5)
Interest expense	(38.0)	(41.6)	(45.8)
Earnings (loss) from continuing businesses before income taxes	$ 90.7	$(60.4)	$ 100.3

Note 1: Identifiable assets for geographic areas and industry segments
exclude cash, marketable securities, and assets of a corporate nature. Capital additions for industry segments include property, plant, and equipment from acquisitions.

The Company's foreign operations are subject to foreign government legislation involving restrictions on investments (including transfers thereof), tariff restrictions, personnel administration, and other actions by foreign governments. In addition, consolidated earnings are subject to both U.S. and foreign tax laws with respect to earnings of foreign subsidiaries, and to the effects of currency fluctuations.

Item 2. Properties

The Company produces and markets its products and services throughout the world, operating 73 manufacturing plants in 11 countries, 56 of which are located throughout the United States. Additionally, affiliates operate eight plants in four countries.

Floor covering products are produced at 23 plants with principal manufacturing facilities located in Lancaster and Lansdale, Pennsylvania. American Olean owns or leases various quarries throughout the United States for the supply of clays and shale. Under a long-term lease, a quarry in Newfoundland, Canada, also supplies a raw material important to American Olean's manufacture of glazed tile at a proven reserve level of approximately 50 years at current production levels. Building products are produced at 13 plants with principal facilities in Macon, Georgia, the Florida-Alabama Gulf Coast area and Marietta, Pennsylvania. Furniture is manufactured at 27 plants, 14 of which are located at Thomasville, North Carolina. Insulating materials, textile mill supplies, fiber gasket materials, adhesives and other products for industry are manufactured at 14 plants with principal manufacturing facilities at Munster, Germany, Braintree, Massachusetts and Fulton, New York.

Numerous sales offices are leased worldwide, and leased facilities are utilized for American Olean's distribution centers and to supplement the Company's owned warehousing facilities.

Productive capacity and extent of utilization of the Company's facilities are difficult to quantify with certainty because in any one facility maximum capacity and utilization varies periodically depending upon the product that is being manufactured and individual facilities manufacture more than one type of product. In this context, the Company estimates that the production facilities in each of its industry segments were effectively utilized during 1993 at 80% to 90% of overall productive capacity in meeting market conditions. Remaining productive capacity is sufficient to meet expected customer demands.

The Company believes its various facilities are adequate and suitable. Additional incremental investments in plant facilities are being made as appropriate to balance capacity with anticipated demand, improve quality and service, and reduce costs.

Item 3. Legal Proceedings

The Company is named as one of many defendants in pending lawsuits and claims involving, as of February 28, 1994, approximately 72,125 individuals alleging personal injury from exposure to asbestos or asbestos-containing products. (In late 1993, the Company revised its claims handling procedures to provide for individual claim information to be supplied by the Center for Claims Resolution referred to below. The claim numbers have been received from the Center. A reconciliation is underway to match the Company claims with the Center's and the reconciliation will continue until completion. Since the reported data will be more current under the revised claims handling procedure, the data reflects a decrease from the past year in the number of outstanding claims.) A total of about 24,036 lawsuits and claims were received by the Company in 1993, compared with 28,997 in 1992. Nearly all the personal injury suits and claims allege general and punitive damages arising from alleged exposures, during a period of years, commencing during World War II onward into the 1970s, to asbestos- containing insulation products used, manufactured or sold by the companies involved in the asbestos-related litigation. Claims against the Company generally involve allegations of negligence, strict liability, breach of warranty and conspiracy with other defendants in connection with alleged exposure generally to asbestos-containing insulation products; the Company discontinued the sale of all such products in 1969. The first asbestos-related lawsuit was filed against the Company in 1970, and such lawsuits and claims continue to be filed against the Company. The claims generally allege that injury may be determined many years (up to 40 years) after alleged exposure to asbestos or asbestos-containing products. Nearly all suits include a number of defendants (including both members of the Center and other companies), and well over 100 different companies are reportedly involved as defendants in the litigation. A significant number of suits in which the Company does not believe it should be involved have been filed by persons engaged in vehicle tire production, aspects of the construction industry, and the steel industry. The Company believes that a large number of the plaintiffs filing suit are unimpaired individuals. Although a large number of suits and claims have either been put on inactive lists, settled, dismissed or otherwise resolved, and the Company is generally involved in all stages of claims resolution and litigation, including trials and appeals, and while the number of pending cases reflects a decrease during the past year, neither the rate of future dispositions nor the number of future potential unasserted claims can be reasonably predicted at this time.

Attention has been given by various judges both individually and collectively to finding a comprehensive solution to the large number of pending as well as potential future asbestos-related personal injury claims. Discussions have been undertaken by attorneys for plaintiffs and defendants to devise methods or procedures for the comprehensive treatment of asbestos-related personal injury suits and claims. The Judicial Panel for Multi-district Litigation ordered the transfer of all federal cases not in trial to a single court, the Eastern District Court of Pennsylvania in Philadelphia, for pretrial purposes. The Company has supported such action. The Court to which the cases have been assigned has been instrumental in having the parties settle large numbers of cases in various jurisdictions and has been receptive to different approaches to the resolution of asbestos-related personal injury claims. A national class action was filed in the Eastern District of Texas; it was not certified and the cases involved were also transferred to the Eastern District Court of Pennsylvania for pretrial purposes. Periodically, this Court returns certain cases for trial to the courts from which the cases were originally transferred, although the issue of punitive damages is retained by the Eastern District Court.

A settlement class action which includes essentially all future asbestos-related personal injury claims against members of the Center for Claims Resolution was filed in Philadelphia, in the Federal

District Court for the Eastern District of Pennsylvania on January 15, 1993. The proposed settlement class action was negotiated by the Center and two leading plaintiffs' law firms. The settlement class action is designed to establish a non-litigation system for the resolution of essentially all future asbestos-related personal injury claims against the Center members including this Company. Other defendant companies which are not Center members may be able to join the class action later. The class action proposes a voluntary settlement that offers a method for prompt compensation to claimants who were occupationally exposed to asbestos if they are impaired by such exposure. Claimants must meet certain exposure and medical criteria to receive compensation which is derived from historical settlement data. Under limited circumstances and in limited numbers, qualifying claimants may choose to litigate certain claims in court or through alternative dispute resolution, rather than accept an offered settlement amount, after their claims are processed within the system. No punitive damages will be paid under the proposed settlement. The settlement is designed to minimize transactional costs, including attorneys fees, and to relieve the courts of the burden of handling future asbestos-related personal injury claims. Each member of the Center has an obligation for its own fixed share in this proposed settlement. The settlement class action does not include asbestos-related personal injury claims which were filed before January 15, 1993, or asbestos-related property damage claims. Agreed upon annual case flow caps and agreed upon compensation ranges for each compensable medical category including amounts paid even more promptly under the simplified payment procedures,have been established for an initial period of ten years. Case flow caps may be increased during the second five-year period depending upon case flow during the first five-year period. The case flow figures and annual compensation levels are subject to renegotiation after the initial 10-year period. The Court has preliminarily approved the settlement, and notification has been provided to potential class members who were offered the opportunity to opt out by January 24, 1994. The Center had reserved the right to withdraw from the program if an excessive number of individuals opted out. The Center has determined that there is not an excessive number of opt outs and will proceed with the settlement class action. The opt outs are not asbestos-related claims as such but reservations of rights to possibly bring court actions in the future. The opt outs are currently the subject of a motion before the Court which questions the validity of most of the opt outs and seeks a further notice process to determine whether or not they wish to remain in the class action. Therefore, the total number of effective opt outs cannot be determined at this time. The Court is holding a final fairness hearing which began on February 22, 1994. The settlement will become final only after it has been approved by the Federal District Court and the federal appellate courts. The Center members have stated their intention to resolve over a five-year period the asbestos-related personal injury claims pending prior to the date the settlement class action was filed. A significant number of these pending claims have been settled with a number of plaintiffs' counsel and a number of these claims are currently the subject of settlement negotiations, in both instances, based upon historical averages.

The Company is seeking agreement from its carriers or a ruling from the Court that the settlement class action will not jeopardize existing insurance coverage. Certain unresolved insurance coverage issues involving certain Center members' insurance carriers acceptance of the proposed settlement will be resolved either by alternative dispute resolution procedures in the case of the insurance carriers which subscribed to the Wellington Agreement referred to below, or by litigation against those carriers which did not subscribe to the Wellington Agreement.

The Company believes that the future claimants settlement class action will be approved. However, the potential exists that either the Federal District Court or an appellate court will reject the settlement class action and that the above-referenced companion insurance action will not be successful.

A few state judges and federal judges have undertaken to consolidate numbers of asbestos-related personal injury cases for trial. The Company has generally opposed as unfair the consolidation of numerous cases for trial. In 1992 in Baltimore, Maryland, the Center for Claims Resolution referred to herein settled during trial on behalf of the Company and other Center members certain asbestos- related personal injury claims. In most of the approximately 8,500 cases consolidated for trial, Armstrong was a named defendant. The multiphase Baltimore trial dealt with various issues including the individual claims of six plaintiffs, as well as product defect and negligence, and whether and on what basis punitive damages should be awarded. The Center for Claims Resolution is periodically drawing upon the Company's insurance assets to pay the settled individual claims.

In 1983, three of the Company's four primary insurers entered into an Interim Agreement with the Company to provide defense and indemnity coverage on an interim basis for asbestos-related personal injury claims and for the defense of asbestos-related property damage claims which are described below. One

primary insurer did not enter into the Interim Agreement, but did subscribe to the Wellington Agreement as noted below. The Interim Agreement was superseded by the Wellington Agreement with respect to the coverage issues for asbestos- related personal injury claims. The one primary insurer of the four primary carriers that did not subscribe to the Wellington Agreement subsequently entered into a separate agreement with the Company resolving coverage issues for asbestos-related property damage claims and for asbestos-related personal injury claims which complements the Wellington Agreement. All of the Company's primary insurers are paying for the defense of asbestos-related property damage claims in accordance with the provisions of the Interim Agreement pending the final resolution on appeal of the coverage issues for asbestos-related property damage claims in the California insurance litigation referenced later in this note.

The Company's insurance carriers providing coverage for asbestos-related claims are as follows: Reliance Insurance, Aetna Insurance and Liberty Mutual Insurance Companies are primary insurers that have subscribed to the Wellington Agreement. Travelers Insurance Company is a primary insurer that entered into a settlement agreement which complements Wellington. The excess insurers which subscribed to Wellington are Aetna Insurance Company, Fireman's Fund Insurance Company, Insurance Company of North America, Lloyds of London, Fidelity and Casualty Insurance Company, First State Insurance Company and U.S. Fire Insurance Company. Home Insurance Company and Travelers Insurance Company are excess insurers which entered into settlement agreements for coverage of personal injury claims which complement Wellington, and Great American is an excess insurer which also entered into a settlement agreement with the Company. The Company also entered into a settlement agreement with American Home Assurance Company and National Union Fire Insurance Company (known as the AIG Companies) which complements the Wellington Agreement. Other excess insurers against whom the Company has received a favorable trial and appellate court decision in the California insurance litigation described below are: Central National Insurance Company, Interstate Insurance Company, Puritan Insurance Company, CNA Insurance Company and Commercial Union Insurance Company. Midland Insurance Company, an excess carrier, which insured the Company with $25 million of coverage, became insolvent during the trial. The Company is pursuing claims with the state guaranty associations on account of the Midland insolvency and is currently exploring how the Midland Insurance Company insolvency gaps can be otherwise addressed by payments from the Company's other insurance carriers. Certain companies in the London block of coverage and certain carriers providing coverage at the excess level for property damage claims only have also become insolvent. In addition to the aforementioned insurance carriers, certain insurance carriers which were not included in the Company's California insurance litigation described later herein also provide insurance for asbestos-related property damage claims.

The Company along with 52 other companies (defendants in the asbestos-related litigation and certain of their insurers) signed the 1985 Agreement Concerning Asbestos-Related Claims (the "Wellington Agreement"). This Agreement provided for a final settlement of nearly all disputes concerning insurance for asbestos- related personal injury claims between the Company and three of its primary insurers and seven of its excess insurers which also subscribed to the Wellington Agreement. The one primary insurer that did not sign the Wellington Agreement had earlier entered into the Interim Agreement with the Company and had paid into the Wellington Asbestos Claims Facility (the "Facility"). The Wellington Agreement provides for those insurers to indemnify the Company up to the policy limits for claims that trigger policies in the insurance coverage period, and nearly all claims against the Company fall within the coverage period; both defense and indemnity are paid under the policies and there are no deductibles under the applicable Company policies. The Wellington Agreement addresses both products and non-products coverage. One of the Company's larger excess insurance carriers entered into a settlement agreement in 1986 with the Company under which payments also were made through the Facility and are now being paid through the Center for Claims

Resolution referenced below in this note. Coverage for asbestos-related property damage claims was not included in the settlement, and the agreement provides that either party may reinstitute a lawsuit in the event the coverage issues for property damage claims are not amicably resolved. In 1987, an excess insurer also made, under reservation of rights, certain payments which were processed through the Facility. These payments were made under reservation because no settlement of the outstanding coverage issues has been effected with that carrier.

The Wellington Agreement also provided for the establishment of the Facility to evaluate, settle, pay and defend all pending and future asbestos-related personal injury claims against those companies which subscribed to the Agreement. The insurance coverage designated by the Company for coverage in the Facility consists of all relevant insurance policies issued to the Company from 1942 through 1976. Liability payments and allocated expenses with respect to each claim filed against Wellington Agreement subscribers who were defendants in the underlying asbestos-related personal injury litigation were allocated on a formula percentage basis to each such defendant, including the Company. The Facility, which has dissolved, over time was negatively impacted by concerns raised by certain subscribers relating to their share of liability payments and allocated expenses and by certain insurer concerns with respect to defense costs and Facility operating expenses. As a result of seven subscribing companies giving notice that they wished to withdraw their cases from the Facility, a majority of the insurers and the company subscribing members agreed to dissolve the ongoing operation of the Facility as of October 3, 1988 and the Facility has now been fully dissolved. Except for eliminating the future availability of an insurer-paid special defense fund benefit linked to the existence of the Facility, a benefit not deemed material to the Company, the dissolution of the Facility essentially did not affect the Company's overall Wellington Agreement insurance settlement, which stood on its own separate from the Facility. The relinquishment of the insurer-paid special defense fund benefit was a condition of insurer support for the creation of the Center and its expected benefits.

A new asbestos-related personal injury claims handling organization known as the Center for Claims Resolution (the "Center") was created in October 1988 by Armstrong and 20 other companies, all of which were former members of the Facility. Insurance carriers are not members of the Center, although certain of the insurance carriers for those members that joined the Center signed an agreement to provide approximately 70% of the financial support for the Center's operational costs during its first year of existence; they also are represented ex officio on the Center's governing board. The Center adopted many of the conceptual features of the Facility, and the members' insurers generally provide coverage under the Wellington Agreement terms. The Center has operated under a revised concept of allocated shares of liability payments and defense costs for its members based primarily on historical experience and has defended the members' interests and addressed the claims in a manner consistent with the prompt, fair resolution of meritorious claims. In late 1991, the Center sharing formula was revised to provide that members will pay only on claims in which the member is a named defendant. This change has caused a slight increase in the Company's share, but has enhanced the Company's case management focus. Future claim payments by the Center pursuant to the proposed settlement class action will require each member to pay its own fixed share.

A large share member earlier withdrew from the Center. Accordingly, the allocated shares of liability payments and defense costs of the Center were recalculated with the remaining members' shares being increased. Under the class action settlement resolution, if a member withdraws from the Center or the settlement, the shares of those remaining members would not be increased. It is expected that the Center members will reach an agreement with the insurers relating to the continuing operation of the Center and that the insurers' will fund the Center's operating expenses for its sixth year of operation. With the filing of the settlement class action, the Center will continue to process pending claims and will handle the program for processing future claims if the settlement class action is approved by the courts.

Consistent with the Center's objective of prompt resolution of meritorious claims, and to establish the Center's credibility after the cessation of the Facility and for other strategic reasons, a planned increase in claims resolution by the Center was implemented during the first two years. This increased the rate of utilization of Company insurance for claims resolution, offset in part by savings in defense costs. During the first three years, the rate of claims resolution had about trebled from the prior two years of experience. An increase in the utilization of the Company's insurance also will occur as a result of the class action settlement due to the commitment to attempt to resolve pending claims within five years. Aside from the commitments under the class action settlement, no forecast can be made for future years regarding either the rate of claims or the rate of pending and future claims resolution by the Center or the rate of utilization of Company insurance. If the settlement class action is finally approved, projections of the rate of disposition of future cases may be made and the rate of insurance usage will be accelerated as an effort is made to resolve both outstanding cases and address future claims.

The Company is also one of many defendants in a total of 73 pending lawsuits and claims, including class actions, as of February 28, 1994, brought by public and private entities, including public school districts and public and private building owners. These lawsuits and claims include allegations of damage to buildings caused by asbestos-containing products and generally claim compensatory and punitive damages and equitable relief, including reimbursement of expenditures, for removal and replacement of such products. They appear to be aimed at friable (easily crumbled) asbestos-containing products, although allegations in some suits encompass all asbestos-containing products, including allegations with respect to asbestos-containing resilient floor covering materials. Class actions have been certified involving four distinct classes of building owners: public and private schools; Michigan state public and private schools; colleges and universities, and private property owners who leased facilities to the federal government. Subject to fairness hearings, resolution has been reached with the class representatives for the national public and private schools class action as well as with the class representatives for the private property owners who leased facilities to the federal government. The Company vigorously denies the validity of the allegations against it contained in these suits and claims. Increasing defense costs, paid by the Company's insurance carriers either under reservation or settlement arrangement, will be incurred. As a consequence of the California insurance litigation discussed elsewhere in this note, the Company believes that it is probable that costs of the property damage litigation that are being paid by the Company's insurance carriers under reservation of rights will not be subject to recoupment. These suits and claims were not handled by the former Facility nor are they being handled by the Center.

Certain co-defendant companies in the asbestos-related litigation have filed for reorganization under Chapter 11 of the Federal Bankruptcy Code. As a consequence, this litigation with respect to these co-defendants (with several exceptions) has been stayed or otherwise impacted by the restrictions placed on proceeding against these co-defendants. Due to the uncertainties involved, the long-term effect of these Chapter 11 proceedings on the litigation cannot be predicted.

The Company concluded in early 1989 the trial phase of a coordinated lawsuit in a California state court to resolve a dispute concerning certain of its insurance carriers' obligations with respect to insurance coverage for alleged

personal injury and property damage asbestos-related lawsuits and claims. The trial court issued favorable final decisions in important phases of the trial relating to coverage for personal injury and property damage lawsuits and claims. The Company earlier dismissed from the asbestos-related personal injury coverage portion of the litigation those insurance carriers which had subscribed to the Wellington Agreement, and the excess carriers which entered into a settlement agreement with the Company which complements Wellington also have been dismissed.

As indicated above, the California trial court issued final decisions in various phases in the insurance lawsuit. One decision concluded that the trigger of insurance coverage for asbestos-related personal injury claims was continuous from exposure through death or filing of a claim. The court also found that a triggered insurance policy should respond with full indemnification up to exhaustion of the policy limits. The court concluded that any defense obligation ceases upon exhaustion of policy limits. Although not as comprehensive, another important decision in the trial established a favorable defense and indemnity coverage result for asbestos-related property damage claims; the final decision holds that, in the event the Company is held liable for an underlying property damage claim, the Company would have coverage under policies in effect during the period of installation and during any subsequent period in which a release of fibers occurred. Appeals were filed from the trial court's final decision by those carriers still in the litigation and the California Court of Appeal has substantially upheld the trial court's final decisions. The insurance carriers have petitioned the California Supreme Court to hear the various asbestos-related personal injury and property damage coverage issues. The California Supreme Court recently accepted review pending its review of related issues in another California case. Based upon the trial court's favorable final decisions in important phases of the trial relating to coverage for asbestos-related personal injury and property damage lawsuits and claims, including the favorable decision by the California Court of Appeal, and a review of the coverage issues by its trial counsel, the Company believes that it has a substantial legal basis for sustaining its right to defense and indemnification. After concluding the last phase of the trial against one of its primary carriers, which is also an excess carrier, the Company and the carrier reached a settlement agreement on March 31, 1989. Under the terms of the settlement agreement, coverage is provided for asbestos-related bodily injury and property damage claims generally consistent with the interim rulings of the California trial court and complements the coverage framework established by the Wellington Agreement. The parties also agreed that a certain minimum and maximum percentage of indemnity and allocated expenses incurred with respect to asbestos-related personal injury claims would be deemed allocable to non- products claims coverage and that the percentage amount would be negotiated between the Company and the insurance carrier. These negotiations continue.

The Company also settled both asbestos-related personal injury and property damage coverage issues with a small excess carrier and in 1991 settled those same issues with a larger excess carrier. In these settlements, the Company and the insurers agreed to abide by the final judgment of the trial court in the California insurance litigation with respect to coverage for asbestos-related claims.

Non-products claims coverage insurance is available under the Wellington Agreement (and the previously-referenced settlement agreement with one primary carrier) for such claims. Certain excess policies also provide non-products coverage. Non-products claims include claims that may have arisen out of exposure during installation of asbestos materials or before control of such materials has been relinquished. Negotiations have been undertaken with the Company's primary insurance carriers and are currently underway with several of them to categorize the percentage of previously resolved and to be resolved asbestos-related personal injury claims as non-products claims and to establish the entitlement to such

coverage. The additional coverage potentially available to pay claims categorized as non-products, at both the primary and excess levels, is substantial, and at the primary level, includes defense costs in addition to limits. No agreement has been reached with the primary carriers on the amount of non-products coverage attributable to claims that have been disposed of or the type of claims that should be covered by non-products insurance. One of the primary carriers alleges that it is no longer bound by the Wellington Agreement and one primary carrier seemingly takes the view that the Company verbally waived certain rights regarding non-products coverage against that carrier at the time the Wellington Agreement was signed. All the carriers presumably raise other reasons why they should not pay their coverage obligations. The Company is entitled to pursue alternative dispute resolution proceedings against the primary and certain excess carriers to resolve the non-products coverage issues.

ACandS, Inc., a former subsidiary of the Company, which for certain insurance periods has coverage rights under some insurance policies, and has accessed such coverage on the same basis as the Company, was a subscriber to the Wellington Agreement, but was not a subscriber to the Center. ACandS, Inc. had filed a lawsuit against the Company to partition certain insurance policies and for an accounting. It sought to have a certain amount of insurance from the joint policies reserved solely for its use in the payment of defense and indemnity costs for asbestos-related claims. The two companies have negotiated a settlement of their dispute and have signed a settlement agreement.

Based upon the Company's experience with this litigation and its disputes with insurance carriers, a reserve was recorded in June 1983 to cover estimated potential liability and settlement costs and legal and administrative costs not covered under the Interim Agreement, cost of litigation against the Company's insurance carriers, and other factors involved in the litigation which are referred to herein about which uncertainties exist. As a result of the Wellington Agreement, the reserve was earlier reduced for that portion associated with pending personal injury suits and claims. As a result of the March 31, 1989, settlement referenced above, the Company received $11.0 million, of which approximately $4.4 million was credited to income with nearly all of the balance being recorded as an increase to its reserve for potential liabilities and other costs and uncertainties associated with the asbestos- related litigation. Future costs of litigation against the Company's insurance carriers and other legal costs indirectly related to the litigation will be expensed outside the reserve. The Company does not know how many claims will be filed against it in the future, nor the details thereof or of pending suits not fully reviewed, nor the expense and any liability that may ultimately result therefrom, nor does the Company know whether the settlement class action will ultimately succeed, nor the annual claims flow caps to be negotiated after the initial 10-year period for the settlement class action or the then compensation levels to be negotiated for such claims or the success the Company may have in addressing the Midland Insurance Company insolvency with its other insurers. Subject to the foregoing and based upon its experience and other factors referred to elsewhere in this note, the Company believes that it is probable that substantially all of the expenses and any liability payments associated therewith within the framework of the class action settlement and the initial ten-year period thereof will be paid--in the case of the personal injury claims, by agreed-to coverage under the Wellington Agreement and by payments by nonsubscribing insurers that entered into settlement agreements with the Company and additional insurance coverage reasonably anticipated from the outcome of the insurance litigation and from the Company's claims for non-products coverage both under certain insurance policies covered by the Wellington Agreement and under certain insurance policies not covered by the Wellington Agreement which claims have yet to be accepted by the carriers--and in the case of the asbestos- related property damage claims, under an existing interim agreement, by insurance coverage settlement agreements and through additional coverage reasonably anticipated from the outcome of the insurance litigation. Accordingly, the Company believes that it is probable that charges to expense associated with such suits and claims should not be significant.

Even though uncertainties still remain as to the potential number of unasserted claims, liability resulting therefrom, and the ultimate scope of its insurance coverage, after consideration of the factors involved, including the Wellington Agreement, the referenced settlements with other insurance carriers, the results of the trial phase and the first level appellate stage

of the California insurance coverage litigation, the remaining reserve, the establishment of the Center, the proposed settlement class action, and its experience, the Company believes the asbestos-related lawsuits and claims against the Company will not have a material adverse effect on its earnings or financial position.

In 1984, suit was filed against the Company in the U. S. District Court for the District of New Jersey (the "Court") by The Industry Network System (TINS), a producer of video magazines in cassette form, and Elliot Fineman, a consultant (Fineman and The Industry Network System, Inc. v. Armstrong World Industries,
Inc., C.A. No. 84-3837 JWB). At trial, TINS claimed, among other things, that the Company had improperly interfered with a tentative contract which TINS had with an independent distributor of the Company's flooring products and further claimed that the Company used its alleged monopoly power in resilient floor coverings to obtain a monopoly in the video magazine market for floor covering retailers in violation of federal antitrust laws. The Company denied all allegations and continues to do so. On April 19, 1991, after a three-month trial, the jury rendered a verdict in the case, which as entered by the court in its order of judgment, awarded the plaintiffs the alternative, after all post- trial motions and appeals were completed, of either their total tort claim damages (including punitive damages), certain pre-judgment interest, and post- judgment interest or their trebled antitrust claim damages, post-judgment interest and attorneys fees. The higher amount awarded to the plaintiffs as a result of these actions totaled $224 million in tort claim damages and pre- judgment interest, including $200 million in punitive damages.

On June 20, 1991, the Court granted judgment for the Company notwithstanding the jury's verdict, thereby overturning the jury's award of damages and dismissing the plaintiffs' claims with prejudice. Furthermore, on June 25, 1991, the Court ruled that, in the event of a successful appeal restoring the jury's verdict in the case, the Company would be entitled to a new trial on the matter.

On October 28, 1992, the United States Court of Appeals for the Third Circuit issued an opinion in Fineman v. Armstrong World Industries, Inc. (No. 91-5613). The appeal was taken to the Court of Appeals from the two June 1991 orders of the United States District Court in the case. In its decision on the plaintiff's appeal of these rulings, the Court of Appeals sustained the U. S. District Court's decision granting the Company a new trial, but overturned in certain respects the District Court's grant of judgment for the Company notwithstanding the jury's verdict.

The Court of Appeals affirmed the trial judge's order granting Armstrong a new trial on all claims of plaintiffs remaining after the appeal; affirmed the trial judge's order granting judgment in favor of Armstrong on the alleged actual monopolization claim; affirmed the trial judge's order granting judgment in favor of Armstrong on the alleged attempt to monopolize claim; did not disturb the District Court's order dismissing the alleged conspiracy to monopolize claim; affirmed the trial judge's order dismissing all of Fineman's personal claims, both tort and antitrust; and affirmed the trial judge's ruling that plaintiffs could not recover the aggregate amount of all damages awarded by the jury and instead must elect damages awarded on one legal theory. However, the Third Circuit, contrary to Armstrong's arguments: reversed the trial judge's judgment for Armstrong on TINS's claim for an alleged violation of Section 1 of the Sherman Act; reversed the trial judge's judgment in favor of Armstrong on TINS's claim for tortious interference; reversed the trial judge's judgment in favor of Armstrong on TINS's claim for punitive damages; and reversed the trial judge's ruling that had dismissed TINS's alleged breach of contract claim.

The Court of Appeals, in affirming the trial court's new trial order, agreed that the trial court did not abuse its discretion in determining that the jury's verdict was "clearly against the weight of the evidence" and that a new trial was required due to the misconduct of plaintiffs' counsel.

The foregoing summary of the Third Circuit's opinion is qualified in its entirety by reference thereto.

The Court of Appeals granted the Company's motion to stay return of the case to the District Court pending the Company's Petition for Certiorari to the Supreme Court appealing certain antitrust rulings of the Court of Appeals. The Company was informed on February 22 that the Supreme Court denied its Petition. The case has been remanded by the Third Circuit Court of Appeals in Philadelphia to the U. S. District Court in Newark, New Jersey, and a new trial has been set for late April 1994. It is unknown what damage claims TINS will be permitted upon retrial of the case. But during the first trial, claims for actual damages of at least $17.5 million were asserted by plaintiffs' expert and even greater amounts were asserted by Mr. Fineman. Under the antitrust laws, proven damages are trebled. In addition, plaintiff would likely ask for punitive damages, companion to its request for tort damages. Other damages which would likely be sought include reimbursement of attorneys' fees and interest, including prejudgment interest.

The Company denies all of TINS's claims and accordingly is vigorously defending the matter. In the event that a jury finds against the Company, such jury verdict could entail unknown amounts which, if sustained, could have a material adverse effect on its earnings and financial position.

As previously discussed on pages 6 and 7, with regard to a former county landfill in Buckingham County, Virginia, Thomasville Furniture Industries, Inc., and seven other parties have been identified by the U.S. Environmental Protection Agency ("USEPA") as potentially responsible parties ("PRPs") to fund the cost of remediating environmental conditions at this federal Superfund site. After review of investigative studies to determine the nature and extent of contamination and identify various remediation alternatives, USEPA issued its Proposed Remedial Action Plan in May 1993 proposing a $21 million clean-up cost. In November 1993, however, USEPA issued a revised plan which recommended a reduced $3.5 million alternative, subject to additional costs depending on test results. The PRPs believe that other alternatives are appropriate and discussions with USEPA and Virginia State officials continue.

Spent finishing materials from Thomasville's Virginia furniture plants at Appomattox and Brookneal allegedly comprise a significant portion of the waste presently believed to have been taken to the site by a now defunct disposal firm in the late 1970s. Accordingly, Thomasville could be called upon to fund a significant portion of the eventual remedial costs.

Item 4. Submission of Matters to a Vote of Security Holders

Not applicable.

Executive Officers of the Registrant

The information appearing in Item 10 hereof under the caption "Executive Officers of the Registrant" is incorporated by reference herein.

PART II

Item 5. Market for the Registrant's Common Stock and Related Security Holder Matters

The Company's Common Stock is traded on the New York Stock Exchange, Inc., the Philadelphia Stock Exchange, Inc., and the Pacific Stock Exchange, Inc. As of January 28, 1994, there were approximately 7,876 holders of record of the Company's Common Stock.

	First	Second	Third	Fourth	Total Year
			1993		
Dividends per share of common stock	.30	.30	.30	.30	1.20
Price range of common stock -- low	28 7/8	29 3/8	30 1/4	40 1/4	28 7/8
Price range of common stock -- high	33 1/8	34 3/4	42 1/2	55 1/4	55 1/4
			1992		
Dividends per share of common stock	.30	.30	.30	.30	1.20
Price range of common stock -- low	26	29 5/8	27 1/2	24 1/2	24 1/2
Price range of common stock -- high	33 7/8	37 1/2	32 3/8	32 3/4	37 1/2

Item 6. Selected Financial Data

EIGHT - YEAR SUMMARY

For Year ($ millions except for per-share data)	1993	1992	1991	1990	1989	1988	1987	1986
Net sales	2,525.4	2,549.8	2,439.3	2,518.8	2,488.7	2,261.2	1,969.6	1,602.3
Cost of goods sold	1,802.3	1,888.7	1,801.1	1,816.6	1,764.0	1,611.0	1,383.6	1,117.5
Selling and administrative expense	505.0	511.6	468.3	462.6	436.6	392.0	339.0	286.2
Interest expense	38.0	41.6	45.8	37.5	40.5	25.8	11.5	5.4
Restructuring charges	(89.9)	(165.5)	(12.8)	(6.8)	(5.9)	--	--	--
Gain from sales of woodlands	--	--	--	60.4	9.5	1.9	--	--
Miscellaneous income (expense)	0.5	(2.8)	(11.0)	(32.6)	(7.6)	11.7	3.0	1.6
Earnings (loss) from continuing businesses before tax	90.7	(60.4)	100.3	223.1	243.6	246.0	238.5	194.8
Income taxes	27.2	(0.5)	39.7	76.7	85.9	92.4	97.4	82.6
Earnings (loss) from continuing businesses	63.5	(59.9)	60.6	146.4	157.7	153.6	141.1	112.2
As a percentage of sales	2.5%	(2.3)%	2.5%	5.8%	6.3%	6.8%	7.2%	7.0%
As a percentage of average monthly assets	3.2%	(2.8)%	2.9%	7.1%	8.3%	10.2%	11.6%	11.3%
Earnings (loss) from continuing businesses applicable to common stock (a)	49.6	(73.7)	41.2	126.9	148.0	153.2	140.7	111.8
Per common share--primary	1.32	(1.98)	1.11	3.26	3.26	3.31	2.98	2.33
Per common share--fully diluted (b)	1.26	(1.98)	1.11	2.99	3.11	3.31	2.98	2.33
Net earnings (loss)	63.5	(227.7)	48.2	141.0	187.6	162.7	150.4	122.4
As a percentage of sales	2.5%	(8.9)%	2.0%	5.6%	7.5%	7.2%	7.6%	7.6%
Net earnings (loss) applicable to common stock (a)	49.6	(241.5)	28.8	121.5	177.9	162.3	150.0	122.0
As a percentage of average shareholders' equity	9.0%	(33.9)%	3.3%	13.0%	17.9%	17.0%	17.6%	16.0%
Per common share--primary	1.32	(6.49)	.77	3.12	3.92	3.51	3.18	2.54
Per common share--fully diluted (b)	1.26	(6.49)	.77	2.86	3.72	3.51	3.18	2.54
Dividends declared per share of common stock	1.20	1.20	1.19	1.135	1.045	.975	.885	.7325
Purchases of property, plant, and equipment	117.6	115.8	133.8	195.1	231.0	198.7	183.0	139.8
Aggregate cost of acquisitions	--	4.2	--	16.1	--	355.8	71.5	53.1
Total depreciation and amortization	130.0	136.9	135.7	130.1	134.0	109.2	91.4	74.3
Average number of employees--continuing businesses	21,682	23,500	24,066	25,014	25,349	22,801	21,020	18,916
Average number of common shares outstanding	37.2	37.1	37.1	38.8	45.4	46.2	47.2	48.1

YEAR-END POSITION

Working capital	204.1	167.1	238.9	181.8	323.5	139.0	255.3	327.7
Net property, plant, and equipment	1,039.1	1,072.0	1,152.9	1,147.4	1,059.2	1,040.2	760.7	603.0
Total assets	1,929.3	2,009.8	2,149.9	2,146.3	2,033.0	2,097.7	1,602.5	1,298.2
Long-term debt	256.8	266.6	301.4	233.2	181.3	185.9	67.7	58.8
Total debt as a percentage of total capital (c)	52.2%	57.2%	46.9%	45.7%	36.1%	35.9%	22.8%	16.9%
Shareholders' equity	569.5	569.2	885.5	899.2	976.5	1,021.8	913.8	813.0
Book value per share of common stock	14.71	14.87	23.55	24.07	23.04	21.86	19.53	16.85
Number of shareholders (d)(e)	7,962	8,611	8,896	9,110	9,322	10,355	9,418	9,621
Common shares outstanding	37.2	37.1	37.1	37.1	42.3	46.3	46.2	47.5
Market value per common share	53 1/4	31 7/8	29 1/4	25	37 1/4	35	32 1/4	29 7/8

Notes:
(a) After deducting preferred dividend requirements and adding the tax benefits for unallocated shares.
(b) See definition of fully diluted earnings per share on page 38.
(c) Total debt includes short-term debt, current installments of long-term debt, long-term debt, and ESOP loan guarantee. Total capital includes total debt and total shareholders' equity.
(d) Includes one trustee who is the shareholder of record on behalf of approximately 4,300 employees in 1993, 4,500 employees in 1992, 4,600 employees in 1991, 4,500 employees in 1990, 4,700 employees in 1989, and 4,400 employees in 1988 who have beneficial ownership through the company's retirement savings plans.
(e) Includes, for 1987 and 1986, a trustee who was the shareholder of record on behalf of approximately 11,000 employees who obtained beneficial ownership through the Armstrong Stock Ownership Plan, which was terminated at the end of 1987.

Item 7. Management's Discussion and Analysis of Financial Condition and

Results of Operations

1993 compared with 1992

Financial condition

As shown on the Consolidated Statements of Cash Flows, net cash provided by operating activities in 1993 was $291.2 million which was more than sufficient to cover investments in property, plant, and equipment and dividends. The excess cash, plus cash proceeds from the sale of assets and the decrease in cash and cash equivalents, was used to reduce debt by $124.1 million.

For 1993, the company recorded an $89.9 million charge before tax ($60.0 million after tax) for restructuring resulting from 1993 decisions associated with major process improvements and significant organizational changes recommended by the teams of project PATH (a company initiative announced in August 1993 to strengthen its global competitiveness). Approximately 80% of the before-tax losses were related to charges for severance and special retirement incentives associated with the elimination of employee positions, and approximately one-third of the before-tax loss represented future cash outlays. Most of the cash outlays are expected to occur in 1994 and to be offset by operating savings. The operating cash savings, resulting from restructuring actions taken during 1993 and 1992, more than offset the 1993 cash outlays of $39.3 million for restructuring.

During the fourth quarter of 1993, the company terminated, prior to maturity, interest rate swaps totaling $100 million, and currency swaps totaling $37.2 million.

Working capital was $204.1 million as of December 31, 1993--$37.0 million higher than the $167.1 million at year-end 1992. The primary reason for the increase in working capital was the repayment of short-term debt. Accounts receivable and inventories declined $19.1 million and $33.2 million, respectively, both reflecting reductions in most business units with half of the reductions attributed to the European building products business.

A financing arrangement of a foreign subsidiary's principal pension plan, whereby the subsidiary became self-insured for its pension obligations, resulted in recording a noncurrent asset and long-term liability of $37.7 million (see page 42).

The company's 1993 year-end ratio of current assets to current liabilities was 1.47 to 1, compared with 1.31 to 1 ratio reported in 1992. The 1993 and 1992 year-end ratio of total debt to total capital was 52.2% and 57.2%, respectively.

The company is involved in significant asbestos-related litigation which is described more fully under "Litigation" on pages 60-64 and which should be read in connection with this discussion and analysis. The company does not know how many claims will be filed against it in the future, nor the details thereof or of pending suits not fully reviewed, nor the expense and any liability that may ultimately result therefrom, nor does the company know the annual claims flow caps to be negotiated after the initial 10-year period for the settlement class action or the then compensatory levels to be negotiated for such claims or the success the company may have in addressing the Midland Insurance Company insolvency with its other insurers. Subject to the foregoing and based upon its experience and other factors, the company believes that it is probable that substantially all of the expenses and any liability payments associated therewith will be paid--in the case of the personal injury claims, by agreed-to coverage under the Wellington Agreement and supplemented by payments by non- subscribing insurers that entered into settlement agreements with the company and additional insurance coverage reasonably anticipated from the outcome of the insurance litigation and from the company's claims for non-products coverage both under certain insurance policies covered by the Wellington Agreement and under certain insurance policies not covered by the Wellington Agreement which claims have yet to be accepted by the carriers--and in the case of the asbestos- related property damage claims, under

an existing interim agreement, by insurance coverage settlement agreements and through additional coverage reasonably anticipated from the outcome of the insurance litigation. To the extent that costs of the property damage litigation are being paid by the company's insurance carriers under reservation of rights, the company believes that it is probable that such payments will not be subjected to recoupment. Thus, the company has not recorded any liability for any defense costs or indemnity relating to these lawsuits other than a reserve in "Other long-term liabilities" for the estimated potential liability associated with claims pending and intended to cover potential liability and settlement costs, legal and administrative costs not covered under the agreements, and certain other factors which have been involved in the litigation about which uncertainties exist. Even though uncertainties still remain as to the potential number of unasserted claims, the liability resulting therefrom, and the ultimate scope of its insurance coverage, after consideration of the factors involved, including the Wellington Agreement, the settlements with other insurance carriers, the results of the trial phase and the first level appellate stage of the California insurance litigation, the remaining reserve, the establishment of the Center for Claims Resolution, the proposed settlement class action, and its experience, the company believes that this litigation will not have a material adverse effect on its earnings, liquidity, or financial position.

The accounting treatment for the Company's asbestos-related personal injury litigation will be affected by changes in accounting practices required by the Financial Accounting Standards Board Interpretation Number 39 (FIN 39) and the Securities and Exchange Commission Staff Accounting Bulletin No. 92 (SAB 92). FIN 39, which is effective beginning in 1994, does not permit offsetting unless a right of set off exists. Historically, the Company has been following the practice of offsetting the liability for asserted claims with expected insurance coverage. The Company intends to reflect the required changes in its first quarter 1994 Form 10-Q and, therefore, will record a liability for asbestos-related personal injury claims and an asset for insurance coverage deemed probable.

Reference is made to the litigation involving The Industry Network System, Inc. (TINS), discussed on pages 64-65. The company denies all of TINS' claims and accordingly is vigorously defending the matter. In the event that a jury finds against the company, such jury verdict could entail unknown amounts which, if sustained, could have a material adverse effect on its earnings and financial position.

Reference is also made to environmental issues as discussed on pages 51, 52, and 61. The company believes any sum it may have to pay in connection with environmental matters in excess of amounts accrued would not have a material adverse effect on its financial condition, liquidity, or results of operations.

Long-term debt, excluding the company's guarantee of the ESOP loan, was reduced by $9.8 million in 1993. At year-end 1993, long-term debt represented 45% of shareholders' equity compared with 47% at the end of 1992.

Should a need develop for additional financing, it is management's opinion that the company has sufficient financial strength to warrant the required support from lending institutions and financial markets.

Consolidated results

Net sales in 1993 of $2.53 billion decreased 1.0% compared with 1992 sales of $2.55 billion. The weaker European exchange rates were a key factor in the sales decline. Translating foreign currency sales to U.S. dollars at 1992 exchange rates would have resulted in a year-to-year sales increase of 1.9%. Armstrong's residential markets were very positive in the U.S., but the weakness in the European economies and the lackluster commercial markets worldwide reduced the overall opportunity. While sales in the first two quarters of 1993 were lower than the comparable 1992 quarters, third and fourth quarter sales did exceed those of the prior year.

Net earnings were $63.5 million compared with a net loss in 1992 of $227.7 million. Net earnings per common share were $1.32 on a primary basis and $1.26 on a fully diluted basis. The net loss per share of common stock was $6.49 on both a primary and fully diluted basis for 1992.

The return on common shareholders' equity in 1993 was 9.0% compared with a negative 33.9% in 1992.

The 1992 loss reflects charges of $167.8 million after tax related to the company's adoption, retroactive to January 1, 1992, of SFAS 106, "Employers' Accounting for Postretirement Benefits Other Than Pensions;" and SFAS 112, "Employers' Accounting for Postemployment Benefits." The computation of SFAS 112 was refined during 1993 with the net loss in 1992 being reduced and restated by $6.5 million or 18 cents per share. The restated 1992 net loss from continuing businesses totaled $59.9 million, or a $1.98 loss per share of common stock.

The effective tax rate for 1993 was 30.0%. This reflects the company's higher use of foreign tax credits, reductions of deferred taxes because some foreign countries reduced their statutory tax rates, and lower foreign tax rates, which more than offset the 1% increase in the U.S. statutory tax rate. The net loss from 1992 included an effective tax benefit rate of only 1.0%, primarily because some of the restructuring charges did not provide tax benefits. The company also adopted SFAS 109, "Accounting for Income Taxes," resulting in tax benefits of $5.5 million for 1992 being credited directly to retained earnings rather than to income taxes on the consolidated statement of earnings.

Restructuring charges for 1993, totaling $89.9 million before tax, were included in the earnings from continuing businesses and were associated with Armstrong initiatives to enhance its global competitiveness. These costs are primarily associated with the elimination of employee positions in the U.S. and Europe. For the full year 1992, restructuring charges totaled $165.5 million before tax and related to the closing of four major manufacturing plants; the scaling back of operations in certain other plants in the U. S. and abroad; accruals for costs associated with the elimination of positions throughout the rest of the company; as well as write-downs of the value of land, buildings, equipment, and intangible assets of the company. Cash outlays for the 1993 restructuring charges will occur primarily throughout 1994 and should be fully recovered within two to three years.

The cost of goods sold for 1993, when expressed as a percent of sales, was 71.4%--the lowest level for the last four years--and compares favorably with 1992's cost of goods sold of 74.1%. These lower costs reflect the positive effects of the 1992 restructuring activities, productivity gains, some pricing increases, and product mix enhancements.

Interest expense was favorably affected by lower debt levels and lower interest accruals for tax obligations. Miscellaneous income and expense in 1993 included the positive effects of lower amortization of acquired intangibles as a result of the 1992 restructuring, profits resulting from the closing out of some interest rate swaps in anticipation of interest rate increases, and gain on sale of assets. Partially offsetting these positive effects were some increased environmental expenses and a small foreign exchange loss in 1993 compared with a small foreign exchange gain in 1992.

Geographic area results (see pages 7 and 8)

United States--Sales increased by nearly 4% from 1992 levels. The 1992 net sales included five months of the building products segment's grid sales that were made prior to the formation of the Armstrong and Worthington Industries joint venture (WAVE) effective June 1, 1992. Removing these sales from 1992 would result in an additional 1% increase in the year-to-year sales comparison. Operating profits jumped 251% when comparing 1993 with those of 1992. The continuing economic recovery provided increased opportunity in our end-use markets. During 1993, single family housing starts increased 6% and the sale of existing single family homes rose nearly 8%. Nonresidential new construction appeared to be close to the bottom of its cycle.

A major source of higher sales in 1993 was the significant increase in business channeled through national home centers and mass merchandisers. These sales, coupled with the stronger resilient flooring business, were major factors in generating significantly higher operating profits. The furniture and ceramic tile businesses also generated higher sales, while sales in the building products and textile products businesses were lower. The operating profit improvements were also driven by the 1992 restructuring activities that resulted in lower manufacturing costs in most domestic businesses, by some higher sales levels, and by continuing productivity improvements.

Operating profits for both years included significant restructuring charges. The 1993 and 1992 restructuring charges total about $37 million and $98 million, respectively. The 1993 restructuring charges were primarily attributable to position eliminations. The 1992 restructuring charges included closing two plants, the write-down of fixed assets, and the elimination of employee positions.

Export sales of Armstrong products from the U.S. to trade customers increased nearly $3 million, or 11%, compared with 1992.

Europe--The 1993 European economic environment continued to be weak in both the commercial and residential markets; however, the British market offered some improvement for Armstrong products. Net sales decreased 16%, but two-thirds of the decline reflected the weakening of European currencies. Excluding the impact of the strong U.S. dollar, insulation products was the only business in Europe that recorded a year-to-year sales increase. The European building products business relies entirely on commercial construction and had the largest decline, nearly 12%. Even with lower sales, operating profits for Europe improved 41%. This improvement was primarily the result of lower costs caused by restructuring actions taken in the latter part of 1992, including the closing of the Ghlin, Belgium, ceilings manufacturing facility.

Other foreign--Sales in 1993 declined nearly 4% from those of 1992. Operating profits were recorded for 1993 compared with an operating loss in 1992. The 1992 operating loss resulted from restructuring charges associated with the closing of the Gatineau, Canada, ceilings manufacturing plant. The overall sales decline was a result of lower sales of resilient flooring in Japan and Southeast Asia that were partially offset by higher sales of flooring in Australia and Canada and of building products in the Pacific Rim. Excluding the impact of the restructuring charges in 1992, operating profit for 1993 increased in the year- to-year comparison.

Industry segment results (see pages 3 and 4)

Floor coverings--Worldwide sales were 5% higher in 1993 than in 1992, with operating profits increasing threefold from 1992 levels. The operating profit included restructuring charges in 1993 of almost $28 million compared with nearly $81 million in 1992. Almost three-fourths of the 1993 restructuring charges were related to ceramic tile with the remainder recorded in resilient flooring. Nearly all of the 1992 restructuring charges related to ceramic tile.

Sales in the resilient flooring portion increased in North America but were lower in the European and Pacific areas. The North American increase was driven by sales in the U.S. market with strong growth through national account home centers and mass merchandisers as well as modest growth through wholesalers. The U.S. resilient flooring business was also helped by higher sales of existing homes and new housing construction. Ceramic tile recorded a modest sales increase primarily because of its residential business. The commercial institutional market for ceramic tile continued to be weak, providing little sales growth in 1993 compared with 1992.

Operating profits, excluding the effects of restructuring charges, increased 42%. Resilient flooring operating profits improved because of the higher sales levels and because of significantly lower manufacturing costs that were achieved by process improvement and productivity gains. Ceramic tile continued to record a loss in 1993 as it did in 1992, but the losses were less in each of the 1993 quarters when compared with 1992. The ceramic tile business was adversely affected by very competitive pricing and a shift in product mix to lower margin products.

Capital investments for 1993 were higher than those of 1992 with continued concentration of these expenditures in improving and maintaining the current manufacturing processes and in generating additional capacity from existing equipment.

Building products--On a worldwide basis, market conditions did not improve in the commercial construction markets in 1993. The North American sales comparison reflects a decline because the first five months of 1992 included grid that was sold prior to the formation of the WAVE joint venture. The European markets, with the exception of the United Kingdom, were weaker in 1993. European sales declined by nearly 22%, of which half was caused by weaker European currencies.

The 1993 operating profit included restructuring charges of nearly $14 million, while the 1992 operating loss included $35 million of restructuring charges. This segment lowered its cost structure significantly as a result of restructuring actions taken in 1992 that included the closing of two manufacturing facilities and productivity improvements that were attained in 1993. Even with lower sales and competitive pricing early in 1993, the lower cost structure that was put in place, coupled with some higher sales prices in the second half of 1993, permitted this segment to increase operating profits.

Capital investments in 1993 were about the same as 1992, but both years' expenditures were lower than depreciation levels.

Furniture--Operating results for this segment were positive--1993 sales nearly 3% higher than those of 1992 and operating profits more than 150% higher than last year. Both years contained restructuring charges that were less than $1 million in 1993 and nearly $5 million in 1992. Exclusive of restructuring charges, this segment recorded operating profits that were 80% higher than last year.

With the U.S. consumer household durable goods spending increasing in 1993, modest sales increases were recorded in the Thomasville wood and upholstery business that more than offset declines in the Armstrong retail, ready-to- assemble furniture, and the contract business.

The operating profit improvement was driven by higher sales volume, lower costs resulting from the 1992 restructuring program, and improved productivity. Higher lumber costs had a negative impact on 1992 operating results and continued to increase throughout much of 1993 but were offset by increased sales prices. Capital expenditures in 1993 increased modestly over those of 1992.

Industry products--Almost three-quarters of the sales of this segment generally occur in European markets, which in 1993 remained in recession, limiting growth opportunities. Worldwide sales declined nearly 7%, with the stronger U.S. dollar accounting for 95% of the decline. Operating profits declined by slightly more than 7%, with restructuring charges of almost $13 million in each year.

The insulation business remains the most significant portion of this segment. Excluding the negative effect of currency translation, sales grew modestly while operating profits recorded a small decline. The German market remained relatively strong for this business while markets in the other European countries were adversely affected by weak economies. Sales in North America and the Pacific Rim recorded a small increase in 1993. While the insulation business restructuring programs did lower costs, they were not able to offset the impact of the lower sales and competitive pricing pressures.

The textile mill supplies business recorded significantly lower sales that were driven by the worldwide recession in the textile industry. This business, while lowering its cost structure, was unable to offset the impact of the significantly lower sales worldwide. The gasket materials business recorded slightly lower sales, with a small decline in operating profit from 1992 levels.

Capital expenditures were reduced by about one-third from 1992 levels, but were almost 40% greater than annual depreciation levels. The capital investments continue generally to support future growth of this segment.

1992 compared with 1991

Financial condition

As shown on the Consolidated Statements of Cash Flows, net cash provided by operating activities in 1992 was $186.8 million, more than sufficient to cover investments in property, plant, and equipment, and dividends, and an investment in a new joint venture. The balance of cash, including cash proceeds from sale of assets, was used to reduce debt and increase cash and cash equivalents.

During the first quarter of 1992, the company redeemed, for $8.8 million, all outstanding 8% sinking-fund debentures due in 1996 at face value plus accrued interest to the date of redemption.

For 1992, the company recorded a $165.5 million charge before tax ($123.8 million after tax) in connection with a restructuring plan designed to increase the overall profitability of the company by closing four major plants; scaling back of certain operations; elimination of positions throughout the company; and write-downs of land, buildings, equipment and intangible assets. Approximately two-thirds of the before-tax losses were noncash charges related to the write-down of assets. Cash outlays for restructuring charges in 1992 were approximately $9.4 million. Most of the cash outlays are expected to occur in 1993 and to be offset by operating savings resulting from the restructuring.

During the fourth quarter of 1992, the company adopted three new financial accounting statements: SFAS 106, SFAS 109 and SFAS 112. Adoption of these financial accounting statements had no current cash flow impact on the company.

Receivables declined $2.7 million and inventories declined $17.0 million. Each reflects the translation of foreign currency receivables or inventories to U.S. dollars at lower exchange rates. Higher sales volume late in the fourth quarter increased receivables and helped lower inventories. Current income tax benefits increased $8.1 million, principally because of deferred tax benefits related to restructuring charges. Other noncurrent assets decreased $53.1 million because of a $30.0 million write-off of intangible assets and a $30.0 million reduction of prepaid pension costs, both attributable to restructuring activities. Partially offsetting the decreases in noncurrent assets were investments in the WAVE grid joint venture.

The company's year-end ratio of current assets to current liabilities declined to approximately 1.3 to 1 from the 1.5 to 1 ratio reported in 1991. The major cause of the decline is the $47.9 million of accrued expenses associated with restructuring activities.

The company is involved in significant litigation, which is described more fully under "Litigation" on pages 60-65 and which should be read in connection with this discussion and analysis.

Although the company does not know how many claims will be filed against it in the future, nor the details thereof or of pending suits not fully reviewed, nor the expense and any liability that may ultimately result therefrom, based upon its experience and other factors, the company believes that it is probable that nearly all of the expenses and any liability payments associated therewith will be paid--in the case of the personal injury claims, by agreed-to coverage under the Wellington Agreement and supplemented by payments by nonsubscribing insurers that entered into settlement agreements with the company and additional insurance coverage reasonably anticipated from the outcome of the insurance litigation and from the company's claims for non-products coverage, both under certain insurance policies covered by the Wellington Agreement and under certain insurance policies not covered by the Wellington Agreement which claims have yet to be accepted by the carriers--and in the case of the property damage claims, under an existing interim agreement, by insurance coverage settlement agreements and through additional coverage reasonably anticipated from the outcome of the insurance litigation. To the extent that costs of the property damage litigation are being paid by the company's insurance carriers under reservation of rights, the company believes that it is probable that such payments will not be subjected to recoupment. Thus, the company has not recorded any liability for any defense costs or indemnity relating to these lawsuits other than a reserve in "Other long-term liabilities" for the estimated potential liability associated with claims pending intended to cover potential liability and settlement costs, legal and administrative costs not covered under the agreements, and certain other factors which have been involved in the litigation about which uncertainties exist. Even though uncertainties still remain as to the potential number of unasserted claims, the liability resulting therefrom, and the ultimate scope of its insurance coverage, after consideration of the factors involved, including the Wellington Agreement, the settlements with other insurance carriers, the remaining reserve, the establishment of the Center for Claims Resolution, the proposed settlement class action, and its experience, the company believes that this litigation will not have a material adverse effect on its earnings, liquidity, or financial position.

Reference is made to the litigation involving The Industry Network System, Inc. (TINS), discussed on pages 64-65. The company denies all of TINS' claims and accordingly is vigorously defending the matter. In the event that a jury finds against the company, such jury verdict could entail unknown amounts which, if sustained, could have a material adverse effect on its earnings and financial position.

Long-term debt, excluding the company's guarantee of the ESOP loan, was reduced by $34.8 million in 1992. At year-end 1992, long-term debt represented 47% of shareholders' equity compared with 34% at the end of 1991. The increase is the result of shareholder equity reductions caused primarily by the cumulative-effect charges from adoption of accounting statements and restructuring charges previously discussed.

Should a need develop for additional financing, it is management's opinion that the company has sufficient financial strength to warrant the required support from lending institutions and financial markets. In June 1992, the company's registration statement for $250 million of debt securities was declared effective.

Consolidated results

Record net sales in 1992 of $2.55 billion increased 4.5% from $2.44 billion in 1991. Increased sales opportunity was provided by the residential, do-it- yourself, and industrial markets, while for the fifth consecutive year, commercial markets remained depressed. European economies continued

to reflect a recessionary environment, which resulted in reduced demands for the company's products. Sales in each of the 1992 quarters were above those of 1991. The rate of growth was highest in the first quarter, but was lower during the last three quarters of the year.

Net losses in 1992 were $227.7 million, compared with net earnings of $48.2 million in 1991. Net losses per share of common stock for 1992 were $6.49 on both a primary and fully diluted basis compared with 1991 net earnings of 77 cents per share.

The return on common shareholders' equity in 1992 was a negative 33.9% compared with a positive return of 3.3% in 1991.

The 1992 losses reflect charges of $167.8 million after tax related to the company's adoption, retroactive to January 1, 1992, of SFAS 106 and SFAS 112. The 1991 net earnings included a $12.4 million after-tax provision related to discontinued businesses.

Losses from continuing businesses in 1992 totaled $59.9 million, compared with earnings from continuing businesses of $60.6 million in 1991. The loss per share of common stock from continuing businesses was $1.98 on both a primary and fully diluted basis compared with 1991 earnings per share of $1.11.

The net loss for 1992 included an effective tax benefit rate of 1.0% compared with 1991's effective tax rate of 39.6%. The reduced 1992 tax benefit rate is generally because some of the restructuring charges do not provide tax benefits. In addition, a lower share of foreign countries' earnings resulted in lower tax rates. The company also adopted SFAS 109 resulting in tax benefits of $5.5 million for 1992 being credited directly to retained earnings rather than to income taxes on the consolidated statement of earnings. The 1991 effective tax rate included an increased share of the company's earnings coming from foreign countries with higher tax rates and a $3.7 million deferred income tax charge reflecting increases in state income tax rates.

The loss from continuing businesses before income taxes was $60.4 million, compared to earnings from continuing businesses before income taxes in 1991 of $100.3 million.

Included in the loss from continuing businesses for the full year 1992 were restructuring charges of $165.5 million before tax. These restructuring charges related to the closing of four major manufacturing plants--two in the U.S., one in Canada, one in Belgium--and to the scaling back of operations in certain other plants in the U.S. and abroad. Also included were accruals for costs associated with elimination of positions throughout the company, as well as write-downs of the value of land, buildings, equipment, and intangible assets of the company. The cash outlays for the restructuring charges will occur primarily in 1993 and are expected to be recovered by the savings resulting from the restructuring. Restructuring charges for 1991 amounted to $8.4 million after tax.

Lower short-term interest rates favorably affected interest expense. Miscellaneous income and expense in 1992 included the positive effects of an insurance reimbursement for certain costs associated with the 1990 takeover threat, foreign exchange gains, lower amortization of intangibles, and a gain from the early retirement of certain debt; the 1991 results included foreign exchange gains of $5.9 million.

The cost of goods sold for 1992, when expressed as a percent of sales, was 74.1% compared with 1991's 73.8%. This higher cost relationship is the result of the previously mentioned expense accruals required by SFAS 106 and SFAS 112. Operating results were affected by competitive pricing pressures and higher fixed costs concurrent with slow sales growth.

Geographic area results (see pages 7 and 8)

United States--Sales increased more than 4% while operating profits declined 61% when compared with 1991. Residential end-use markets improved significantly in 1992 when compared with 1991. Single family housing starts increased at a double digit rate while the sales of existing single family homes provided a more modest increase. New construction put in place for private nonresidential buildings was significantly lower in 1992 than in 1991.

The 1992 net sales included only five months of the building products segment's grid sales compared with a full year's sales in 1991 as a result of the grid joint venture with Worthington Industries effective June 1, 1992. Results after that date have been recorded on an equity-accounting basis. The major contributor to increased sales in 1992 was the resilient flooring business which benefited from significant new product introductions and year-to-year improvements in the previously mentioned single family housing starts and sales of existing homes. Most domestic businesses were affected by competitive and promotional pricing and less favorable product mix. Costs associated with the expansion of the residential ceramic tile program adversely impacted profit performance.

The largest decline in operating profit is attributable to the major restructuring charges recorded during 1992, including the closing of the Pleasant Garden, N.C., furniture plant, the closing of the Quakertown, Pa., quarry-tile ceramic plant, and related accruals for the write-downs of land, buildings, and equipment, as well as elimination of employee positions.

Export sales of Armstrong products from the U.S. to trade customers declined $5 million or 17% during 1992 when compared with 1991.

Europe--The 1992 economic environment in Europe continued to weaken in both the commercial and residential markets. Net sales increased 7%, but more than half of the increase was the result of translating foreign currency sales to

U.S. dollars at higher exchange rates. Operating profits declined 56%. Nearly 60% of this decline was due to restructuring charges related to the closing of the Ghlin, Belgium, plant and to accruals for the elimination of employee positions. The European insulation business continued its sales and operating profit improvement, primarily as a result of a strong German insulation market. This business's operating profit was reduced by start-up costs related to new facilities in Spain and Germany during 1992. The European ceilings business was affected by the depressed commercial markets coupled with competitive pricing and a less favorable product mix.

Other foreign--Sales in 1992 declined 3% from those of 1991 while an operating loss was recorded for the year. The operating loss included restructuring charges associated with the closing of the Gatineau, Canada, ceilings manufacturing plant. Sales improvement was recorded in the Southeast Asian area, but operating profits declined in this area as a result of increased costs that are designed to obtain future growth.

Industry segment results (see pages 3 and 4)

Floor coverings--Sales were 7% higher in 1992 than in 1991, with operating profits declining by 64%. Operating profits include restructuring charges in 1992 of nearly $81 million compared with $3 million in 1991. Nearly all of the restructuring charges relate to ceramic tile.

Sales in the resilient flooring portion increased significantly, paced by sales in North America, where a new annual sales record was set with the help of the introduction of the largest-ever assortment of new flooring products during the second quarter of 1992. Ceramic tile recorded a small increase in sales primarily because of the developments in the residential ceramic tile markets through American Olean and Armstrong distribution channels. The ceramic tile portion continues to be adversely affected by the depressed commercial institutional market and recorded losses in both 1992 and 1991.

Operating profits during 1992, while positively affected by the sales growth, were adversely affected by competitive pricing, movement towards a lower margin sales mix, small increases in raw material costs in the second half of the year, and continuing costs related to the new residential ceramic tile businesses.

Capital investments for 1992 were lower than 1991 but continued to be directed toward product development, cycle-time reduction, and manufacturing process improvements.

Building products--On a worldwide basis, market conditions remained depressed in the commercial construction markets, resulting in lower opportunity and declining product prices. Sales declined nearly 3% year to year while recording an operating loss that included restructuring charges of $35 million in 1992 compared with $4.3 million in 1991.

The year-to-year sales decline was caused by the transfer of grid sales for the last seven months of 1992 to the WAVE joint venture.

The continued decline of nonresidential construction in the U.S. and abroad significantly affected the operating results. Worldwide competitive pricing pressures and lack of sales growth eroded operating profit faster than the company's ability to lower costs.

Capital investments in 1992 were reduced significantly from prior year levels and were directed towards manufacturing process improvement and consolidations.

During 1992, the company closed its Gatineau, Canada, and Ghlin, Belgium, ceilings plants and scaled back other operations. In 1991, Armstrong exited certain wall businesses and its Forms + Surfaces architectural products business.

Furniture--The 1992 sales increased 5%, while operating profits declined 43%, including restructuring charges of $4.8 million.

The contract furniture, ready-to-assemble furniture, and upholstered furniture businesses reflected sales increases that were partially offset by lower sales in the Thomasville wood business. Operating results were adversely affected by promotional pricing efforts, higher lumber costs, and increased costs for employee medical benefits.

Actions were taken in 1992 to monitor customer satisfaction, increase square footage of the Thomasville Home Furnishings Stores, reengineer upholstery operations to improve service, and develop a computerized order service system for expediting shipments. Investments in these areas increased capital expenditures modestly for 1992 compared with 1991. Restructuring actions included closing the Pleasant Garden manufacturing facility and elimination of salaried employee positions.

Industry products--Worldwide sales increased 11% while operating profits declined $7.7 million, or 18%. Restructuring charges were $12.5 million in 1992 and $2.2 million in 1991.

The insulation business remained strong in 1992 because of the European markets, particularly in Germany. New product introductions and improved technical values through new formulations aided the success of this business. Profitability was slowed somewhat by start-up costs for new facilities in Spain and Germany that increased capacity. The gasket materials business recorded strong sales and operating profit increases when compared with 1991. The textile mill supplies business recorded small sales increases, but operating results declined because of cost and pricing pressures.

Item 8. Financial Statements and Supplementary Data

FINANCIAL STATEMENTS AND REVIEW CONSOLIDATED STATEMENTS OF EARNINGS

The Financial Review, pages 38-65, is an integral part of these statements.

Years ended December 31 (millions except for per-share data)	1993	1992	1991
Current earnings			
Net sales	$2,525.4	$2,549.8	$2,439.3
Cost of goods sold	1,802.3	1,888.7	1,801.1
Gross profit	723.1	661.1	638.2
Selling and administrative expense	505.0	511.6	468.3
Earnings from continuing businesses before other			
income (expense) and income taxes	218.1	149.5	169.9
Other income (expense):			
Interest expense	(38.0)	(41.6)	(45.8)
Restructuring charges	(89.9)	(165.5)	(12.8)
Miscellaneous income (expense)	0.5	(2.8)	(11.0)
	(127.4)	(209.9)	(69.6)
Earnings (loss) from continuing businesses before income taxes	90.7	(60.4)	100.3
Income taxes	27.2	(0.5)	39.7
Earnings (loss) from continuing businesses	63.5	(59.9)	60.6
Discontinued businesses:			
Loss, net of income tax benefit of $1.9	--	--	(3.8)
Provision for loss on disposition of discontinued businesses,			
net of income tax benefit of $4.6	--	--	(8.6)
Cumulative effect of changes in accounting for:			
Postretirement benefits, net of income tax benefit of $84.9	--	(135.4)	--
Postemployment benefits, net of income tax benefit of $20.9	--	(32.4)	--
Net earnings (loss)	$ 63.5	$ (227.7)	$ 48.2
Dividends paid on Series A convertible preferred stock	19.2	19.3	19.4
Tax benefit on dividends paid on unallocated preferred shares	5.3	5.5	--
Net earnings (loss) applicable to common stock	$ 49.6	$ (241.5)	$ 28.8

Per share of common stock:			
Primary:			
Earnings (loss) from continuing businesses	$ 1.32	$ (1.98)	$ 1.11
Loss from discontinued businesses	--	--	(.11)
Provision for loss on disposition of discontinued businesses	--	--	(.23)
Cumulative effect of changes in accounting for:			
Postretirement benefits	--	(3.64)	--
Postemployment benefits	--	(.87)	--
Net earnings (loss)	$ 1.32	$ (6.49)	$ .77
Fully diluted:			
Earnings (loss) from continuing businesses	$ 1.26	$ (1.98)	$ 1.11
Loss from discontinued businesses	--	--	(.11)
Provision for loss on disposition of discontinued businesses	--	--	(.23)
Cumulative effect of changes in accounting for:			
Postretirement benefits	--	(3.64)	--
Postemployment benefits	--	(.87)	--
Net earnings (loss)	$ 1.26	$ (6.49)	$ .77

FINANCIAL STATEMENTS AND REVIEW CONSOLIDATED BALANCE SHEETS

The Financial Review, pages 38-65, is an integral part of these statements.

As of December 31 (millions except for numbers of shares and per-share data)	1993	1992
Assets		
Current assets:		
Cash and cash equivalents	$ 9.1	$ 15.2
Accounts and notes receivable		
(less allowance for discounts and losses: 1993--$37.5; 1992--$32.2)	283.5	302.6
Inventories	286.2	319.4
Income tax benefits	36.8	43.2
Other current assets	24.8	32.3
Total current assets	640.4	712.7
Property, plant, and equipment		
(less accumulated depreciation and amortization: 1993--$1,006.7; 1992--$936.3)	1,039.1	1,072.0
Other noncurrent assets	249.8	225.1
Total assets	$1,929.3	$2,009.8

Liabilities and shareholders' equity		
Current liabilities:		
Short-term debt	$ 105.4	$ 223.7
Current installments of long-term debt	5.8	9.4
Accounts payable and accrued expenses	293.3	290.2
Income taxes	31.8	22.3
Total current liabilities	436.3	545.6
Long-term debt	256.8	266.6
Employee Stock Ownership Plan loan guarantee	253.9	260.2
Deferred income taxes	18.8	25.5
Postretirement and postemployment benefit liability	283.7	279.5
Other long-term liabilities	99.6	52.9
Minority interest in subsidiaries	10.7	10.3
Total noncurrent liabilities	923.5	895.0

Shareholders' equity:		
Class A preferred stock. Authorized 20 million shares;		
issued 5,654,450 shares of Series A convertible preferred stock;		
outstanding: 1993--5,527,692 shares; 1992--5,578,265 shares;		
retired: 1993--126,758 shares; 1992--76,185 shares	263.9	266.4
Common stock, $1 par value per share.		
Authorized 200 million shares; issued 51,878,910 shares	51.9	51.9
Capital in excess of par value	29.7	26.1
Reduction for ESOP loan guarantee	(241.8)	(249.2)
Retained earnings	927.7	922.7
Foreign currency translation	(3.4)	8.6
	1,028.0	1,026.5
Less common stock in treasury, at cost: 1993--14,656,488 shares;		
1992--14,750,597 shares	458.5	457.3
Total shareholders' equity	569.5	569.2
Total liabilities and shareholders' equity	$1,929.3	$2,009.8

FINANCIAL STATEMENTS AND REVIEW CONSOLIDATED STATEMENTS OF CASH FLOWS

The Financial Review, pages 38-65, is an integral part of these statements.

Years ended December 31 (millions)	1993	1992	1991
Cash flows from operating activities:			
Net earnings (loss)	$ 63.5	$ (227.7)	$ 48.2
Adjustments to reconcile net earnings (loss) to net cash			
provided by operating activities:			
Depreciation and amortization	130.0	136.9	135.7
Deferred income taxes	(1.3)	(36.6)	(1.6)
Loss from restructuring activities, net of paid costs	50.6	156.1	--
Loss from cumulative effect of changes in accounting	--	167.8	--
Loss on sale of discontinued businesses	--	--	8.6
Changes in operating assets and liabilities net of			
effect of accounting changes, restructuring, and dispositions:			
(Increase) decrease in receivables	18.3	(11.9)	(3.9)
(Increase) decrease in inventories	28.4	(1.3)	7.9
(Increase) decrease in other current assets	10.8	10.2	(17.1)
(Increase) in other noncurrent assets	(45.3)	(27.0)	(23.2)
Increase (decrease) in accounts payable and accrued expenses	18.0	7.9	(25.8)
Increase (decrease) in income taxes payable	11.3	1.4	(4.4)
Increase in other long-term liabilities	15.5	16.5	15.1
Other, net	(8.6)	(5.5)	10.9
Net cash provided by operating activities	291.2	186.8	150.4

Cash flows from investing activities:			
Purchases of property, plant, and equipment	(117.6)	(115.8)	(133.4)
Proceeds from sale of land and facilities	10.3	5.5	3.0
Investment in joint ventures	--	(4.2)	--
Net cash used for investing activities	(107.3)	(114.5)	(130.4)
Cash flows from financing activities:			
Increase (decrease) in short-term debt	(114.9)	25.5	(47.6)
Issuance of long-term debt	--	--	83.2
Reduction of long-term debt	(9.2)	(30.6)	(5.2)
Cash dividends paid	(63.8)	(63.8)	(63.6)
Other, net	(2.8)	6.5	(3.7)
Net cash used for financing activities	(190.7)	(62.4)	(36.9)
Effect of exchange rate changes on cash and cash equivalents	.7	(2.9)	.5
Net increase (decrease) in cash and cash equivalents	$ (6.1)	$ 7.0	$ (16.4)
Cash and cash equivalents at beginning of year	$ 15.2	$ 8.2	$ 24.6
Cash and cash equivalents at end of year	$ 9.1	$ 15.2	$ 8.2
Supplemental cash flow information			
Interest paid	$ 33.8	$ 39.9	$ 45.0
Income taxes paid	$ 15.8	$ 31.0	$ 53.5

FINANCIAL REVIEW

The consolidated financial statements and the accompanying data in this report include the accounts of the parent Armstrong World Industries, Inc., and its domestic and foreign subsidiaries. All significant intercompany transactions have been eliminated from the consolidated statements.

OPERATING STATEMENT ITEMS

Net sales in 1993 total $2,525.4 million, 1.0% below the 1992 total of $2,549.8 million. 1992 sales were 4.5% above the 1991 total of $2,439.3 million.

The amounts reported as net sales are the total sales billed during the year less the sales value of goods returned, trade discounts and customers' allowances, and freight costs incurred in delivering products to customers.

Net earnings of $63.5 million for 1993 compared with a net loss for 1992 of $227.7 million and earnings of $48.2 million for 1991. Included in the earnings for 1993 were restructuring charges of $60.0 million after tax. For years 1992 and 1991, after-tax restructuring charges were $123.8 million and $8.4 million, respectively. The 1992 loss also included a $167.8 million after-tax charge for the cumulative effect of changes in accounting related to the adoption of Statement of Financial Accounting Standards (SFAS) 106, "Employers' Accounting for Postretirement Benefits Other Than Pensions," and SFAS 112, "Employers' Accounting for Postemployment Benefits."

Earnings (loss) per common share are presented on the Consolidated Statements of Earnings on page 32.

Primary earnings (loss) per share, for "Earnings (loss) from continuing businesses" and "Net earnings (loss)," are determined by dividing the earnings
(loss), after deducting preferred dividends (net of tax benefits on unallocated shares), by the average number of common shares outstanding and shares issuable under stock options, if dilutive.

Fully diluted earnings (loss) per share include the shares of common stock outstanding and the adjustments to common shares and earnings (loss) required to portray the convertible preferred shares on an "if converted" basis unless the effect is antidilutive.

Research and development costs were $59.5 million in 1993, $60.3 million in 1992, and $55.6 million in 1991.

Advertising costs were $37.8 million in 1993, $42.4 million in 1992, and $42.9 million in 1991.

Maintenance and repair costs were $126.1 million in 1993, $137.2 million in 1992, and $138.1 million in 1991.

Depreciation and amortization amounted to $130.0 million in 1993, $136.9 million in 1992, and $135.3 million in 1991. These amounts include amortization of intangible assets of $10.0 million in 1993, $16.2 million in 1992, and $18.0 million in 1991.

Depreciation charges for financial reporting purposes are determined generally on the straight-line basis at rates calculated to provide for the retirement of assets at the end of their useful lives. Accelerated depreciation is generally used for tax purposes. When assets are disposed of or retired, their costs and related depreciation are removed from the books, and any resulting gains or losses are reflected in "Miscellaneous income (expense)." Intangibles are amortized over periods ranging from three to 40 years.

Restructuring charges amounted to $89.9 million in 1993 compared with similar charges of $165.5 million in 1992 and $12.8 million in 1991.

The 1993 charges were primarily the result of accruals for severance and special retirement incentives associated with the elimination of employee positions.

The 1992 charges relate to the company's closing of four major manufacturing facilities--two in the U.S., one in Canada, one in Belgium--and to the scaling back of operations in certain other plants in the U.S. and abroad. The provision also includes accruals for costs associated with the elimination of positions throughout the company, as well as write-downs of the value of land, buildings, equipment and intangible assets of the company.

Details of miscellaneous income (expense) (millions)	1993	1992	1991
Interest and dividend income	$ 7.5	$ 4.5	$ 5.3
Foreign exchange, net gain (loss)	(.7)	1.4	5.9
Amortization of intangibles and other, net (loss)	(4.2)	(6.8)	(20.1)
Subtotal	2.6	(.9)	(8.9)
Less minority interest	2.1	1.9	2.1
Total	$ .5	$(2.8)	$(11.0)

Employee compensation is presented in the table below and excludes restructuring charges for severance costs and early retirement incentives.

Employee compensation cost summary (millions)	1993	1992	1991
Wages and salaries	$709.8	$741.5	$699.4
Payroll taxes	68.2	74.3	69.6
Pension credits	(3.5)	(.7)	(.9)
Insurance and other benefit costs	78.0	87.2	62.7
Total	$852.5	$902.3	$830.8

Average total employment of 21,682 in 1993 compares with 23,500 in 1992 and 24,066 in 1991.

Pension costs

The company and a number of its subsidiaries have pension plans covering substantially all employees. Benefits from the principal plan are based on the employee's compensation and years of service.

Generally, the company's practice is to fund the actuarially determined current service costs and the amounts necessary to amortize prior service obligations over periods ranging up to 30 years, but not in excess of the full funding limitation.

Funding requirements are determined independently of expense, using an expected long-term rate of return on assets of 8.67%. The company's principal plan is subject to the full funding limitation in 1993, 1992, and 1991, and the company made no contribution to that plan in any of these years. Contributions of $.8 million in 1993, $.6 million in 1992, and $.3 million in 1991 were made to defined-benefit plans of company subsidiaries.

The total pension cost from all plans are presented in the table below.

Total pension cost (millions)	1993	1992	1991
U.S. defined-benefit plans:			
Net pension credit	$(17.4)	$(16.2)	$(13.0)
Early retirement incentives	38.0	30.0	4.5
Defined contribution plans	6.0	5.9	5.3
Non-U.S. defined-benefit plans:			
Net pension cost	6.1	6.1	4.0
Early retirement incentives	--	1.3	--
Other funded and unfunded pension costs	1.8	2.2	2.8
Total pension cost	$ 34.5	$ 29.3	$ 3.6

The net credit for U.S. defined-benefit pension plans is presented in the table below.

Net credit for U.S. defined-benefit pension plans (millions)	1993	1992	1991
Actual return on assets	$(236.9)	$(94.8)	$(210.6)
Less amount deferred	155.9	17.8	140.2
Expected return on assets	(81.0)	(77.0)	(70.4)
Net amortization and other	(6.9)	(6.3)	(4.5)
Service cost--benefits earned during the year	19.1	18.7	16.2
Interest on the projected benefit obligation	51.4	48.4	45.7
Net pension credit	$ (17.4)	$(16.2)	$ (13.0)

Accruals for the cost of early retirement incentives were $38.0 million in 1993 compared with $30.0 million in 1992. The cost of these incentives is included as a part of the restructuring charges discussed on page 39.

The company has defined-contribution pension plans for eligible employees at certain of its U.S. subsidiaries, such as the Employee Stock Ownership Plan (ESOP) described on page 44. Company contributions and accrued compensation expense related to the ESOP are included with other plans' contributions and costs, based on the compensation of each eligible employee. The costs of such plans totaled $6.0 million in 1993, $5.9 million in 1992, and $5.3 million in 1991.

The funded status of the company's U.S. defined-benefit pension plans is presented in the following table.

Funded status of U.S. defined-benefit pension plans (millions)	1993	1992
Actuarial present value of benefit obligations:		
Vested benefit obligation	$ (704.0)	$ (585.4)
Accumulated benefit obligation	$ (743.1)	$ (620.5)
Projected benefit obligation for services rendered to date	$ (797.2)	$ (712.1)
Plan assets at fair value	1,248.2	1,059.4
Plan assets in excess of projected benefit obligation	451.0	347.3
Unrecognized transition asset	(53.0)	(59.3)
Unrecognized prior service cost	114.2	84.9
Unrecognized net gain--experience different from assumptions	(428.3)	(285.7)
Provision for restructuring charges	(27.1)	(10.6)
Prepaid pension cost	$ 56.8	$ 76.6

The plan assets at each December 31 are based on measurements from October 31 to December 31. Stated at fair value, they are primarily listed stocks, bonds, and investments with a major insurance company.

Note: Rates used in determining the actuarial present value of the projected benefit obligation at the end of 1993 and 1992 are: (1) the discount rate or the assumed rate at which the pension benefits could be effectively settled, 7.00% in 1993 and 7.25% in 1992; and (2) the compensation rate or the long-term rate at which compensation is expected to increase as a result of inflation, promotions, seniority, and other factors, 4.75% in both 1993 and 1992. The expected long-term rate of return on assets was 8.25% in both 1993 and 1992.

The company has pension plans covering employees in a number of foreign countries which utilize assumptions that are consistent, but not identical, with those of the U.S. plans.

Net cost for non-U.S. defined-benefit pension plans (millions)	1993	1992	1991
Actual return on assets	$(14.3)	$(9.1)	$(8.7)
Less amount deferred	8.0	2.6	2.4
Expected return on assets	(6.3)	(6.5)	(6.3)
Net amortization and other	.5	.5	.1
Service cost--benefits earned during the year	5.2	5.3	4.4
Interest on the projected benefit obligation	6.7	6.8	5.8
Net pension cost	$ 6.1	$ 6.1	$ 4.0

The following table presents the funded status of the non-U.S. defined- benefit pension plans at December 31.

Funded status of non-U.S. defined-benefit pension plans (millions)	1993	1992
Actuarial present value of benefit obligations:		
Vested benefit obligation	$(83.1)	$(69.6)
Accumulated benefit obligation	$(88.7)	$(73.8)
Projected benefit obligation for services rendered to date	$(95.9)	$(84.8)
Plan assets at fair value	58.3	78.5
Projected benefit obligation greater than plan assets	(37.6)	(6.3)
Unrecognized transition obligation	2.9	3.6
Unrecognized prior service cost	2.8	3.0
Unrecognized net gain--experience different from assumptions	(4.9)	(5.4)
Adjustment required to recognize minimum liability	(5.3)	(.8)
Accrued pension cost	$(42.1)	$ (5.9)

In 1993, a foreign subsidiary reorganized the financing arrangement of its principal pension plan and became self-insured. As a result, the subsidiary recorded, as of December 31, 1993, plan-related liabilities of $37.7 million and assets of equal value. Prior to 1993, the asset value had been reported as an asset of the pension plan.

Postretirement benefits other than pensions and postemployment benefits

The company has plans that provide for medical and life insurance benefits to certain eligible employees, worldwide, when they retire from active service. The company funds these benefit costs primarily on a pay-as-you-go basis, with the retiree paying a portion of the cost for health-care benefits through deductibles and contributions.

In 1992, the company adopted SFAS 106, which recognizes the estimated future cost of providing health-care and other postretirement benefits on an accrual basis over the active service life of the employee. Prior to 1992, postretirement benefit expenses were recognized as claims were incurred.

Armstrong elected to immediately recognize the cumulative effect of the change in accounting for postretirement benefits of $220.3 million ($135.4 million after taxes) which represented the unfunded accumulated postretirement benefit obligation (APBO) as of January 1, 1992. Under the new standard, total retiree health-care and life insurance expense was $21.2 million in 1993 and $22.3 million in 1992. These costs were $12.7 million in 1991.

The company announced in 1989-90 a 15-year phaseout of its cost of health-care benefits for certain future retirees. These future retirees include parent company nonunion employees and some union employees. Shares of ESOP convertible preferred stock (see page 44) are scheduled to be allocated to these employees, based on employee age and years to expected retirement. In addition, they may enroll in a voluntary portion of the ESOP to purchase additional shares.

The following tables set forth the funded status of the company's postretirement benefit plans at December 31 and the periodic postretirement benefit costs.

Funded status of postretirement benefit plans (millions)	1993	1992
Retirees	$143.3	$116.5
Fully eligible active plan participants	39.9	39.0
Other active plan participants	64.7	71.4
Total accumulated postretirement benefit obligation	$247.9	$226.9
Unrecognized prior service credit	8.8	--
Unrecognized net gain (loss)	(24.1)	1.0
Accrued postretirement benefit cost	$232.6	$227.9

Periodic postretirement benefit costs (millions)	1993	1992
Service cost of benefits earned during the year	$ 3.9	$ 4.7
Interest cost on accumulated postretirement benefit obligation	18.1	17.6
Amortization of prior service credit	(.8)	--
Periodic postretirement benefit cost	$ 21.2	$ 22.3

The assumed health-care cost trend rate used to measure the APBO was 14% in 1992, decreasing 1% per year to an ultimate rate of 6% by the year 2000. The health-care cost trend rate assumption has a significant effect on the amounts reported. To illustrate, if the health-care cost trend rate assumptions were increased by 1%, the APBO as of December 31, 1993, would be increased by $22.5 million. The effect of this change on the total of service and interest costs for 1993 would be an increase of $2.3 million. The APBO at December 31, 1993, was determined utilizing a discount rate of 7.75% and a compensation rate of 4.75%. The discount and compensation rates used in determining the APBO at December 31, 1992, were 8.25% and 4.75%, respectively.

The company provides certain postemployment benefits to eligible parent company and subsidiary employees. These benefits are provided to former or inactive employees and their dependents during the time period following employment but before retirement.

Prior to 1992, postemployment benefit expenses were recognized on a pay-as- you-go basis. In 1992, the company adopted SFAS 112, which recognizes the estimated future cost of providing postemployment benefits on an accrual basis over the active service life of the employee. Armstrong elected to immediately recognize the cumulative effect of the change in accounting for postemployment benefits of $53.3 million ($32.4 million after tax), which represented the unfunded accumulated postemployment benefit obligation (APBO) as of January 1, 1992. A refinement of the computation in 1993 resulted in restatements of the 1992 financial statements. The effect of the restatements was to reduce the previously reported loss from continuing businesses by $1.7 million or 5 cents per share and to

reduce the previously reported net loss by $6.5 million or 18 cents per share. Total postemployment benefit expense was $4.6 million in 1993 and $6.3 million in 1992.

Employee Stock Ownership Plan (ESOP)

In 1989, Armstrong established an ESOP that borrowed $270 million from banks and insurance companies, repayable over 15 years and guaranteed by the company. The ESOP used the proceeds to purchase 5,654,450 shares of a new series of convertible preferred stock issued by the company. Through December 31, 1993, the ESOP allocated to participants 1,276,350 shares and retired 126,758 shares. The preferred stock has a minimum conversion value of $47.75 per share with an annual dividend of $3.462.

The ESOP currently covers parent company nonunion employees, some union employees, and those employees of major domestic subsidiaries who wish to participate in the voluntary contribution portion of the plan.

Armstrong used the proceeds from the 1989 sale of preferred stock to repurchase common stock in 1989 and 1990 for the company treasury. The company's guarantee of the ESOP loan has been recorded as a long-term obligation and as a reduction of shareholders' equity on its consolidated balance sheet.

Details of ESOP debt service payments (millions)	1993	1992	1991
Preferred dividends paid	$19.2	$19.3	$19.4
Employee contributions	5.9	5.9	6.0
Company contributions	3.5	2.2	.7
Debt service payments made by ESOP trustee	$28.6	$27.4	$26.1

The company recorded costs for the ESOP, utilizing the 80% of the shares allocated method, of $4.5 million in 1993, $4.4 million in 1992, and $3.6 million in 1991, consisting primarily of accrued compensation expenses plus company contributions. Costs for all years continue to be offset by savings from changes to company-sponsored health-care benefits and elimination of a contribution-matching feature in the company-sponsored voluntary retirement savings plan.

Taxes totaled $113.6 million in 1993, $92.4 million in 1992, and $126.4 million in 1991.

Details of taxes (millions)	1993	1992	1991
Earnings (loss) from continuing businesses before income taxes:			
Domestic	$ 85.7	$(59.2)	$100.5
Foreign	29.3	8.0	58.7
Eliminations	(24.3)	(9.2)	(58.9)
Total	$ 90.7	$(60.4)	$100.3
Income taxes:			
Payable:			
Federal	$ 28.4	$ 20.4	$ 13.0
Foreign	10.6	16.2	27.8
State	3.7	3.2	.1
	42.7	39.8	40.9
Deferred:			
Federal	(14.3)	(37.9)	(5.7)
Foreign	(1.2)	(2.4)	.9
State	--	--	3.6
	(15.5)	(40.3)	(1.2)
Total income taxes	27.2	(.5)	39.7
Payroll taxes	68.2	74.3	69.6
Property, franchise, and capital stock taxes	18.2	18.6	17.1
Total taxes	$113.6	$ 92.4	$126.4
Components of deferred tax (benefit) expense:			
Restructuring benefit	$(25.4)	$(39.7)	$ (.7)
Difference between book and tax depreciation	(3.0)	3.7	12.5
Purchased tax benefits	(2.4)	(2.2)	(2.5)
Pension plan	5.0	3.2	5.4
Alternative minimum tax	5.0	(5.2)	(10.6)
Other items	5.3	(.1)	(5.3)
Total deferred tax (benefit) expense	$(15.5)	$(40.3)	$ (1.2)

In 1992, the company adopted SFAS 109, "Accounting for Income Taxes," which supersedes SFAS 96. Under SFAS 109, deferred tax assets and liabilities are recognized using enacted tax rates for the expected future tax consequences of events that have been recognized in the financial statements or tax returns. Generally, SFAS 96 prohibited consideration of any future events in calculating deferred taxes.

SFAS 109 also requires recognition in shareholders' equity of the tax benefit for dividends paid on unallocated shares of stock held by the ESOP which amounted to $5.3 million in 1993 and $5.5 million in 1992. Under SFAS 96, this benefit was recognized in the statement of earnings and amounted to $6.0 million in 1991. The tax benefit for dividends paid on allocated shares held by an ESOP are recognized in the statements of earnings under the provisions of both SFAS 109 and SFAS 96.

At December 31, 1993, unremitted earnings of subsidiaries outside the United States were $93.1 million (at current balance sheet exchange rates) on which no U.S. taxes have been provided. If such earnings were to be remitted without offsetting tax credits in the United States, withholding taxes would be $11.5 million. The company's intention, however, is to permanently reinvest those earnings or to repatriate them only when it is tax effective to do so.

Reconciliation to U.S. statutory tax rate	1993	1992	1991
Statutory tax (benefit) rate	35.0%	(34.0)%	34.0%
State income taxes	2.6	3.5	2.4
(Benefit) on ESOP dividend	(1.5)	(1.7)	(6.6)
(Benefit) taxes on foreign and foreign-source income	(8.8)	3.7	7.3
Other items	.9	3.5	2.5
Restructuring charges	1.8	24.0	--
Effective tax (benefit) rates	30.0%	(1.0)%	39.6%

BALANCE SHEET ITEMS

Cash and cash equivalents decreased to $9.1 million at the end of 1993 from $15.2 million at the end of 1992. Operating and other factors associated with the decrease in cash and cash equivalents are detailed in the Consolidated Statements of Cash Flows on page 36.

Short-term investments, substantially all of which have maturities of three months or less when purchased, are considered to be cash equivalents and are carried at cost or less, generally approximating market value.

Receivables declined $19.1 million in 1993, with most of the decrease related to the collection of customer notes and miscellaneous receivables, and a $5.3 million reserve increase for discounts and losses. Customers' receivables declined $2.0 million even though sales increased by 4% in the fourth quarter.

Accounts and notes receivable (millions)	1993	1992
Customers' receivables	$287.0	$289.0
Customers' notes	22.3	29.6
Miscellaneous receivables	11.7	16.2
	321.0	334.8
Less allowance for discounts and losses	37.5	32.2
Net	$283.5	$302.6

Generally, the company sells its products to select, preapproved groups of customers that include: flooring and building material distributors, ceiling systems contractors, regional and national mass merchandisers and home centers, original equipment manufacturers, and large furniture retailers. The businesses of these customers are directly affected by changes in economic and market conditions. The company considers these factors and the financial condition of each customer when establishing its allowance for losses from doubtful accounts.

The carrying amount of the receivables approximates fair value because of the short maturity of these items.

Trade receivables are recorded in gross billed amounts as of date of shipment. Provision is made for estimated applicable discounts and losses.

Inventories were $33.2 million lower at the end of 1993, a 10 percent decline from the 1992 year-end position. The decrease was primarily a result of the successful ongoing process changes that reduced cycle time and improved inventory turnover from 8.0 to 8.8 turns on sales. Approximately half of the inventory reduction occurred in Europe with about $4.0 million of the reduction related to the translation of foreign currency inventories to U.S. dollars at lower exchange rates.

Approximately 51% in 1993 and 48% in 1992 of the company's total inventory is valued on a LIFO (last-in, first-out) basis. Such inventory values were lower than would have been reported on a total FIFO (first-in, first-out) basis, by $109.7 million at the end of 1993 and $108.3 million at year-end 1992.

Inventories (millions)	1993	1992
Finished goods	$176.8	$203.4
Goods in process	34.5	34.3
Raw materials and supplies	74.9	81.7
Total	$286.2	$319.4

Inventories are valued at the lower of cost or market. Approximately two- thirds of 1993's domestic inventories are valued using the LIFO method. Other inventories are generally determined on a FIFO method.

Income tax benefits were $36.8 million in 1993 and $43.2 million in 1992. Of these amounts, deferred tax benefits were $34.1 million in 1993 and $39.9 million in 1992.

Other current assets were $24.8 million in 1993, a decrease of $7.5 million from the $32.3 million in 1992. The decrease primarily reflects a reduction in prepaid costs.

Property, plant, and equipment (millions)	1993	1992
Land	$ 32.2	$ 36.5
Buildings	505.1	490.8
Machinery and equipment	1,446.5	1,420.2
Construction in progress	62.0	60.8
Gross book value	2,045.8	2,008.3
Less accumulated depreciation and amortization	1,006.7	936.3
Net book value	$1,039.1	$1,072.0

The $37.5 million increase in gross book value to $2,045.8 million at the end of 1993 includes $117.6 million for capital additions; a $12.5 million write-down for restructuring; and a $42.6 million reduction from sales, retirements, dispositions and other changes. Also, because of translating foreign currency property, plant, and equipment into U.S. dollars at lower exchange rates, 1993 gross book value was reduced by $25.0 million and net book value decreased by $11.8 million.

The unexpended cost of approved capital appropriations amounted to $69.8 million at December 31, 1993, substantially all of which is scheduled to be expended during 1994.

Property, plant, and equipment values are stated at acquisition cost, with accumulated depreciation and amortization deducted to arrive at net book value.

Other noncurrent assets (millions)	1993	1992
Goodwill and other intangibles	$ 68.1	$ 82.6
Pension-related assets	76.0	98.1
Other	105.7	44.4
Total	$249.8	$225.1

Significant items included in the $24.7 million increase were a $37.7 million addition of paid up insurance policy assets that were previously part of a foreign subsidiary pension plan's assets (see page 42) and a deferred income tax benefit of $13.5 million. Partially offsetting these increases were a net charge of $19.8 million to the prepaid pension asset and a $6.4 million write-off of certain intangible assets.

Noncurrent assets are carried at cost or less or under the equity method of accounting.

Accounts payable and accrued expenses (millions)	1993	1992
Trade payables	$ 90.8	$ 94.0
Other payables	54.5	51.2
Payroll and related taxes	37.3	42.6
Restructuring costs	41.7	47.9
Other	69.0	54.5
Total	$293.3	$290.2

The carrying amount of accounts payable and accrued expenses approximates fair value because of the short maturity of these items.

Income taxes (millions)	1993	1992
Payable--current	$ 31.7	$ 20.2
Deferred--current	0.1	2.1
Total	$ 31.8	$ 22.3

Deferred income taxes (millions)	1993	1992
Postretirement and postemployment benefits	$ (99.6)	$ (95.4)
Restructuring benefits	(31.0)	(39.7)
Alternative minimum tax credit	(20.3)	(25.4)
Excess foreign tax credit carryforward	(6.9)	--
Other	(69.6)	(55.4)
Total gross deferred tax assets	$(227.4)	$(215.9)
Less valuation allowance	6.9	--
Net deferred assets	$(220.5)	$(215.9)
Accumulated depreciation	$ 96.2	$ 115.3
Pension costs	29.4	35.0
Other	66.1	53.3
Total deferred income tax liabilities	$ 191.7	$ 203.6
Net deferred income tax liabilities (assets)	$ (28.8)	$ (12.3)
Less net income tax (benefits)--current	(34.1)	(37.8)
Less net income tax (benefits)--noncurrent	(13.5)	--
Deferred income taxes--long term	$ 18.8	$ 25.5

The tax effects of principal temporary differences between the carrying amounts of assets and liabilities and their tax bases are summarized in the preceding table.

Under current law, the alternative minimum tax credits have an unlimited carryforward life for U.S. tax purposes. A valuation allowance was not established for these benefits because management believes the company will earn sufficient taxable income to utilize the benefits.

The tax audit reviews have been completed for years 1988 through 1990, and the company believes that there will be no adverse effect on the company's financial condition.

Debt (millions)	1993	Average year-end interest rate	1992	Average year-end interest rate
Short-term debt:				
Foreign banks	$ 29.9	6.81%	$ 60.4	9.53%
Commercial paper	75.5	3.36%	163.3	3.66%
Total short-term debt	$105.4	--	$223.7	--
Long-term debt:				
9 3/4% debentures due 2008	$125.0	9.75%	$125.0	9.75%
Medium-term notes	116.8	8.71%	125.0	8.68%
Industrial development bonds	17.9	3.08%	18.3	3.34%
Mortgages, notes and other	2.9	11.25%	7.7	10.69%
Total long-term debt	262.6	--	276.0	--
Less current installments	5.8	--	9.4	--
Net long-term debt	$256.8	8.85%	$266.6	8.85%

The December 31, 1993, carrying amounts of short-term debt ($105.4 million) and current installments of long-term debt ($5.8 million) approximate fair value because of the short maturity of these items.

The December 31, 1993, carrying amount of net long-term debt was $256.8 million, compared with a fair value estimate of $301.3 million. The fair value estimates of long-term debt were based upon quotes from major financial institutions, taking into consideration current rates offered to the company for debt of the same remaining maturities.

The medium-term notes were issued at rates from 8% to 9% with maturities ranging from 1994 to 2001.

The 9 3/4% debentures and the medium-term notes are not redeemable by the company until maturity and there are no sinking-fund requirements.

Scheduled amortization of long-term debt (millions)

1995	$19.8	1998	$13.5
1996	40.1	1999	--
1997	13.7		

In 1983, the company issued a $37.2 million noninterest-bearing installment note and has made the first of two required payments. The second installment payment of $18.6 million is due in 2013. The $1.5 million present value of this payment is recorded in other long-term debt. The estimated fair value at December 31, 1993, was $4.4 million.

Armstrong currently has unused domestic short-term lines of credit of approximately $245 million from eight banks. In addition, the company's foreign subsidiaries have approximately $144 million of unused short-term lines of credit available from banks. Most of the credit lines are extended on a fee basis.

The company can borrow from its banks generally at rates approximating the lowest available to commercial borrowers and can issue short-term commercial notes supported by the lines of credit.

Financial instruments with off-balance sheet risks

The company uses forward contracts, foreign currency options, and interest rate or currency swaps to selectively hedge foreign currency and interest rate risk exposures. Realized and unrealized gains and losses on contracts that hedge expected future cash flows are recognized in other income and expense. Realized and unrealized gains and losses on contracts that hedge net investment in foreign subsidiaries are recognized in shareholders' equity.

At December 31, 1993, forward contracts and foreign currency options hedging anticipated transactions totaled approximately U.S. $142.6 million and were primarily denominated in European currencies. The forward contracts and options mature within one year.

The estimated market value of the forward contracts and foreign currency options at December 31, 1993, was $.8 million and was included in "Other current assets." These values were obtained from dealer quotes and published foreign currency market rates.

In 1987, the company entered into a $15 million interest rate swap agreement. The swap expires in 1994 and provides for the company to pay interest at the 30-day U.S. commercial paper rate and to receive interest at an average fixed annual rate of 10.22%.

In 1993, the company terminated prior to expiration interest rate swaps totaling $100 million and currency swaps totaling $37.2 million. Also, the company entered into a $25 million interest rate swap agreement. The swap expires in 1998 and provides for the company to pay interest at the six-month London interbank offered rate, and to receive interest at a fixed rate of 5.575%.

The carrying values of the interest rate agreements represent a net asset of $.6 million, compared with a net asset of $1.0 million at fair value, based on quotes from major financial institutions. The fair values represent the estimated amount the company would have received by terminating these agreements on December 31, 1993.

The counterparties to these instruments are major international financial institutions, and the company continually monitors its position and the credit ratings of the counterparties. The company does not anticipate a loss resulting from any credit risk of these institutions.

For reporting purposes, the assets and liabilities of the forward contracts, foreign currency options, and interest rate swaps are offset because the agreements provide for a right of offset.

As of December 31, 1993, the company had provided $62 million in standby letters of credit and financial guarantees. The company's policy does not normally require collateral or other security to support these instruments.

Other long-term liabilities were $99.6 million in 1993 and $52.9 million in 1992. The significant item included in the $46.7 million increase is the $37.7 million of pension liabilities assumed by the company as a result of becoming self-insured for the pension obligations in a foreign subsidiary (see page 42).

Other long-term liabilities include amounts for pensions, deferred compensation, workers' compensation, vacation accrual, and a reserve for the estimated potential liability primarily associated with claims pending in the company's asbestos-related litigation.

Based upon the company's experience with this litigation--as well as the Wellington Agreement, other settlement agreements with certain of the company's insurance carriers, and an earlier interim agreement with several primary carriers--this reserve is intended to cover potential liability and settlement costs, legal and administrative costs not covered under the agreements, and certain other factors which have been involved in the litigation about which uncertainties exist. Future costs of litigation against the company's insurance carriers and other legal costs indirectly related to the litigation, expected to be modest, will be expensed outside the reserve. Amounts, primarily insurance litigation costs, estimated to be payable within one year are included under current liabilities.

The company does not know how many claims will be filed against it in the future, nor the details thereof or of pending claims and suits not fully reviewed, nor the expense and any liability that may ultimately result therefrom, nor does the company know the annual claims flow caps to be negotiated after the initial 10-year period for the settlement class action or the then compensation levels to be negotiated for such claims or the success the company may have in addressing the Midland Insurance Company insolvency with its other insurers. Subject to the foregoing and based upon its experience and other factors referred to under "Litigation" on pages 60-64, the company believes that it is probable that such charges to expense associated with the suits and claims should not be significant.

The fair value of other long-term liabilities was estimated to be $87.2 million at December 31, 1993, using a discounted cash flow approach.

Environmental

The company will incur capital expenditures in order to meet the new requirements of the Clean Air Act of 1990 and is awaiting the final promulgation of implementing regulations by various state agencies to determine the magnitude of additional costs and the time period over which they will be incurred. In 1993, the company incurred capital

expenditures of approximately $2.6 million for environmental compliance and control facilities, and anticipates comparable annual expenditures for those purposes for the years 1994 and 1995.

As with many industrial companies, Armstrong is involved in proceedings under the Comprehensive Environmental Response, Compensation and Liability Act ("Superfund"), and similar state laws at approximately 21 sites. In most cases, Armstrong is one of many potentially responsible parties ("PRPs") who have voluntarily agreed to jointly fund the required investigation and remediation of each site. With regard to some sites, however, Armstrong disputes either liability or the proposed cost allocation. Sites where Armstrong is alleged to have contributed a significant volume of waste material include a former municipal landfill site in Volney, New York, and a former county landfill site in Buckingham County, Virginia, which is alleged to have received material from Thomasville Furniture Industries, Inc. (see page 65). Armstrong may also have rights of contribution or reimbursement from other parties or coverage under applicable insurance policies. The company is also remediating environmental contamination resulting from past industrial activity at certain of its current plant sites.

Estimates of future liability are based on an evaluation of currently available facts regarding each individual site and consider factors including existing technology, presently enacted laws and regulations, and prior company experience in remediation of contaminated sites. Although current law imposes joint and several liability on all parties at any Superfund site, Armstrong's contribution to the remediation of these sites is expected to be limited by the number of other companies also identified as potentially liable for site costs. As a result, the company's estimated liability reflects only the company's expected share. In determining the probability of contribution, the company considers the solvency of the parties, whether responsibility is being disputed, the terms of any existing agreements, and experience regarding similar matters. The estimated liabilities do not take into account any claims for recoveries from insurance or third parties, unless a coverage commitment has been provided by the insurer.

Because of uncertainties associated with remediation activities and technologies, regulatory interpretations, and the allocation of those costs among various other parties, the company has accrued $4.9 million to reflect its estimated liability for environmental remediation. As assessments and remediation activities progress at each individual site, these liabilities are reviewed to reflect additional information as it becomes available.

Actual costs to be incurred at identified sites in the future may vary from the estimates, given the inherent uncertainties in evaluating environmental liabilities. Subject to the imprecision in estimating environmental remediation costs, the company believes that any sum it may have to pay in connection with environmental matters in excess of the amounts noted above would not have a material adverse effect on its financial condition, liquidity, or results of operations.

Geographic Areas

United States net trade sales include export sales to non-affiliated customers of $27.0 million in 1993, $24.4 million in 1992, and $29.3 million in 1991.

"Europe" includes operations located primarily in England, France, Germany, Italy, the Netherlands, Spain, and Switzerland. Operations in Australia, Canada, China, Hong Kong, Indonesia, Japan, Korea, Singapore, and Thailand are in "Other foreign."

Transfers between geographic areas and commissions paid to affiliates marketing exported products are accounted for by methods that approximate arm's-length transactions, after considering the costs incurred by the selling company and the return on assets employed of both the selling unit and the purchasing unit. Operating profits of a geographic area include profits accruing from sales to affiliates.

Geographic areas at December 31 (millions)	1993	1992	1991
Net trade sales:			
United States	$1,910.7	$1,841.5	$1,761.7
Europe	456.6	544.5	508.5
Other foreign	158.1	163.8	169.1
Total foreign	614.7	708.3	677.6
Inter-area transfers:			
United States	76.1	69.9	65.5
Europe	6.0	4.0	3.9
Other foreign	21.9	18.5	9.9
Eliminations	(104.0)	(92.4)	(79.3)
Total net sales	$2,525.4	$2,549.8	$2,439.3
Operating profit:			
United States	$ 178.0	$ 50.7	$ 131.5
Europe	31.7	22.5	51.8
Other foreign	10.0	(4.6)	9.3
Total foreign	41.7	17.9	61.1
Total operating profit	$ 219.7	$ 68.6	$ 192.6
Identifiable assets (Note 1):			
United States	$1,311.7	$1,338.0	$1,435.5
Europe	347.0	362.5	398.5
Other foreign	63.2	64.9	74.9
Corporate	207.7	251.0	250.5
Eliminations	(.3)	(6.6)	(9.5)
Total assets	$1,929.3	$2,009.8	$2,149.9

Reconciliation (millions)	1993	1992	1991
Operating profit	$219.7	$ 68.6	$ 192.6
Corporate expense, net	(91.0)	(87.4)	(46.5)
Interest expense	(38.0)	(41.6)	(45.8)
Earnings (loss) from continuing businesses before income taxes	$ 90.7	$(60.4)	$ 100.3

Note 1: Identifiable assets for geographic areas and industry segments
exclude cash, marketable securities, and assets of a corporate nature. Capital additions for industry segments include property, plant, and equipment from acquisitions.

The Company's foreign operations are subject to foreign government legislation involving restrictions on investments (including transfers thereof), tariff restrictions, personnel administration, and other actions by foreign governments. In addition, consolidated earnings are subject to both U.S. and foreign tax laws with respect to earnings of foreign subsidiaries, and to the effects of currency fluctuations.

Industry Segments

The company operates worldwide in four reportable segments: floor coverings, building products, furniture, and industry products. Floor coverings sales include resilient floors, ceramic tile, and accessories.

Industry segments at December 31 (millions)	1993	1992	1991
Net trade sales:			
Floor coverings	$1,191.3	$1,134.9	$1,058.0
Building products	586.7	656.7	676.3
Furniture	449.7	438.4	417.9
Industry products	297.7	319.8	287.1
Total net sales	$2,525.4	$2,549.8	$2,439.3
Operating profit (Note 2):			
Floor coverings	$ 129.8	$ 30.2	$ 84.6
Building products	30.5	(7.3)	46.7
Furniture	26.6	10.3	18.2
Industry products	32.8	35.4	43.1
Total operating profit	$ 219.7	$ 68.6	$ 192.6
Depreciation and amortization:			
Floor coverings	$ 61.0	$ 65.5	$ 67.0
Building products	33.1	37.1	35.1
Furniture	12.9	13.5	13.6
Industry products	13.1	11.6	11.4
Corporate	$ 9.9	9.2	8.2
Total depreciation and amortization	$ 130.0	$ 136.9	$ 135.3

Capital additions (See Note 1 on page 54):			
Floor coverings	$ 59.1	$ 48.7	$ 61.0
Building products	23.8	25.4	39.1
Furniture	10.0	8.3	6.7
Industry products	20.7	29.3	21.6
Corporate	4.0	4.1	5.3
Total capital additions	$ 117.6	$ 115.8	$ 133.7
Identifiable assets (See Note 1 on page 8):			
Floor coverings	$ 808.0	$ 835.6	$ 915.1
Building products	475.2	491.6	556.0
Furniture	234.6	238.7	239.7
Industry products	203.8	192.9	188.6
Corporate	207.7	251.0	250.5
Total assets	$1,929.3	$2,009.8	$2,149.9

Note 2:

Restructuring charges in operating profit (millions)	1993	1992	1991
Floor coverings	$27.7	$ 80.8	$ 3.0
Building products	13.7	35.0	4.3
Furniture	.6	4.8	.3
Industry products	12.9	12.5	2.2
Total restructuring charges in operating profit	$54.9	$133.1	$ 9.8

Stock options

No further options may be granted under the 1984 Long-Term Stock Option Plan for Key Employees since the 1993 Long-Term Stock Incentive Plan, approved by the shareholders in April 1993, replaced the 1984 Plan for purposes of granting additional options.

Awards under the 1993 Long-Term Stock Incentive Plan may be in the form of stock options, stock appreciation rights in conjunction with stock options, performance restricted shares and restricted stock awards. No more than 4,300,000 shares of common stock may be issued under the Plan, and no more than 430,000 shares of common stock may be awarded in the form of restricted stock awards. The Plan extends to April 25, 2003. Pre-1993 grants made under predecessor plans will be governed under the provisions of those plans. At December 31, 1993, there were 3,987,295 shares available for grant under the 1993 Plan.

Options are granted to purchase shares at prices not less than the closing market price of the shares on the dates the options were granted, and expire 10 years from the date of grant. The average share price of all options exercised was $27.41 in 1993, $12.34 in 1992, and $13.20 in 1991.

Changes in option shares outstanding (thousands except for share price)	1993	1992	1991
Option shares at beginning of year	1,730.7	1,458.5	1,179.8
Options granted	245.1	383.9	311.8
	1,975.8	1,842.4	1,491.6
Less: Option shares exercised	182.2	27.4	10.9
Stock appreciation rights exercised	14.0	9.1	.6
Options canceled	71.2	75.2	21.6
	267.4	111.7	33.1
Option shares at end of year	1,708.4	1,730.7	1,458.5
Average share price of options	$ 33.20	$ 32.88	$ 33.21
Option shares exercisable at end of year	1,464.2	1,349.1	1,150.7

Performance restricted shares is a feature of the 1993 Long-Term Stock Incentive Plan which entitles certain key executive employees to earn shares of Armstrong's common stock, only if the company meets certain predetermined performance measures during a three-year performance period. At the end of the performance period, common stock awarded will generally carry an additional four-year restriction period whereby the shares will be held in custody by the company until the expiration or termination of the restriction. Compensation expense will be charged to earnings over the period in which the restrictions lapse. At the end of 1993, there were 68,505 performance restricted shares outstanding, with associated potential future common stock awards falling in the range of zero to 205,515 shares of Armstrong common stock.

Restricted stock awards can be used for the purposes of recruitment, special recognition, and retention of key employees. There were no restricted stock awards granted during 1993.

Shareholders' equity changes for 1993, 1992, and 1991 are summarized below:

Years ended December 31 (millions except for per-share data)	1993	1992	1991
Series A convertible preferred stock:			
Balance at beginning of year	$ 266.4	$ 267.7	$ 268.3
Shares redeemed	2.5	1.3	.6
Balance at end of year	$ 263.9	$ 266.4	$ 267.7
Common stock, $1 par value:			
Balance at beginning and end of year	$ 51.9	$ 51.9	$ 51.9
Capital in excess of par value:			
Balance at beginning of year	$ 26.1	$ 25.8	$ 25.7
Stock issuances	3.6	.3	.1
Balance at end of year	$ 29.7	$ 26.1	$ 25.8
Reduction for ESOP loan guarantee:			
Balance at beginning of year	$(249.2)	$ (256.0)	$ (261.8)
Principal paid	6.3	4.5	2.9
Accrued compensation	1.1	2.3	2.9
Balance at end of year	$(241.8)	$ (249.2)	$ (256.0)
Retained earnings:			
Balance at beginning of year	$ 922.7	$1,208.7	$1,224.1
Net earnings (loss) for year	63.5	(227.7)	48.2
Tax benefit on dividends paid on unallocated preferred shares	5.3	5.5	--
Total	$ 991.5	$ 986.5	$1,272.3
Less dividends:			
Preferred stock $3.462 per share	$ 19.2	$ 19.3	$ 19.4
Common stock			
$1.20 per share in 1993;	44.6		
$1.20 per share in 1992;		44.5	
$1.19 per share in 1991			44.2
Total dividends	$ 63.8	$ 63.8	$ 63.6
Balance at end of year	$ 927.7	$ 922.7	$1,208.7

Foreign currency translation:			
Balance at beginning of year	$ 8.6	$ 44.7	$ 48.3
Translation adjustments and hedging activities	(12.5)	(37.0)	(2.4)
Allocated income taxes	.5	.9	(1.2)
Balance at end of year	$ (3.4)	$ 8.6	$ 44.7
Less treasury stock at cost:			
Balance at beginning of year	$ 457.3	$ 457.3	$ 457.3
Stock purchases	.1	--	--
Stock issuance activity, net	1.1	--	--
Balance at end of year	$ 458.5	$ 457.3	$ 457.3
Total shareholders' equity	$ 569.5	$ 569.2	$ 885.5

Treasury shares changes for 1993, 1992, and 1991 are as follows:

Years ended December 31 (thousands)	1993	1992	1991
Common shares			
Balance at beginning of year	14,750.6	14,776.3	14,787.0
Stock purchases	2.4	.6	.1
Stock issuance activity, net	(96.5)	(26.3)	(10.8)
Balance at end of year	14,656.5	14,750.6	14,776.3

Preferred stock purchase rights plan

In 1986, the Board of Directors declared a distribution of one right for each share of the company's common stock outstanding on and after March 21, 1986. Following the two-for-one stock split later in 1986, one-half of one right attaches to each share of common stock outstanding. In general, the rights become exercisable at $175 per right for a fractional share of a new series of Class A preferred stock (which will differ from the Series A Convertible Preferred Stock issued to the Employee Stock Ownership Plan described on page 44) 10 days after a person or group either acquires beneficial ownership of shares representing 20% or more of the voting power of the company or announces a tender or exchange offer that could result in such person or group beneficially owning shares representing 28% or more of the voting power of the company. If thereafter any person or group becomes the beneficial owner of 28% or more of the voting power of the company or if the company is the surviving company in a merger with a person or group that owns 20% or more of the voting power of the company, then each owner of a right (other than such 20% stockholder) would be entitled to purchase shares of common stock having a value equal to twice the exercise price of the right. Should the company be acquired in a merger or other business combination, or sell 50% or more of its assets or earnings power, each right would entitle the holder to purchase, at the exercise price, common shares of the acquirer having a value of twice the exercise price of the right. The exercise price was determined on the basis of the Board's view of the long-term value of the company's common stock. The rights have no voting power nor do they entitle a holder to receive dividends. At the company's option, the rights are redeemable prior to becoming exercisable at five cents per right. The rights expire on March 21, 1996.

Litigation

The company is one of many defendants in pending lawsuits and claims involving, as of December 31, 1993, approximately 78,437 individuals alleging personal injury from exposure to asbestos-containing products. A total of about 24,036 lawsuits and claims were received by the company in 1993, compared with 28,997 in 1992. Nearly all the personal injury suits and claims seek compensatory and punitive damages arising from alleged exposure to asbestos-containing insulation products used, manufactured, or sold by the company. The company discontinued the sale of all asbestos-containing insulation products in 1969. A significant number of suits in which the company believes it should not be involved were filed in 1993 by persons engaged in vehicle tire production, aspects of the construction industry and the steel industry. Although a large number of suits and claims pending in prior years have been resolved, neither the rate of future dispositions nor the number of future potential unasserted claims can be reasonably predicted.

Attention continues to be given by various judges to finding a comprehensive solution to the large number of pending as well as potential future asbestos- related personal injury claims, and the Judicial Panel for Multi-district Litigation ordered the transfer of all federal cases not in trial to the Eastern District Court in Philadelphia for pretrial purposes.

A settlement class action which includes essentially all future asbestos- related personal injury claims against members of the Center for Claims Resolution referred to below was filed in Philadelphia on January 15, 1993, in Federal District Court for the Eastern District of Pennsylvania. The proposed class action settlement was negotiated by the Center and two leading plaintiffs' law firms. The settlement class action is designed to establish a nonlitigation system for the resolution of essentially all future asbestos- related personal injury claims against the Center members including this company. Other defendant companies which are not Center members may be able to join the class action later. The class action proposes a voluntary settlement that offers a method for prompt compensation to claimants who were occupationally exposed to asbestos if they are impaired by such exposure. Claimants must meet certain exposure and medical criteria to receive compensation which is derived from historical settlement data. Under limited circumstances and in limited numbers, qualifying claimants may choose to litigate certain claims in court or through alternative dispute resolution, rather than choose an offered settlement amount, after their claims are processed within the system. No punitive damages will be paid under the proposed settlement. The settlement is designed to minimize transactional costs, including attorneys' fees, and to relieve the courts of the burden of handling future asbestos-related personal injury claims. Each member of the Center has an obligation for its own fixed share in this proposed settlement. The settlement class action does not include asbestos-related personal injury claims which were filed before January 15, 1993, or asbestos-related property damage claims. Agreed upon annual case flow caps and agreed upon compensation levels for each compensable medical category have been established for an initial period of ten years. The case flow figures and annual compensation levels are subject to renegotiation after the initial ten-year period. The Court has preliminarily approved the settlement, and notification has been provided to potential class members which were offered an opportunity to opt out by January 24, 1994. The Court will hold a final fairness hearing on February 22, 1994. If a significant number of future claimants choose to opt out, the Center members also reserve the right to withdraw from the program. The settlement will become final only after it has been approved by the courts. The Center members also have stated their intention to resolve over a five-year period the asbestos personal injury claims pending prior to the date the settlement class action was filed. A significant number of these pending claims have been settled with a number of the plaintiffs' counsel.

The company is seeking agreement from its insurance carriers or a ruling from the Court that the settlement class action will not jeopardize existing insurance coverage. Certain unresolved insurance coverage issues involving certain Center members' insurance carriers acceptance of the proposed settlement will be resolved either by alternative dispute resolution in the case of the insurance carriers which subscribed to the Wellington Agreement or by litigation against those carriers which did not subscribe to the Wellington Agreement.

A few state judges have been undertaking to consolidate numbers of asbestos personal injury cases for trial. The company generally opposes these actions as being unfair. Approximately 8,500 cases were consolidated in 1992 in a multiphase trial in Baltimore, Maryland. The multiphase trial dealt with various issues and a settlement was effected during the trial of those claims in which the company was a named defendant.

The pending personal injury lawsuits and claims against the company are being paid by insurance proceeds under the 1985 Agreement Concerning Asbestos-Related Claims, the "Wellington Agreement." A new claims handling organization, known as the Center for Claims Resolution, was created in October 1988 by Armstrong and 20 other companies to replace the Wellington Asbestos Claims Facility, which has been dissolved. Except for eliminating the future availability of an insurer- paid special defense fund linked to the existence of the Facility, the dissolution of the Facility does not essentially affect the company's overall Wellington insurance settlement which provides for a final settlement of nearly all disputes concerning insurance for asbestos-related personal injury claims as between the company and three of its primary insurers and eight of its excess insurers. The one primary carrier that did not sign the Wellington Agreement paid into the Wellington Facility and settled with the company in March 1989 all outstanding issues relating to insurance coverage for asbestos-related personal injury and property damage claims. In addition, one of the company's large excess-insurance carriers entered into a settlement agreement in 1986 with the company under which payments for personal injury claims were made through the Wellington Facility, and this carrier continues to make payments for such claims through the Center for Claims Resolution. Other excess-insurance carriers also have entered into settlement agreements with the company which

complement Wellington. ACandS, Inc., a former subsidiary of the company, which for certain insurance periods has coverage rights under some company insurance policies, subscribed to the Wellington Agreement but did not become a member of the Center for Claims Resolution.

One excess carrier and certain companies in an excess carrier's block of coverage have become insolvent. Certain carriers providing excess level coverage solely for property damage claims also have become insolvent. However, it is not expected that the insolvency of these carriers will affect the company's ability to have insurance available to pay asbestos-related claims. ACandS, Inc., had filed a lawsuit against the company to have a certain amount of insurance from the joint policies reserved solely for its use in the payment of the costs associated with the asbestos-related personal injury and property damage claims. The two companies have negotiated a settlement of their dispute and have signed a settlement agreement.

The Center for Claims Resolution operates under a concept of allocated shares of liability payments and defense costs for its members based primarily on historical experience, and it defends the members' interest and addresses pending and future claims in a manner consistent with the prompt, fair resolution of meritorious claims. In late 1991, the Center sharing formula was revised to provide that members will pay only on claims in which the member is a named defendant. This change has caused a slight increase in the company's share, but has enhanced the company's case management focus. Although the Center members and their participating insurers were not obligated beyond one year, the insurance companies are expected to commit to the continuous operation of the Center for a sixth year and to the funding of the Center's operating expenses. With the filing of the settlement class action, the Center will continue to process pending claims and will handle the program for processing future asbestos-related personal injury claims if the class action settlement is approved by the courts. No forecast can be made for future years regarding either the rate of pending and future claims resolution by the Center or the rate of utilization of company insurance, although it is expected if the settlement class action is approved that the rate of insurance usage will be accelerated.

The company is also one of many defendants in a total of 73 pending lawsuits and claims, including class actions, as of December 31, 1993, brought by public and private entities, including public school districts, and public and private building owners. These lawsuits and claims include allegations of property damage to buildings caused by asbestos-containing products and generally claim compensatory and punitive damages and equitable relief, including reimbursement of expenditures, or removal and replacement of such products. These suits and claims appear to be aimed at friable (easily crumbled) asbestos-containing products although allegations in some suits encompass other asbestos-containing products, including allegations with respect to asbestos-containing resilient floor tile. The company vigorously denies the validity of the allegations against it contained in these suits and claims. Increasing defense costs, paid by the company's insurance carriers either under reservation or settlement arrangement, will be incurred. These suits and claims are not encompassed within the Wellington Agreement nor are they being handled by the Center for Claims Resolution.

In 1989, Armstrong concluded the trial phase of a lawsuit in California state court to resolve disputes concerning certain of its insurance carriers' obligations with respect to personal injury and property damage liability coverage, including defense costs, for alleged personal injury and property damage asbestos-related lawsuits and claims. As indicated earlier, the company reached a settlement agreement after the conclusion of the trial phase with one of its primary carriers which is also an excess carrier. The Court issued final decisions, and the carriers appealed. The California Court of Appeal has substantially upheld the trial court's final decisions and the insurance carriers have petitioned the California Supreme Court to hear the asbestos- related personal injury and property damage coverage issues. The California Supreme Court recently accepted review pending its review of related issues in another California case. Based upon the trial court's favorable final decisions in important phases of the trial relating to coverage for asbestos-related personal injury and property damage lawsuits and claims, including the favorable decision by the California Court of Appeal, and a review of the coverage issues by its counsel, the company believes it has a substantial legal basis for sustaining its right to defense and indemnification. For the same reasons, the company also believes that it is probable that claims by the several primary carriers for recoupment of defense expenses in the property damage litigation, which the carriers also appealed, will ultimately not be successful.

The company is currently negotiating with the company's primary insurance carriers to categorize the percentage of previously resolved and to be resolved asbestos-related personal injury claims as non-products claims and to establish the entitlement to such coverage. Such non-product claims coverage insurance is available under the Wellington Agreement and the settlement agreement with one of its primary carriers referred to above for such claims. Non-products claims include claims that may have arisen out of exposure during installation of asbestos materials or before control of such materials has been relinquished. Certain excess policies also provide non-products coverage. The additional coverage potentially available to pay claims categorized as non-products, at both the primary and excess levels is substantial and, at the primary level, includes defense costs in addition to limits. The company is entitled to pursue alternative dispute resolution proceedings against the primary and certain excess carriers to resolve the non-products coverage issues.

The company does not know how many claims will be filed against it in the future, nor the details thereof or of pending suits not fully reviewed, nor the expense and any liability that may ultimately result therefrom, nor does the company know the annual claims flow caps to be negotiated after the initial ten- year period for the settlement class action or the then compensation levels to be negotiated for such claims or the success the company may have in addressing the Midland Insurance Company insolvency with its other insurers. Subject

to the foregoing and based upon its experience and other factors referred to above, the company believes that it is probable that substantially all of the expenses and any liability payments associated therewith will be paid--in the case of the personal injury claims, by agreed-to coverage under the Wellington Agreement and supplemented by payments by nonsubscribing insurers that entered into settlement agreements with the company and additional insurance coverage reasonably anticipated from the outcome of the insurance litigation and from the company's claims for non-products coverage both under certain insurance policies covered by the Wellington Agreement and under certain insurance policies not covered by the Wellington Agreement which claims have yet to be accepted by the carriers--and in the case of the asbestos-related property damage claims, under an existing interim agreement, by insurance coverage settlement agreements and through additional coverage reasonably anticipated from the outcome of the insurance litigation. Thus, the company has not recorded any liability for any defense costs or indemnity relating to these lawsuits other than as described in the "Other long-term liabilities" section regarding the reserve on page 51.

Even though uncertainties still remain as to the potential number of unasserted claims, the liability resulting therefrom, and the ultimate scope of its insurance coverage, after consideration of the factors involved, including the Wellington Agreement, the settlements with other insurance carriers, the results of the trial phase and the first level appellate stage of the California insurance litigation, the remaining reserve, the establishment of the Center for Claims Resolution, the proposed settlement class action, and its experience, the company believes that this litigation will not have a material adverse effect on its earnings, liquidity, or financial position.

In October 1992, the U.S. Court of Appeals for the Third Circuit issued its decision in a lawsuit brought by The Industry Network System, Inc. (TINS), and its founder, Elliot Fineman. The plaintiffs alleged that in 1984 Armstrong had engaged in antitrust and tort law violations and breach of contract which damaged TINS' ability to do business. The Court of Appeals sustained the U.S. District Court's decision that the April 1991 jury verdict against Armstrong in the amount of $224 million including $200 million in punitive damages should be vacated, and that there should be a new trial on all claims remaining after the appeal. The Court of Appeals sustained the District Court ruling that the jury's verdict had reflected prejudice and passion due to the improper conduct of plaintiffs' counsel and was clearly contrary to the weight of the evidence. The Court of Appeals affirmed or did not disturb the trial court's order dismissing all of TINS' claims under Section 2 of the Sherman Act for alleged conspiracy, monopolization and attempt to monopolize and dismissing all of Mr. Fineman's personal claims. These claims will not be the subject of a new trial. However, the Court of Appeals reversed the trial court's directed verdict for Armstrong on TINS' claim under Section 1 of the Sherman Act, reversed the summary judgment in Armstrong's favor on TINS' claim for breach of contract based on a 1984 settlement agreement, and reversed the judgment n.o.v. for Armstrong on TINS' tortious interference and related punitive damage claims. These claims will be the subject of a new trial.

The Court of Appeals granted the company's motion to stay return of the case to the District Court pending the company's Petition for Certiorari to the Supreme Court appealing certain antitrust rulings of the Court of Appeals. The company was informed on February 22, 1993, that the Supreme Court denied its Petition. The case has been remanded by the Third Circuit Court of Appeals in Philadelphia to the U.S. District Court in Newark, New Jersey, and a new trial has been set for early April 1994. It is unknown what damage claims TINS will allege upon retrial of the case. But during the first trial, claims for actual damages of at least $17.5 million were asserted by plaintiffs' expert and even greater amounts were asserted by Mr. Fineman. Under the antitrust laws, proven damages are trebled. In addition, plaintiff would likely ask for punitive damages, companion to its request for tort damages. Other damages which would likely be sought include reimbursement of attorneys' fees and interest, including prejudgment interest.

The company denies all of TINS' claims and accordingly is vigorously defending the matter. In the event that a jury finds against the company, such jury verdict could entail unknown amounts which, if sustained, could have a material adverse effect on its earnings and financial position.

As previously discussed on pages 51 and 52 under "Environmental" with regard to a former county landfill in Buckingham County, Virginia, Thomasville Furniture Industries, Inc. and seven other parties have been identified by the U.S. Environmental Protection Agency ("USEPA") as Potentially Responsible Parties ("PRPs") to fund the cost of remediating environmental conditions at this federal Superfund site. After review of investigative studies to determine the nature and extent of contamination and identify various remediation alternatives, USEPA issued its Proposed Remedial Action Plan in May 1993 proposing a $21 million clean-up cost. In November 1993, however, USEPA issued a revised plan which recommended a reduced $3.5 million alternative, subject to additional costs depending on test results. The PRPs believe that other alternatives are appropriate and discussions with USEPA and Virginia State officials continue.

Spent finishing materials from Thomasville's Virginia furniture plants at Appomattox and Brookneal allegedly comprise a significant portion of the waste presently believed to have been taken to the site by a now defunct disposal firm in the late 1970s. Accordingly, Thomasville could be called upon to fund a significant portion of the eventual remedial costs.

Independent Auditors' Report

The Board of Directors and Shareholders, Armstrong World Industries, Inc.:

We have audited the consolidated financial statements of Armstrong World Industries, Inc. and its subsidiaries as listed in the accompanying index. In connection with our audits of the consolidated financial statements, we also have audited the related supplementary information on depreciation rates and schedules listed in the accompanying index. These consolidated financial statements and supplementary information and schedules are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements and supplementary information and schedules based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. These standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatements. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Armstrong World Industries, Inc., and subsidiaries at December 31, 1993 and 1992, and the results of their operations and their cash flows for each of the years in the three-year period ended December 31, 1993, in conformity with generally accepted accounting principles. Also, in our opinion the related supplementary information and schedules, when considered in relation to the basic financial statements taken as a whole, present fairly in all material respects, the information set forth therein.

As discussed under litigation in the Financial Review section, the Company is involved in antitrust litigation, the outcome of which cannot presently be determined. Accordingly, no provision for any liability that may result has been made in the accompanying consolidated financial statements. Also, as discussed in the Financial Review section, effective January 1, 1992, the Company changed its methods of accounting to adopt the provisions of the Statement of Financial Accounting Standards (SFAS) 109, "Accounting for Income Taxes," SFAS 106, "Employers' Accounting for Postretirement Benefits Other than Pensions" and SFAS 112, "Employers' Accounting for Postemployment Benefits."

KPMG PEAT MARWICK

Philadelphia, Pa.
February 14, 1994

Quarterly financial information (millions except for per-share data)	First	Second	Third	Fourth	Total Year
			1993		
Net sales	$611.9	$629.0	$660.1	$624.4	$2,525.4
Gross profit	159.1	183.9	197.9	182.2	723.1
Earnings (loss) from continuing businesses	11.3	31.9	42.3	(22.0)	63.5
Net earnings (loss)	11.3	31.9	42.3	(22.0)	63.5
Per share of common stock:*					
Primary:					
Earnings (loss) from continuing businesses	.21	.76	1.04	(.68)	1.32
Net earnings (loss)	.21	.76	1.04	(.68)	1.32
Fully diluted:					
Earnings (loss) from continuing businesses	.21	.68	.93	(.68)	1.26
Net earnings (loss)	.21	.68	.93	(.68)	1.26
Dividends per share of common stock	.30	.30	.30	.30	1.20
Price range of common stock -- low	28 7/8	29 3/8	30 1/4	40 1/4	28 7/8
Price range of common stock -- high	33 1/8	34 3/4	42 1/2	55 1/4	55 1/4
			1992		
Net sales	$638.4	$651.7	$659.6	$600.1	$2,549.8
Gross profit	169.4	176.5	174.8	140.4	661.1
Earnings (loss) from continuing business	15.9	20.1	(80.3)	(15.6)	(59.9)
Net earnings (loss)	(151.9)	20.1	(80.3)	(15.6)	(227.7)
Per share of common stock:*					
Primary:					
Earnings (loss) from continuing businesses	.33	.45	(2.25)	(.51)	(1.98)
Net earnings (loss)	(4.18)	.45	(2.25)	(.51)	(6.49)
Fully diluted:					
Earnings (loss) from continuing businesses	.32	.41	(2.25)	(.51)	(1.98)
Net earnings (loss)	(4.18)	.41	(2.25)	(.51)	(6.49)
Dividends per share of common stock	.30	.30	.30	.30	1.20
Price range of common stock -- low	26	29 5/8	27 1/2	24 1/2	24 1/2
Price range of common stock -- high	33 7/8	37 1/2	32 3/8	32 3/4	37 1/2

* Quarterly earnings (loss) per-share data do not always equal the total year amounts due to changes in the average shares outstanding and, for fully diluted data, the exclusion of the antidilutive effect in certain quarters and for the total year.

Fourth quarter 1993 compared with fourth quarter 1992

Fourth quarter sales from continuing businesses rose to record levels at $624.4 million, an increase of 4% from the $600.1 million from last year.

The net loss for the fourth quarter was $22.0 million, or 68 cents per share of common stock. This loss included $60.0 million after tax of restructuring charges primarily related to the elimination of employee positions in the U.S. and Europe.

The fourth quarter 1992 net loss was $15.6 million, or 51 cents per share of common stock. Also included in this reporting were restructuring charges of $24.3 million after tax related to the closing of a ceiling materials plant in Ghlin, Belgium, and provisions for charges related to the elimination of employee positions on a worldwide basis.

Despite the negative impact of restructuring charges in the fourth quarter of 1993, the company benefitted from higher sales levels in most businesses, some sales price increases, and from lower manufacturing costs, resulting from the 1992 restructuring actions and from improved productivity. This resulted in the company's cost of goods sold as a percent of sales declining to 70.8% compared with 76.6% last year. Nonmanufacturing costs were comparable to 1992. Armstrong also experienced lower interest costs during the quarter from lower debt levels and tax obligations. The 1992 fourth quarter results also included a $5.5 million after-tax gain from foreign exchange compared with only $.8 million after-tax gain this year.

The 1993 effective tax benefit rate was 39.9% compared with only 7.1% last year. Armstrong's current year fourth quarter reflected recovery of deferred taxes resulting from some reduced foreign statutory tax rates, and most of the restructuring charges provided tax benefits. The 1992 effective tax benefit rate was much lower because some of the restructuring charges did not provide tax benefits.

Of Armstrong's four industry segments, floor coverings and furniture showed sales increases in the fourth quarter

compared with year-ago levels, while sales in the building products and industry products segments were below those of 1992. Operating results were higher in the building products and furniture segments, while floor coverings and industry products declined. Excluding restructuring charges, all four segments recorded improved operating profits. The floor coverings operating profit of $12.9 million in 1993 and $13.4 million in 1992 includes restructuring charges of $27.7 million and $7.6 million, respectively. Exclusive of these charges, the improved profit levels were driven by higher U.S. resilient flooring sales, a modest increase in ceramic sales, and lower manufacturing costs. The building products' fourth quarter 1993 operating loss of $2.4 million includes a restructuring charge of $13.7 million compared with a 1992 operating loss of $14.9 million that included an $11.9 restructuring charge. Despite lower sales in building products, this segment's operating results improved because of extensive restructuring programs, lower operating costs, and some pricing actions in Europe and North America. The furniture segment's sales and operating profits improved from those of last year. Higher sales, along with lower costs, aided the profit improvement as did inventory valuation reserve adjustments. The industry products segment was adversely affected by unfavorable European exchange rates and the continuing lack of growth in the European economies. Operating profits were lowered by competitive pricing pressures, while restructuring charges of $12.9 million and $1.2 million were recorded for 1993 and 1992, respectively.

Item 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure

Not applicable.

PART III

Item 10. Directors and Executive Officers of the Registrant

Directors of the Registrant

The information appearing in the tabulation in the section captioned "Election of Directors" on pages 1-5 of the Company's 1994 Proxy Statement is incorporated by reference herein.

Executive Officers of the Registrant

William W. Adams* -- Age 59; Chairman of the Board since September 7, 1993; Chairman of the Board and President (Chief Executive Officer) 1988-1993; .

E. Allen Deaver* -- Age 58; Executive Vice-President since March 1, 1988.

George A. Lorch* -- Age 52; President (Chief Executive Officer) since September 7, 1993; Executive Vice-President 1988-1993.

Henry A. Bradshaw -- Age 58; Group Vice-President, Worldwide Building Products Operations since February 1, 1993; Group Vice-President, Building Products Operations, 1990-1993; General Manager Manufacturing, Building Products Operations, 1985-1990.

Dennis M. Draeger -- Age 53; Group Vice-President, Worldwide Floor Products Operations since February 1, 1993; Group Vice-President Floor Products Operations 1988-1993.

William W. Locke -- Age 58; Group Vice-President, Worldwide Industry Products and Pacific Operations since February 1, 1993; Group Vice-President, International and Industry Products Operations, 1990-1993; Group Vice-President, International Operations, 1983-1990.

Robert J. Shannon, Jr. -- Age 45; President, American Olean Tile Company, Inc. since March 1, 1992; and the following positions with Armstrong World Industries, Inc.: General Manager, Worldwide Gasket Products, International and Industry Product Operations, 1991-1992; Manager, Fiber Products, Industry Products Division, 1989-1991; Marketing Manager, Adhesives and Coatings, Corporate Markets Division, 1986-1989.

Frederick B. Starr -- Age 61; President, Thomasville Furniture Industries, Inc. since 1982.

Larry A. Pulkrabek -- Age 54; Senior Vice-President, Secretary and General Counsel since February 1, 1990; Vice-President, Secretary and General Counsel, 1977-1990.

William J. Wimer -- Age 59; Senior Vice-President, Finance since January 25, 1993; Senior Vice-President, Finance, and Treasurer, 1990-1993; Vice-President and Controller, 1978-1990.

Stephen C. Hendrix -- Age 53; Treasurer since January 25, 1993; and the following positions with SmithKline Beecham Corporation (Pharmaceuticals, Consumer Products): Vice-President and Treasurer, 1989-1991; Vice-President and Assistant Treasurer, International, 1987-1989.

Bruce A. Leech, Jr. -- Age 51; Controller since February 1, 1990; Controller, International Operations, 1983-1990.

All information presented above is current as of March 1, 1994. The term of office for each Executive Officer in his present capacity is one year, and each such Executive Officer will serve until reelected or until a successor is elected at the annual meeting of directors which follows the annual shareholders' meeting. Each Executive Officer has been employed by the Company in excess of five continuous years with the exception of Mr. Hendrix. Members of the Executive Committee of the Board of Directors as of March 1, 1994, are designated by an asterisk (*) following each of their names. The Executive Committee consists of those Executive Officers who serve as Directors.

Item 11. Executive Compensation

The information appearing in the sections captioned "Compensation Committee Interlocks and Insider Participation," "Executive Officers' Compensation,"
(other than the information contained under the subcaption "Performance Graph")
and "Retirement Income Plan Benefits," on pages 11-17 of the Company's 1994 Proxy Statement is incorporated by reference herein.

Item 12. Security Ownership of Certain Beneficial Owners and Management

The information appearing in the sections captioned "Stock Ownership of Certain Beneficial Owners" on page 18 and "Directors' and Executive Officers' Security Ownership" on page 7 of the Company's 1994 Proxy Statement is incorporated by reference herein.

Item 13. Certain Relationships and Related Transactions

Not applicable.

PART IV

Item 14. Exhibits, Financial Statement Schedules, and Reports on Form 8-K

The financial statements and schedules filed as a part of this Annual Report on Form 10-K are listed in the "Index to Financial Statements and Schedules" on page 75.

a. The following exhibits are filed as a part of this Annual Report on Form 10-K:

Exhibits	
No. 3(a)	Registrant's By-laws, as amended, are incorporated by reference herein from the registrant's 1992 Annual Report on Form 10-K wherein they appeared as Exhibit 3(a).
No. 3(b)	Registrant's restated Articles of Incorporation, as amended are incorporated by reference herein from the registrant's 1990 Annual Report on Form 10-K wherein they appeared as Exhibit 3(b).
No. 4(a)	Rights Agreement dated as of March 21, 1986, between the registrant and Morgan Guaranty Trust Company of New York, as Rights Agent, (as to which First Chicago Trust Company of New York has succeeded as Rights Agent,) relating to the registrant's Preferred Stock Purchase Rights is incorporated by reference herein from the Company's 1990 Annual Report on Form 10-K wherein it appeared as Exhibit 4(a).
No. 4(b)	Registrant's Employee Stock Ownership Plan ("Share In Success Plan") as amended, is incorporated by reference herein from the registrant's 1992 Annual Report on Form 10-K wherein it appears as Exhibit 4(b).
No. 4(c)	Indenture, dated as of March 15, 1988, between the registrant and Morgan Guaranty Trust Company of New York, as Trustee, as to which The First National Bank of Chicago is successor trustee, is incorporated herein by reference from the registrant's Form 8-K dated February 1, 1991, wherein it appeared as Exhibit 4.1.
No. 4(d)	Supplemental Indenture dated as of October 19, 1990, between the registrant and The First National Bank of Chicago, as Trustee, is incorporated herein by reference from the registrant's Form 8-K dated October 31, 1990, wherein it appeared as Exhibit 4.1.
No. 10(i)(a)	Copy of Agreement Concerning Asbestos-Related Claims dated June 19, 1985, (the "Wellington Agreement") among the registrant and other companies.
No. 10(i)(b)	Producer Agreement concerning Center for Claims Resolution dated September 23, 1988, among the registrant and other companies as amended, is incorporated herein by reference from the registrant's 1992 Annual Report on Form 10-K wherein it appeared as Exhibit 10(i)(b).
No. 10(iii)(a)	Registrant's Long-Term Stock Option Plan for Key Employees, as amended, is incorporated by reference herein from the Company's 1991 Annual Report on Form 10-K wherein it appeared as Exhibit 10(iii)(a).

No. 10(iii)(b)	Registrant's Deferred Compensation Plan for Nonemployee Directors, as amended, is incorporated by reference herein from the Company's 1990 Annual Report on Form 10-K wherein it appeared as Exhibit 10(iii)(c).
No. 10(iii)(c)	Registrant's Directors' Retirement Income Plan, as amended, is incorporated by reference herein from the registrant's 1992 Annual Report on Form 10-K wherein it appears as Exhibit 10(iii)(d).
No. 10(iii)(d)	Registrant's Management Achievement Plan for Key Executives, as amended, is incorporated by reference herein from the Company's 1991 Annual Report on Form 10-K wherein it appeared as Exhibit 10(iii)(e).
No. 10(iii)(e)	Registrant's Retirement Benefit Equity Plan (formerly known as the Excess Benefit Plan), as amended, is incorporated by reference herein from the registrant's 1992 Annual Report on Form 10-K wherein it appears as Exhibit 10(iii)(f).
No. 10(iii)(f)	Armstrong Deferred Compensation Plan, as amended, is incorporated by reference herein from the Company's 1990 Annual Report on Form 10-K wherein it appeared as Exhibit 10(iii)(g).
No. 10(iii)(g)	Registrant's Employment Protection Plan for Salaried Employees of Armstrong World Industries, Inc., as amended, is incorporated by reference herein from the Company's 1990 Annual Report on Form 10-K wherein it appeared as Exhibit 10(iii)(h).
No. 10(iii)(h)	Registrant's Restricted Stock Plan For Nonemployee Directors is incorporated by reference herein from the Company's 1991 Proxy Statement wherein it appeared as Exhibit A.
No. 10(iii)(i)	Registrant's Severance Pay Plan for Salaried Employees is incorporated by reference herein from the Company's 1990 Annual Report on Form 10-K wherein it appeared as Exhibit 10(iii)(j).
No. 10(iii)(j)	Copy of Thomasville Value Plan of Thomasville Furniture Industries, Inc.
No. 10(iii)(k)	Copy of Thomasville Achievement Plan of Thomasville Furniture Industries, Inc.
No. 11	A statement regarding computation of per share earnings on both primary and fully diluted bases is set forth in the Financial Statement Schedules on pages 25 and 26 of this Annual Report on Form 10-K.
No. 22	List of the registrant's domestic and foreign subsidiaries.
No. 24	Consent of Independent Auditors.
No. 25	Powers of Attorney and authorizing resolutions.

No. 28(ii)(a) Copy of Annual Report on Form 11-K for the fiscal year ended September 30, 1993, for the Retirement Savings Plan For Salaried Employees of Armstrong World Industries, Inc. is herewith filed with the Commission.

No. 28(ii)(b) Copy of Annual Report on Form 11-K for the fiscal year ended September 30, 1993, for the Retirement Savings Plan For Hourly-Paid Employees of Armstrong World Industries, Inc. is herewith filed with the Commission.

No. 28(ii)(c) Copy of Annual Report on Form 11-K for the fiscal year ended September 30, 1993, for the Retirement Savings Plan For Hourly-Paid Employees of Thomasville Furniture, Inc. is herewith filed with the Commission.

No. 28(ii)(d) Copy of Annual Report on Form 11-K for the fiscal year ended September 30, 1993, for the Armstrong World Industries, Inc. Employee Stock Ownership Plan ("Share In Success Plan") is herewith filed with the Commission.

No. 28(ii)(e) Copy of Annual Report on American Olean Tile Company, Inc. Savings Plan for Production & Maintenance Employees for the fiscal year ended September 30, 1993, is herewith filed with the Commission.

No. 28(ii)(f) Copy of Annual Report on American Olean Tile Company, Inc. Savings Plan for Salaried Employees for the fiscal year ended September 30, 1993, is herewith filed with the Commission.

b. During the last quarter of 1993, no reports on Form 8K were filed.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

ARMSTRONG WORLD INDUSTRIES, INC.
(Registrant)

By /s/ George A. Lorch

President

Date March 28, 1994

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

Directors and Principal Officers of the registrant:

George A. Lorch	President (Principal Executive Officer)	
William J. Wimer	Senior Vice-President, Finance (Principal Financial Officer)	
Bruce A. Leech, Jr.	Controller (Principal Accounting Officer)	
Wm. Wallace Abbott	Director	
William W. Adams	Chairman of the Board	
Van C. Campbell	Director	By /s/ George A. Lorch
E. Allen Deaver	Director	----------------------
Ursula F. Fairbairn	Director	(George A. Lorch as
Michael C. Jensen	Director	attorney-in-fact and
James E. Marley	Director	on his own behalf)
Robert F. Patton	Director	
J. Phillip Samper	Director	As of March 28, 1994
Jerre L. Stead	Director	

ARMSTRONG WORLD INDUSTRIES, INC. AND SUBSIDIARIES

Index to Financial Statements and Schedules

The following consolidated financial statements and Financial Review are filed as a part of this Annual Report on Form 10-K:

Consolidated Balance Sheets as of December 31, 1993 and 1992

Consolidated Statements of Earnings for the Years Ended December 31, 1993, 1992 and 1991

Consolidated Statements of Cash Flows for the Years Ended December 31, 1993, 1992, and 1991

The following additional financial data should be read in conjunction with the financial statements. Schedules not included with this additional data have been omitted because they are not applicable or the required information is presented in the financial statements or the financial review.

Additional Financial Data	For Year ended or at December 31,	Page No.
Supplementary information to financial review		
Computation for Primary Earnings per Share	1993, 1992 and 1991	76
Computation for Fully Diluted Earnings per Share	1993, 1992 and 1991	77
Depreciation Rates	1993, 1992 and 1991	78
Schedules submitted:		
V - Property, Plant, and Equipment	1993, 1992 and 1991	79-81
VI - Accumulated Depreciation and Amortization of Property, Plant, and Equipment	1993, 1992 and 1991	82-84
VIII - Valuation and Qualifying Reserves	1993, 1992 and 1991	85
IX - Short-Term Borrowings	1993, 1992 and 1991	86-87

Computation for Primary Earnings Per Share for Years ended December 31

(Amounts in millions except for per-share data)(a)

	1993	1992(b)	1991
Common Stock and Common Stock Equivalents			
Average number of common shares outstanding including shares issuable under stock options	37.7	37.2	37.2
Earnings Per Share from Continuing Businesses			
Earnings (loss) from continuing businesses	$ 63.5	$(59.9)	$ 60.6
Less:			
Dividend requirement on Series A convertible preferred stock	19.2	19.3	19.4
Plus:			
Tax benefit on dividends paid on unallocated preferred shares	5.3	5.5	--
Earnings (loss) from continuing businesses applicable to common stock	$ 49.6	$(73.7)	$ 41.2
Earnings (loss) from continuing businesses per share of common stock	$ 1.32	$ (1.98)	$ 1.11
Net Earnings (Loss) Per Share			
Net earnings (loss)	$ 63.5	$(227.7)	$ 48.2
Less:			
Dividend requirement on Series A convertible preferred stock	19.2	19.3	19.4
Plus:			
Tax benefit on dividends paid on unallocated preferred shares	5.3	5.5	--
Net earnings (loss) applicable to common stock	$ 49.6	$(241.5)	$ 28.8
Net earnings (loss) per share of common stock	$ 1.32	$ (6.49)	$ 0.77

(a) In 1992 the Company adopted Statement of Financial Accounting Standards (SFAS) 109 "Accounting for Income Taxes." SFAS 109 requires recognition in shareholders' equity of the tax benefit for dividends paid on unallocated shares of stock held by an Employee Stock Ownership Plan which amounted to $5.3 million in 1993 and $5.5 million in 1992. Under SFAS 96, this benefit was recognized in the statement of earnings and amounted to $6.0 million in 1991.

(b) In 1992 the Company adopted SFAS 112 "Employer's Accounting for Postemployment Benefits." A refinement of the computation in 1993 resulted in restatements of the 1992 earnings. The effect of the restatements was to reduce the previously reported loss from continuing businesses by $1.7 million or 5 cents per share and to reduce the previously reported net loss by $6.5 million or 18 cents per share.

Computation for Fully Diluted Earnings Per Share for Years ended December 31

(Amounts in millions except for per-share data)

	1993	1992(a)	1991(a)
Common Stock and Common Stock Equivalents			
Average number of common shares outstanding including shares issuable under stock options	37.7	37.2	37.2
Average number of common shares issuable under the Employee Stock Ownership Plan	5.6	5.9	5.9
Average number of common and common equivalent shares outstanding	43.3	43.1	43.1
Pro Forma Adjustment to Earnings (Loss) from Continuing Businesses			
Earnings (loss) from continuing businesses as reported	$ 63.5	$ (59.9)	$ 60.6
Less:			
Increased contribution to the Employee Stock Ownership Plan assuming conversion of preferred shares to common	8.2	8.3	12.9
Net reduction in tax benefits assuming conversion of the Employee Stock Ownership Plan preferred shares to common	0.9	0.7	--
Pro forma earnings (loss) from continuing businesses	$ 54.4	$ (68.9)	$ 47.7
Fully diluted earnings (loss) per share from continuing businesses	$ 1.26	$ (1.98)	$ 1.11
Pro Forma Adjustment to Net Earnings (Loss)			
Net earnings (loss) as reported	$ 63.5	$(227.7)	$ 48.2
Less:			
Increased contribution to the Employee Stock Ownership Plan assuming conversion of preferred shares to common	8.2	8.3	12.9
Net reduction in tax benefits assuming conversion of the Employee Stock Ownership Plan preferred shares to common	0.9	0.7	--
Pro forma net earnings (loss)	$ 54.4	$(236.7)	$ 35.3
Fully diluted net earnings (loss) per share	$ 1.26	$ (6.49)	$ 0.77

(a) Fully diluted earnings per share for years 1992 and 1991 were antidilutive.

Supplementary Information to Financial Review

Depreciation

The approximate average effective rates of depreciation are as follows:

	Year ended December 31,		
	1993	1992	1991
	%	%	%
Domestic companies:			
Buildings	3.2	3.2	3.1
Machinery and Equipment	6.8	6.8	6.8
Foreign companies:			
Buildings	3.2	3.0	3.0
Machinery and Equipment	8.0	8.2	8.9

ARMSTRONG WORLD INDUSTRIES, INC. AND SUBSIDIARIES

Property, Plant, and Equipment

Year Ended December 31, 1993
(millions)

SCHEDULE V

	Balance at beginning of year	Additions at cost	Retire-ments or sales	Foreign currency translation Debit (Credit)	Other changes(b) Debit	Other changes(b) Credit	Balance at end of year
Land	$ 36.5	$ .2	$ (1.3)	$ (.6)	$ ---	(a) $ (2.6)	$ 32.2
Buildings	490.8	13.8	(3.4)	(5.3)	11.2	(2.0)	505.1
Machinery and Equipment	1,420.2	85.8	(60.0)	(18.0)	33.5	(15.0)	1,446.5
Construction in Progress	60.8	17.8	(.3)	(1.1)	---	(15.2)	62.0
	$2,008.3	$117.6	$(65.0)	$(25.0)	$44.7	$(34.8)	$2,045.8

(a) includes writedowns relating to restructuring activities of:

Land	2.4
Buildings	1.6
Machinery and Equipment	7.8
Construction in Progress	.7
Total	12.5

(b) transferred to/from other accounts and miscellaneous adjustments

ARMSTRONG WORLD INDUSTRIES, INC. AND SUBSIDIARIES

Property, Plant, and Equipment

Year Ended December 31, 1992
(millions)

SCHEDULE V

	Balance at beginning of year	Additions at cost	Retire-ments or sales	Foreign currency translation Debit (Credit)	Other changes(c) Debit	Other changes(c) Credit (a)(b)	Balance at end of year
Land	$ 34.9	$ 2.5	$ (.2)	$ (.7)	$ ---	$ ---	$ 36.5
Buildings	498.5	12.6	(2.1)	(8.1)	.3	(10.4)	490.8
Machinery and Equipment	1,432.1	95.3	(38.1)	(38.5)	8.2	(38.8)	1,420.2
Construction in Progress	69.0	5.4	(.5)	(2.1)	---	(11.0)	60.8
	$2,034.5	$115.8	$(40.9)	$(49.4)	$ 8.5	$(60.2)	$2,008.3

(a) includes writedowns relating to restructuring activities of:

Buildings	10.4
Machinery and Equipment	32.3
Total	42.7

(b) includes contribution of $6.8 million of Machinery and Equipment and $1.7 million of Construction in Progress to the Worthington Armstrong Venture

(c) transferred to/from other accounts and miscellaneous adjustments

ARMSTRONG WORLD INDUSTRIES, INC. AND SUBSIDIARIES

Property, Plant, and Equipment

Year Ended December 31, 1991
(millions)

SCHEDULE V

	Balance at beginning of year	Additions at cost(a)	Retire- ments or sales	Foreign currency translation Debit (Credit)	Other changes(a) Debit	Other changes(a) Credit	Balance at end of year
Land	$ 36.1	$ .1	$ (1.2)	$ (.1)	$ .1	$ ---	$ 34.9
Buildings	472.6	26.8	(2.5)	(.9)	2.5	---	498.5
Machinery and Equipment	1,360.2	135.6	(52.7)	(3.7)	.1	(7.4)	1,432.1
Construction in Progress	98.9	(28.7)	---	(1.2)	---	---	69.0
	$1,967.8	$133.8	$(56.5)	$(5.9)	$2.7	$(7.4)	$2,034.5

(a) transferred to/from other accounts, and miscellaneous adjustments

ARMSTRONG WORLD INDUSTRIES, INC. AND SUBSIDIARIES

Accumulated Depreciation and Amortization of Property, Plant, and Equipment

Year Ended December 31, 1993
(millions)

SCHEDULE VI

	Balance at beginning of year	Additions charged to earnings	Retirements, renewals and replacements	Foreign currency translation (Debit) Credit	Other changes(a) Debit	Other changes(a) Credit	Balance at end of year
Buildings	$184.8	$ 15.9	$ (2.5)	$ (2.2)	$(.2)	$2.7	$198.5
Machinery and Equipment	751.5	104.1	(40.3)	(11.0)	(2.4)	6.3	808.2
	$936.3	$120.0	$(42.8)	$(13.2)	$(2.6)	$9.0	$1,006.7

(a) transferred to/from other accounts and miscellaneous adjustments

ARMSTRONG WORLD INDUSTRIES, INC. AND SUBSIDIARIES

Accumulated Depreciation and Amortization of Property, Plant, and Equipment

Year Ended December 31, 1992
(millions)

SCHEDULE VI

	Balance at beginning of year	Additions charged to earnings	Retirements, renewals and replacements	Foreign currency translation (Debit) Credit	Other changes(a) Debit	Other changes(a) Credit	Balance at end of year
Buildings	$174.3	$ 15.9	$ (1.9)	$ (3.2)	$ (2.8)	$2.5	$184.8
Machinery and Equipment	707.3	104.9	(34.3)	(23.4)	(8.8)	5.8	751.5
	$881.6	$120.8	$(36.2)	$(26.6)	$(11.6)	$8.3	$936.3

(a) transferred to/from other accounts and miscellaneous adjustments

ARMSTRONG WORLD INDUSTRIES, INC. AND SUBSIDIARIES

Accumulated Depreciation and Amortization of Property, Plant, and Equipment

Year Ended December 31, 1991
(millions)

SCHEDULE VI

	Balance at beginning of year	Additions charged to earnings	Retirements, renewals and replacements	Foreign currency translation (Debit) Credit	Other changes(a) Debit	Other changes(a) Credit	Balance at end of year
Buildings	$158.3	$ 15.1	$ (2.6)	$ (.2)	$ --	$3.7	$174.3
Machinery and Equipment	662.1	102.4	(49.7)	(2.1)	(5.5)	.1	707.3
	$820.4	$117.5	$(52.3)	$ (2.3)	$ (5.5)	$3.8	$881.6

(a) transferred to/from other accounts and miscellaneous adjustments

ARMSTRONG WORLD INDUSTRIES, INC. AND SUBSIDIARIES

Valuation and Qualifying Reserves

Years Ended December 31, 1993, 1992 and 1991
(millions)

SCHEDULE VIII

	Balance at beginning of year	Additions charged (credited) to earnings	Deductions(a)	Balance at end of year
Assets:				
Provision for discounts and losses - 1993	$32.2	$89.3	$84.0	$37.5
Provision for discounts and losses - 1992	$30.1	$93.2	$91.1	$32.2
Provision for discounts and losses - 1991	$32.8	$80.5	$83.2	$30.1

(a) includes discounts granted and uncollectible receivables, less recoveries and valuation reserves related to discontinued businesses that have been classified as other assets

ARMSTRONG WORLD INDUSTRIES, INC. AND SUBSIDIARIES

SCHEDULE IX
Short-Term Borrowings(a)
(millions)

Category of aggregate short-term borrowings	Balance at end of period	Average Year-End interest rate	Maximum amount outstanding during the period	Average amount outstanding during the period	Weighted average interest rate during the period(b)
Year ended December 31, 1993					
Commercial paper	$ 75.5	3.36%	$163.3	$122.8(c)	3.21%
Bank debt	29.9	6.81%	106.5	67.7(d)	9.07%
	$105.4			$190.5	
Year ended December 31, 1992					
Commercial paper	$163.3	3.66%	$215.1	$171.2(c)	3.78%
Bank debt	60.4	9.53%	65.8	35.7(d)	9.47%
	$223.7			$206.9	

(a) the terms and conditions of the various categories of short-term borrowings were those typically offered by lenders to companies with excellent credit ratings
(b) based on total periods' interest expense (related to short-term borrowings) divided by the average amount outstanding during the period
(c) based on daily balances divided by 365 days
(d) based on daily balances divided by 365 days and, in some instances, based on total of 12 month-end balances divided by 12

SCHEDULE IX
Short-Term Borrowings(a)
(millions)

Category of aggregate short-term borrowings	Balance at end of period	Average Year-End interest rate	Maximum amount outstanding during the period	Average amount outstanding during the period	Weighted average interest rate during the period(b)
Year ended December 31, 1991					
Commercial paper	$176.6	5.02%	$247.3	$169.9(c)	6.10%
Bank debt	27.6	9.16%	88.0	40.9(d)	8.82%
	$204.2			$210.8	

(a) the terms and conditions of the various categories of short-term borrowings were those typically offered by lenders to companies with excellent credit ratings
(b) based on total periods' interest expense (related to short-term borrowings) divided by the average amount outstanding during the period
(c) based on daily balances divided by 365 days
(d) based on daily balances divided by 365 days and, in some instances, based on total of 12 month-end balances divided by 12

EXHIBIT INDEX

Exhibits	
No. 3(a)	Registrant's By-laws, as amended, are incorporated by reference herein from the registrant's 1992 Annual Report on Form 10-K wherein they appeared as Exhibit 3(a).
No. 3(b)	Registrant's restated Articles of Incorporation, as amended are incorporated by reference herein from the registrant's 1990 Annual Report on Form 10-K wherein they appeared as Exhibit 3(b).
No. 4(a)	Rights Agreement dated as of March 21, 1986, between the registrant and Morgan Guaranty Trust Company of New York, as Rights Agent, (as to which First Chicago Trust Company of New York has succeeded as Rights Agent,) relating to the registrant's Preferred Stock Purchase Rights is incorporated by reference herein from the Company's 1990 Annual Report on Form 10-K wherein it appeared as Exhibit 4(a).
No. 4(b)	Registrant's Employee Stock Ownership Plan ("Share In Success Plan") as amended is incorporated by reference herein from the registrant's 1992 Annual Report on Form 10-K wherein it appears as Exhibit 4(b).
No. 4(c)	Indenture, dated as of March 15, 1988, between the registrant and Morgan Guaranty Trust Company of New York, as Trustee, as to which The First National Bank of Chicago is successor trustee, is incorporated herein by reference from the registrant's Form 8-K dated February 1, 1991, wherein it appeared as Exhibit 4.1.
No. 4(d)	Supplemental Indenture dated as of October 19, 1990, between the registrant and The First National Bank of Chicago, as Trustee, is incorporated herein by reference from the registrant's Form 8-K dated October 31, 1990, wherein it appeared as Exhibit 4.1.
No. 10(i)(a)	Copy of Agreement Concerning Asbestos-Related Claims dated June 19, 1985, (the "Wellington Agreement") among the registrant and other companies.
No. 10(i)(b)	Producer Agreement concerning Center for Claims Resolution dated September 23, 1988, among the registrant and other companies as amended is incorporated herein by reference from the registrant's 1992 Annual Report on Form 10-K wherein it appeared as Exhibit 10(i)(b).
No. 10(iii)(a)	Registrant's Long-Term Stock Option Plan for Key Employees, as amended, is incorporated by reference herein from the Company's 1991 Annual Report on Form 10-K wherein it appeared as Exhibit 10 (iii)(a).

No. 10(iii)(b)	Registrant's Deferred Compensation Plan for Nonemployee Directors, as amended, is incorporated by reference herein from the Company's 1990 Annual Report on Form 10-K wherein it appeared as Exhibit 10(iii)(c).
No. 10(iii)(c)	Registrant's Directors' Retirement Income Plan, as amended is incorporated by reference herein from the registrant's 1992 Annual Report on Form 10-K wherein it appeared as Exhibit 10(iii)(d).
No. 10(iii)(d)	Registrant's Management Achievement Plan for Key Executives, as amended, is incorporated by reference herein from the Company's 1991 Annual Report on Form 10-K wherein it appeared as Exhibit 10(iii)e.
No. 10(iii)(e)	Registrant's Retirement Benefit Equity Plan (formerly known as the Excess Benefit Plan), as amended, is incorporated by reference herein from the registrant's 1992 Annual Report on Form 10-K wherein it appeared as Exhibit 10(iii)(f).
No. 10(iii)(f)	Armstrong Deferred Compensation Plan, as amended, is incorporated by reference herein from the Company's 1990 Annual Report on Form 10-K wherein it appeared as Exhibit 10(iii)(g).
No. 10(iii)(g)	Registrant's Employment Protection Plan for Salaried Employees of Armstrong World Industries, Inc., as amended, is incorporated by reference herein from the Company's 1990 Annual Report on Form 10-K wherein it appeared as Exhibit 10(iii)(h).
No. 10(iii)(h)	Registrant's Restricted Stock Plan For Nonemployee Directors is incorporated by reference herein from the Company's 1991 Proxy Statement wherein it appeared as Exhibit A.
No. 10(iii)(i)	Registrant's Severance Pay Plan for Salaried Employees is incorporated by reference herein from the Company's 1990 Annual Report on Form 10-K wherein it appeared as Exhibit 10(iii)(j).
No. 10(iii)(j)	Copy of Thomasville Value Plan of Thomasville Furniture Industries, Inc.
No. 10(iii)(k)	Copy of Thomasville Achievement Plan of Thomasville Furniture Industries, Inc.
No. 11	A statement regarding computation of per share earnings on both primary and fully diluted bases is set forth in the Financial Statement Schedules on pages 25 and 26 of this Annual Report on Form 10-K.
No. 22	List of the registrant's domestic and foreign subsidiaries.
No. 24	Consent of Independent Auditors.
No. 25	Powers of Attorney and authorizing resolutions.

No. 28(ii)(a) Copy of Annual Report on Form 11-K for the fiscal year ended September 30, 1993 for the Retirement Savings Plan For Salaried Employees of Armstrong World Industries, Inc. is herewith filed with the Commission.

No. 28(ii)(b) Copy of Annual Report on Form 11-K for the fiscal year ended September 30, 1993 for the Retirement Savings Plan For Hourly-Paid Employees of Armstrong World Industries, Inc. is herewith filed with the Commission.

No. 28(ii)(c) Copy of Annual Report on Form 11-K for the fiscal year ended September 30, 1993 for the Retirement Savings Plan For Hourly-Paid Employees of Thomasville Furniture, Inc. is herewith filed with the Commission.

No. 28(ii)(d) Copy of Annual Report on Form 11-K for the fiscal year ended September 30, 1993 for the Armstrong World Industries, Inc. Employee Stock Ownership Plan ("Share In Success Plan") is herewith filed with the Commission.

No. 28(ii)(e) Copy of Annual Report on American Olean Tile Company, Inc. Savings Plan for Production & Maintenance Employees for the fiscal year ended September 30, 1993, is herewith filed with the Commission.

No. 28(ii)(f) Copy of Annual Report on American Olean Tile Company, Inc. Savings Plan for Salaried Employees for the fiscal year ended September 30, 1993, is herewith filed with the Commission.

EXHIBIT NO. 10(i)(a)

AGREEMENT CONCERNING

ASBESTOS-RELATED CLAIMS

June 19, 1985

AGREEMENT CONCERNING ASBESTOS-RELATED CLAIMS

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AGREEMENT CONCERNING ASBESTOS-RELATED CLAIMS

This Agreement to provide for the administration, defense, payment and disposition of asbestos-related claims (hereinbelow referred to as the "Agreement") is made between and among the Subscribing Producers, as defined hereinbelow, and the Subscribing Insurers, as defined hereinbelow.

W I T N E S S E T H:

WHEREAS, Subscribing Producers and Subscribing Insurers have considered the nature of asbestos-related claims, their number and widespread distribution throughout the United States, the various rules of law governing their resolution, the scope and complexity of the insurance arrangements related thereto, and the burden that such claims have placed on the American civil justice system; and

WHEREAS, Subscribing Producers and Subscribing Insurers recognize the existence of numerous insurance coverage disputes between and among Insurers and Producers, differing court decisions, and the existence of cross-actions among Producers and among Insurers; and

WHEREAS, Subscribing Producers and Subscribing Insurers desire to simplify the procedures for handling claims, reduce the costs of such procedures, apply insurance arrangements in a consistent manner and take other steps reasonable and practical to ensure the expenditure of funds for the reasonable payment of meritorious claims at reasonable processing costs; and

WHEREAS, Subscribing Producers and Subscribing Insurers desire to resolve and discontinue the various disputes concerning insurance coverage for asbestos- related claims and to embark upon a method for resolution of asbestos-related claims and the insurance arrangements pertaining thereto;

NOW THEREFORE, in consideration of the mutual covenants herein contained and intending to be legally bound hereby, the Subscribing Producers and Subscribing Insurers hereby agree as follows:

I. GENERAL CONDITIONS

1. Any Producer or Insurer may become a signatory to the Agreement on or before June 19, 1985, and in so doing shall agree to be bound by the terms and conditions of the Agreement and the Appendices hereto, and prior to said date shall offer participation in the Agreement to each and every of its Producers or Insurers, as the case may be. If a Producer or Insurer does not become a signatory hereto on or before June 19, 1985, but subsequently wants to become a signatory as a result of changed circumstances, participation in the Agreement by such Producer or Insurer may be in conflict with the fixed commitments and compromises upon the basis of which other Producers and Insurers will have entered into the Agreement on or before June 19, 1985. Participation in the Agreement by additional proposed signatories therefore shall be considered only in accordance with Section XXI hereinbelow.

2. The Agreement is intended to apply solely to asbestos-related claims, as defined hereinbelow. It is the product of informed negotiations among the signatories hereto, involving compromises of previously stated legal positions. The Agreement does not necessarily reflect the views of Subscribing Producers and Subscribing Insurers as to their rights and obligations with regard to matters or persons outside of the scope of the Agreement, and with respect to all such matters or persons, all signatories reserve all previously held positions and all other rights and privileges.

3. The Agreement is intended to confer rights and benefits only upon Subscribing Producers and Subscribing Insurers, and is not intended to confer any rights or benefits upon persons not signatories to the Agreement. No person other than a signatory hereto shall have any legally enforceable rights under the Agreement. All rights of action for any breach of this Agreement by any signatory hereto are hereby reserved to Subscribing Producers and Subscribing Insurers.

4. All actions taken and statements made by persons or their representatives relating to their participation in the Agreement, including its development and implementation, shall be without prejudice or value as precedents, and shall not be taken as a standard by which other matters may be judged.

5. All persons subscribing to or otherwise associating themselves with the Agreement request all Courts to take notice of its underlying purpose, and to accord all persons subscribing to or otherwise associating themselves with the Agreement and their representatives full privilege and protection with respect to the disclosure of their actions, statements, documents, papers and other materials relating to the Agreement, including its development and implementation.

II. ESTABLISHMENT OF FACILITY

1. Subscribing Producers and Subscribing Insurers shall establish a non- profit organization to be known as the Asbestos Claims Facility (hereinafter referred to as the "Facility"). The Facility shall administer and arrange for the evaluation, settlement, payment or defense of all asbestos-related claims against Subscribing Producers and Subscribing Insurers in accordance with the provisions of the Agreement and Appendix A hereto, and pursuant to the provisions of law and professional standards applicable to Subscribing Insurers.

2. The Facility shall be governed by a Board of Directors whose members shall number at least 12 and whose members shall contain an equal number of representatives of Subscribing Producer members and of Subscribing Insurer members. The Board of Directors shall have power to increase the number of directors and to add public directors, to appoint such officers, employees and committees of persons as the Board sees fit, to define their authorities and responsibilities and to set the conditions of their appointments. The Board of Directors shall have no power to modify any provisions of the Agreement or of the Appendices hereto.

3. The Facility shall not sell, lease, exchange, mortgage, pledge, or otherwise dispose of all or substantially all of its property or assets and shall not dissolve or wind up its affairs except upon the affirmative vote of two-thirds of Subscribing Producer members with two-thirds interest or two- thirds of Subscribing Insurer members with two-thirds interest.

III. MEMBERSHIP IN FACILITY

1. Subject to the provisions of Section XXI hereinbelow, each Producer and each Insurer shall become a member of the Facility upon becoming a signatory to the Agreement and shall invite each of its Producers or Insurers, as the case may be, to become a signatory to the Agreement and thereby to become a member of the Facility.

2. Voting rights of members and voting procedures shall be determined respectively by Subscribing Producers and Subscribing Insurers.

3. Neither the Board of Directors nor any other persons shall have any authority to terminate the membership of a member without the consent of such member; provided, that membership in the Facility shall terminate at such time as a member no longer has an obligation to make payments or to pay expenses pursuant to the Agreement and the Appendices hereto. A member may terminate its membership in the Facility at any time upon written notice to the Facility, but, except as otherwise explicitly provided herein, termination of membership shall not modify the rights and obligations of a Subscribing Producer, Subscribing Insurer or the Facility under the Agreement and the Appendices hereto.

IV. SUBMISSION AND WITHDRAWAL OF CLAIMS

1. By becoming a signatory to the Agreement, each Subscribing Producer and each Subscribing Insurer designates the Facility as its sole agent to administer and arrange on its behalf for the evaluation, settlement, payment or defense of all asbestos-related claims against such Subscribing Producer or Subscribing Insurer. As sole agent, the Facility shall have exclusive authority and discretion to administer, evaluate, settle, pay or defend all asbestos- related claims. Except as otherwise provided in Paragraph 2 hereinbelow, the Facility shall serve perpetually as the sole agent of each Subscribing Producer and each Subscribing Insurer with respect to all asbestos-related claims.

2. Any Subscribing Producer or Subscribing Insurer may withdraw the designation of the Facility as its sole agent made pursuant to Paragraph 2 hereinabove, and may terminate the Facility's right and authority to act on behalf of such Subscribing Producer or Subscribing Insurer by providing written notice to the Facility 60 days prior to the effective date of such withdrawal; provided, that such withdrawal shall apply only to asbestos-related claims filed or made against the withdrawing Subscribing Producer or Subscribing Insurer subsequent to the effective date of withdrawal. The Facility shall continue to serve as sole agent for such Subscribing Producer or Subscribing Insurer with respect to all asbestos-related claims filed on or before the effective date of withdrawal.

V. COOPERATION WITH FACILITY

Each Subscribing Producer and each Subscribing Insurer shall comply with the terms and conditions of the Agreement and the Appendices hereto, and shall cooperate with and assist the Facility in furtherance of such terms and conditions. Each Subscribing Producer and each Subscribing Insurer shall respond fully and in a timely manner to reasonable requests by the Facility for information and shall assist in the securing and giving of evidence concerning asbestos-related claims. To the extent practicable, the Facility shall maintain the confidentiality of confidential or proprietary information submitted by Subscribing Producers and Subscribing Insurers.

VI. ALLOCATION OF LIABILITIES AND EXPENSES

1. Liability payments and allocated expenses shall be allocated to each Subscribing Producer on the date such Producer becomes a signatory to the Agreement. Such allocation shall establish the responsibility of each Subscribing Producer for a percentage of liability payments and a percentage of allocated expenses attributable to each claim handled by the Facility as sole agent for such Subscribing Producer under Section IV hereinabove. Each Subscribing Producer's percentages of liability payments and allocated expenses shall be established as provided in Appendix A-1 hereto, and shall be subject to modification only in the manner and to the extent set forth

therein. To the extent that a Subscribing Producer's percentages of liability payments and allocated expenses attributable to a particular asbestos-related claim are not payable by one or more Subscribing Insurers pursuant to the Agreement and the Appendices hereto, such Subscribing Producer shall pay the percentages of liability payments and allocated expenses in question.

2. Each Subscribing Insurer shall acquiesce in and abide by the allocation of percentages of liability payments and allocated expenses to each Subscribing Producer, as described in Paragraph 1 hereinabove, and shall consider, recognize and hold each Subscribing Producer's shares of liability payments and allocated expenses attributable to each asbestos-related claim to be necessary, reasonable and proper and each Subscribing Producer to be properly bound and obligated to pay such sums. Each Subscribing Insurer shall pay a share of unallocated expenses and start-up costs as provided in Appendix A-2 hereto, which shall be subject to modification only in the manner and to the extent set forth therein.

VII. FACILITY CLAIMS HANDLING

1. Except as otherwise provided in Section IV hereinabove, the Facility shall administer, evaluate, settle, pay or defend all asbestos-related claims against Subscribing Producers and Subscribing Insurers, either within the Facility's procedures or through standard judicial means. The Facility shall handle each asbestos-related claim on behalf of all Subscribing Producers and Subscribing Insurers, and shall not settle an asbestos-related claim on behalf of fewer than all Subscribing Producers and Subscribing Insurers. The Facility shall settle each asbestos-related claim so as to extinguish claims for all damages, including punitive damages, and, in the settlement of asbestos-related claims, the Facility shall not pay punitive damages to claimants.

2. The Facility shall hire competent and experienced legal counsel to defend asbestos-related claims and shall retain such counsel as are necessary and appropriate to defend the interests of Subscribing Producers. The Facility may use its employees and independent persons to provide professional medical and other assistance and advice.

3. Actions against nonsubscribing persons may be undertaken by the Facility on behalf of Subscribing Producers and Subscribing Insurers, but the Agreement shall neither require nor preclude such actions.

4. The Facility shall require valid evidence to support each claim against Subscribing Producers and Subscribing Insurers, and shall require credible medical evidence in each case prior to making payment to a claimant. Facility personnel shall be responsible for obtaining such evidence from each claimant and verifying it.

5. A claimant shall be paid solely for asbestos-related physical impairment and dysfunction. If such claimant subsequently develops an asbestos- related malignancy, the claimant may submit a subsequent claim. In addition, the Facility may provide certain claimants whose claims have not matured with an opportunity to resubmit a claim to the Facility should additional medical evidence become available. The Facility may enter into agreements to suspend the running of statutes of limitations with respect to claims timely presented and shall adopt uniform, streamlined, expeditious procedures, including voluntary nonjudicial means of resolving disputed claims.

6. Each asbestos-related claim shall be evaluated on its individual merits, but this shall not preclude two or more asbestos-related claims from

being settled simultaneously.

7. The Facility shall not make payments pursuant to a pre-determined schedule of benefits, but detailed claims guidelines shall be used to evaluate and settle asbestos-related claims. The Facility shall make payments and settle claims only on behalf of Subscribing Producers and Subscribing Insurers and shall be entitled to credit for settlements made and judgments paid by Subscribing Producers and Subscribing Insurers prior to subscription in the Facility.

8. The Facility shall operate according to annual liability, defense and operational programs to be established by the Board of Directors. The Facility shall be subject to annual financial and quality control audits by persons selected by the Board of Directors and consisting of an equal number of representatives of Subscribing Producers and of Subscribing Insurers.

VIII. COVERAGE DISPUTES AND WAIVERS OF CLAIMS AND DEFENSES

1. Each Subscribing Producer and each Subscribing Insurer shall forgo all claims for declaratory relief or damages, as to other Subscribing Producers and Subscribing Insurers, relating to the application of insurance to the investigation, settlement, defense or indemnification of asbestos-related claims within the scope of the Agreement. Upon becoming a signatory to the Agreement, all such claims shall be withdrawn and dismissed from pending actions, as to Subscribing Producers and Subscribing Insurers, with prejudice and without delay.

2. Each Subscribing Producer and each Subscribing Insurer shall forgo all claims for contribution or indemnity (other than for contribution or indemnity assumed under written agreement) against other Subscribing Producers and Subscribing Insurers with respect to all asbestos-related claims except those claims with respect to which a Subscribing Producer or Subscribing Insurer has withdrawn pursuant to Section IV hereinabove.

3. Each Subscribing Producer and each Subscribing Insurer shall waive claims for bad faith or punitive damages, as to other Subscribing Producers and Subscribing Insurers, with respect to all matters within the scope of the Agreement; provided, that this waiver shall not apply to claims, including punitive damages, for breach of or bad faith with respect to the Agreement.

4. This Section VIII shall not preclude a Subscribing Producer or Subscribing Insurer from seeking reimbursement under other provisions of the Agreement. In addition, there are a limited number of issues with respect to which the possibility of litigation is specifically provided for herein, but, except as otherwise provided in Paragraph 3 hereinabove, all claims for bad faith or punitive damages, as to other Subscribing Producers and Subscribing Insurers, shall be waived in such litigation.

5. Except as otherwise provided in Appendix B hereto, each Subscribing Insurer shall waive and permanently abandon and shall not assert or apply any conditions or defenses based upon, or exclusionary provisions contained in, insurance policies, which defenses or provisions have the effect of reducing or denying insurance coverage available under any of the insurance policies issued by Subscribing Insurers to Subscribing Producers. This waiver includes clauses in multiple insurance policies issued by the same insurer that seek to shift the entire loss arising out of one occurrence to one of the insurance policies or to reduce the amounts payable under one insurance policy with respect to the entire loss by amounts paid under any one of the other insurance policies.

6. Subscribing Producers and Subscribing Insurers shall resolve

through alternative dispute resolution, in the manner set forth in Appendix C hereto, any disputed issues within the scope of the Agreement and the Appendices hereto.

IX. COVERAGE BLOCK AND FUNDING

1. The "coverage block," with respect to each Subscribing Producer, consists of all insurance policies issued to such Subscribing Producer by its Subscribing Insurers to become effective prior to the date (within the period January 1, 1973 through December 31, 1979) selected by the Producer and set forth in its Schedules of Insurance and, except as set forth hereinbelow, shall not include any periods subsequent to said date; provided, that the coverage block shall not begin prior to the date of said Producer's first involvement with asbestos or asbestos-containing products. Insurance policies written to become effective prior to June 19, 1985, and subsequent to the ending date of a Subscribing Producer's initial coverage block may be added consecutively (by year with respect to annual limits) to such coverage block by payment, as due, of any applicable deductibles, retrospective rating premiums or self-insured retentions in accordance with the provisions of Sections XV and XVI hereinbelow and subject to appropriate credit for amounts previously paid by the Producer on account of such deductibles, retrospective rating premiums or self-insured retentions. Such insurance policies, when added, become part of the Producer's coverage block. Uninsured periods likewise may be consecutively added, and must be added if they fall between consecutively added insured periods; provided, that if a Producer adds a period for which it did not purchase insurance subsequent to the initial coverage block, such Producer shall make liability payments and pay allocated expenses for that period.

2. The "exposure period," with respect to each asbestos-related claim for a particular injury, is the period from a person's first exposure to any asbestos or asbestos-containing products until first diagnosis of such injury or death resulting from such injury, whichever occurs first.

3. Any insurance policies covering a part of the exposure period for a particular claim may be used to make liability payments and to pay allocated expenses for such claim in accordance with the provisions of this Section IX, in the manner set forth in Sections X and XI hereinbelow.

4. An insurance policy of an insolvent Subscribing Insurer shall be treated as would any uninsured period in the initial coverage block; provided, that with respect to an insolvent London Company (exclusive of Lloyds syndicate members) that has underwritten a share within a particular insurance policy, the Subscribing Producer in question shall pay such insolvent Company's share of payments required under the insurance policy pursuant to the Agreement.

5. Insurance policies that expressly provide coverage on a specific manifestation or claims-made basis or first discovery trigger shall be included within the coverage block in a manner consistent with their terms.

6. Neither the insurance policies comprising a Subscribing Producer's coverage block nor any other insurance policies set forth in the Producer's Schedules of Insurance are dedicated solely to asbestos-related claims, and they may be used for the administration, handling or disposition of any other claims covered thereunder and, subject to the terms and conditions of the insurance policy in question, payments shall apply toward the exhaustion of any applicable insurance policy limits.

7. With respect to each Subscribing Producer, all liability payments and allocated expenses arising out of the products hazard or completed

operations hazard, as defined in the insurance policy in question, shall be covered exclusively by products coverage (subject to applicable aggregate limits if any), notwithstanding the presence of allegations such as, but not limited to, strict liability, failure to warn, negligence, breach of warranty, fraud, misrepresentation, concealment or conspiracy.

X. LIABILITY PAYMENTS

With respect to a particular asbestos-related claim, liability payments attributable to such claim for each Subscribing Producer shall be made as provided hereinbelow:

1. Subject to the provisions of Section XX hereinbelow, each primary insurance policy in the coverage block that covers any part of the exposure period shall make liability payments; and each excess insurance policy in the coverage block that covers any part of the exposure period not then covered by underlying primary or excess insurance in the coverage block also shall make liability payments; provided, that no insurance policy shall make liability payments after its limits of liability have been exhausted. Except as otherwise provided herein, whenever a Subscribing Producer has no insurance for a particular period within the coverage block, liability payments otherwise allocable to that period shall be allocated pursuant to Paragraph 2 hereinbelow to the periods within the coverage block for which the Subscribing Producer has insurance and to periods added to the coverage block for which the Subscribing Producer did not purchase insurance.

2. The amount of liability payments to be made by each insurance policy described in Paragraph 1 hereinabove shall bear the same relation to the aggregate liability payments incurred as the part of the exposure period then covered by such insurance policy bears to the total parts of the exposure period then covered by insurance policies in the coverage block and by periods added to the coverage block for which the Subscribing Producer did not purchase insurance; provided, that a Subscribing Producer shall make liability payments only if no part of the exposure period is then covered by insurance policies in the coverage block, except as otherwise provided herein.

XI. ALLOCATED EXPENSES

With respect to a particular asbestos-related claim, allocated expenses attributable to such claim for each Subscribing Producer shall be paid as provided hereinbelow:

1. Subject to the provisions of Section XX hereinbelow, unless it expressly provides otherwise, each primary insurance policy in the coverage block that covers any part of the exposure period shall pay allocated expenses; and, unless it expressly provides otherwise, each excess insurance policy in the coverage block that covers any part of the exposure period not then covered by underlying primary or excess insurance in the coverage block also shall pay allocated expenses; provided, that such excess insurance policy shall only pay allocated expenses where: A) payment of allocated expenses would not apply against the aggregate limits of such excess insurance policy; or B) no primary insurance policies in the coverage block cover a part of the exposure period; or C) remaining primary insurance policies cover 10 percent or less of the period comprising the coverage block initially selected by the Subscribing Producer; or D) the initial coverage block

is less than ten years and only one primary policy year remains within the coverage block. Except as otherwise provided herein, whenever a Subscribing Producer has no insurance paying allocated expenses for a particular period within the coverage block, allocated expenses otherwise allocable to that period shall be allocated to the periods within the coverage block for which the Subscribing Producer has insurance paying allocated expenses and to periods added to the coverage block for which the Subscribing Producer did not purchase insurance.

2. The amount of allocated expenses to be paid by each insurance policy paying allocated expenses pursuant to Paragraph 1 hereinabove shall bear the same relation to the aggregate allocated expenses incurred as the part of the exposure period then covered by such insurance policy bears to the total parts of the exposure period then covered by insurance policies in the coverage block paying allocated expenses and by periods added to the coverage block for which the Subscribing Producer did not purchase insurance; provided, that a Subscribing Producer shall pay allocated expenses only if no part of the exposure period is covered by insurance policies in the coverage block paying allocated expenses, except as otherwise provided herein.

3. The payment of allocated expenses shall not apply against the aggregate limits of primary insurance policies unless the insurance policies in question expressly provide otherwise. The payment of allocated expenses shall apply against the aggregate limits of excess insurance policies unless the insurance policies in question expressly provide otherwise; provided, that with respect to excess insurance policies that expressly follow the provisions of underlying insurance policies for the payment of allocated expenses, such underlying language shall apply except where it is inconsistent with the terms and conditions of the excess insurance policy.

XII. PAYMENT OF ALLOCATED AND UNALLOCATED EXPENSES FOLLOWING EXHAUSTION OF LIMITS

1. Each Subscribing Insurer, with respect both to policies of insurance that expressly provide that the duty to defend ceases upon exhaustion of aggregate limits (generally, post-1966 standard form insurance policies) and to pre-1966 standard form insurance policies, shall pay allocated and unallocated expenses until its limits of liability are exhausted but not thereafter.

2. As to Subscribing Producers whose asbestos-related claims are being administered by the Facility, Subscribing Insurers that have issued pre-1966 standard form insurance policies shall establish, administer and fund an Insurance Defense Program, as set forth in Appendix E hereto, to cover the allocated and unallocated expenses of all claims that under the Agreement would have triggered a pre-1966 standard form insurance policy. The Insurance Defense Program, on behalf of Subscribing Insurers that have issued pre-1966 standard form insurance policies, shall respond, as would any insurance policy paying allocated expenses under the Agreement, to pay allocated and unallocated expenses for any claim triggering a pre-1966 standard form insurance policy year where: A) there is no obligation in such policy year to pay allocated expenses for such claim; and B) no other insurance policies are paying allocated expenses for such claim or the payment of allocated expenses by any of the insurance policies paying allocated expenses for such claim applies against aggregate limits pursuant to Section XI hereinabove or the Subscribing Producer is paying allocated expenses for such claim. The Insurance Defense Program shall not be taken into account in determining whether an excess insurance policy pays allocated expenses pursuant to Paragraph 1 of Section XI hereinabove.

XIII. START-UP COSTS OF FACILITY

1. All start-up costs shall be paid by Subscribing Primary Insurers in accordance with Appendix A-2 hereto.

2. Charter subscribers may mitigate the start-up expense burden through entrance fees that shall be charged to new subscribers in accordance with Appendix A-2 hereto; provided, that new subscribers do not include Subscribing Producers, except in the case of a new Producer with no Subscribing Insurers.

XIV. UNALLOCATED EXPENSES OF FACILITY

1. All unallocated expenses of the Facility shall be paid by Subscribing Primary Insurers and Subscribing Excess Insurers as they are called upon to make payments within the terms of the Agreement, as described more fully in Appendix A-2 hereto.

2. A Subscribing Insurer shall be relieved of the obligation to pay unallocated expenses upon the exhaustion of all of its obligations to make liability payments and to pay allocated expenses.

3. A Subscribing Producer shall be obligated to pay a share of Facility unallocated expenses only after all applicable insurance within the coverage block is exhausted.

XV. DEDUCTIBLES AND RETROSPECTIVE RATING PLANS

1. When a Subscribing Producer includes within its coverage block a particular period of insurance subject to a deductible, self-insured retention or retrospective rating plan under which payment would be due from such Subscribing Producer, that Subscribing Producer shall pay the deductible, self- insured retention or retrospective rating premium as due, except as otherwise provided herein.

2. A "date" shall be mutually agreed upon by each Subscribing Producer and its Subscribing Insurers for purposes of this Section XV and Sections XVI and XVII hereinbelow. The agreed-upon date may be the same as or different from the date unilaterally selected by the Subscribing Producer for the purpose of defining its coverage block pursuant to Section IX hereinabove. All insurance policies issued to a Subscribing Producer prior to the mutually agreed-upon date are "predate" insurance policies. All insurance policies issued to a Subscribing Producer subsequent to the mutually agreed-upon date are "post-date" insurance policies.

3. All deductibles and retentions, whether in pre-date or post-date insurance policies, shall be applied in a pro-rata manner in the same proportion as the policy year is called upon to make liability payments.

4. Once retrospective rating plans have been closed, whether prior to or following the date a person becomes a signatory to this Agreement, they shall not require any additional payments by a Subscribing Producer.

5. Unless otherwise explicitly provided in the insurance policy in question, payment by a Subscribing Producer of a deductible shall not reduce the aggregate limits of such insurance policy.

6. With respect to a primary insurance policy containing a clause or endorsement providing substantially that payments made which include a

deductible amount shall not increase the Insurer's liability with respect to each occurrence and aggregate, once the Subscribing Producer or the Subscribing Primary Insurer has paid an amount equal to the aggregate limits, the Subscribing Producer shall pay no more on account of such deductible and the Subscribing Primary. Insurer and Subscribing Excess Insurer shall resolve between themselves the responsibility for payments for such year.

XVI. APPLICATION OF INSURANCE POLICIES WITHOUT DEDUCTIBLE OR RETENTION LIMITS

A. PRE-DATE INSURANCE POLICIES

1. Where deductibles and retentions are not limited explicitly by the insurance policy language, the following schedule of multipliers shall apply to limit per policy year such deductibles and retentions:

Face Amount of Deductible or Retention	Multiplier	Policy Year Cumulative Maximum
Up to $5,000	10	$ 50,000
Next $20,000	7.5	$200,000

2. With respect to per claim deductibles in excess of $25,000, the maximum to be paid for each policy year by a Subscribing Producer is the aggregate limit of the deductible-containing insurance policy. With respect to per occurrence deductibles in excess of $25,000, the affected parties shall resolve disagreements by negotiation, followed by non-binding alternative dispute resolution, followed, if necessary, by litigation. Any such resolution shall apply, in all respects, to the affected parties notwithstanding any other provisions of the Agreement.

3. Where an insurance policy containing a deductible explicitly provides that payment of deductibles reduces aggregate limits, then payment of deductibles shall apply against aggregate limits, following the exhaustion of which, excess insurance policies shall become available. In all other cases involving deductibles, payment of deductibles shall not apply against aggregate limits, and excess insurance shall become available after the underlying insurance policy has paid its remaining limits.

B. POST-DATE INSURANCE POLICIES

1. Deductibles and retentions shall apply as written. Affected parties shall resolve any disagreements by negotiation, followed by non-binding alternative dispute resolution, followed, if necessary, by litigation. Any such resolution shall apply, in all respects, to the affected parties notwithstanding any other provisions of the Agreement.

2. With respect to deductibles or retentions in an insurance policy underlying an excess insurance policy that contains standard excess ultimate net loss and/or loss payable clauses, such excess insurance policy shall respond when liability payments equivalent to the amount of the aggregate limits of the underlying insurance policy in question have been made by the Subscribing Producer or the Subscribing Insurer or both, unless:

(A) There is evidence that the Subscribing Excess Insurer was aware of the uncapped deductible or retention when writing its insurance

policy, such evidence to be in: (1) the schedule of insurance in the excess insurance policy; (2) the underwriting file of the Subscribing Excess Insurer; (3) the underwriter's placing slip; or (4) the underwriting file of the London broker (not any American broker); and

(B) Such evidence is provided to the Producer by the Excess Insurer within 60 days of March 29, 1985, or of the date that the excess insurance policy in question is listed in the Producer's Schedules of Insurance provided to such Excess Insurer, whichever occurs later.

XVII. APPLICATION OF INSURANCE POLICIES WITHOUT AGGREGATE LIMITS

A. PRE-DATE INSURANCE POLICIES

1. With respect to (A) primary products liability coverage written without aggregate limits either inadvertently or before the aggregate concept was developed, (B) primary non-products liability coverage written without aggregate limits at any time, and (C) in the coverage for any particular year the first excess occurrence policy without aggregate limits written directly above an insurance policy with aggregate limits, the following schedule of multipliers shall apply per policy year to provide aggregate limits for such policies:

Face Amount of Per Occurrence/Accident Limits	Multiplier	Policy Year Cumulative Maximum
Up to $100,000.............	10	$1,000,000
Next $200,000..............	5	$2,000,000
Next $200,000..............	3	$2,600,000
Next $500,000..............	1.5	$3,350,000
Above $1,000,000...........	1	N/A

In addition, upon exhaustion of all applicable insurance policies for the year in question, the no-aggregate primary insurance policy shall respond with coverage equal to ten times the per occurrence/accident limits up to the first $1 million of the per occurrence/accident limits, minus amounts previously applied to the maximum limit of such insurance policy.

2. All other primary products liability coverage written without aggregate limits shall apply as written. In the event of a dispute, affected parties shall engage in negotiation, followed by non-binding alternative dispute resolution, followed, if necessary, by litigation. Any such resolution shall apply, in all respects, to the affected parties notwithstanding any other provisions of the Agreement.

3. All other excess occurrence policies without aggregate limits shall apply to the extent of one per occurrence/accident limit.

B. POST-DATE INSURANCE POLICIES

Post-date insurance policies without aggregate limits shall apply as written. In the event of a dispute, affected parties shall engage in negotiation, followed by non-binding alternative dispute resolution, followed, if necessary, by litigation. Any such resolution shall apply, in all respects,

to the affected parties notwithstanding any other provisions of the Agreement.

XVIII. POLICY PERIODS OF OTHER THAN 12 MONTH MULTIPLES

1. Unless it expressly provides otherwise, an insurance policy of less than 12 months shall carry full aggregate limits for the term of such policy.

2. Absent agreement among the affected parties, unless the insurance policy or other documentary evidence explicitly provides that another result was intended:

(A) Where an insurance policy was extended prior to the expiration date for a period other than a multiple of 12 months: (1) if the extension was at the request of the Subscribing Producer, the period of less than 12 months shall carry pro-rata limits; and (2) if the extension was at the request of the Subscribing Insurer, the period of less than 12 months shall carry full aggregate limits;

(B) Where an insurance policy was initially written for more than one year but not for a multiple of 12 months, then the period of less than 12 months also shall carry full aggregate limits; and

(C) Where an insurance policy was canceled prior to the expiration date by either the Subscribing Producer or Subscribing Insurer, then the period of less than 12 months shall carry full aggregate limits, except where a Subscribing Excess Insurer canceled its insurance policy specifically to make its insurance policies concurrent with underlying insurance policies and the Subscribing Producer agreed, in which case the period of less than 12 months shall carry pro rata limits.

3. Deductibles and retentions in insurance policies described in this
Section XVIII shall apply in a manner consistent with the application of limits hereunder.

XIX. RETROSPECTIVE AND PROSPECTIVE APPLICATION

1. Except as otherwise provided in Section XXI hereinbelow, any and all provisions of the Agreement shall apply, as between a Subscribing Producer and Subscribing Insurer, to all liability payments and expenses incurred subsequent to the date on which both the Subscribing Producer and Subscribing Insurer became signatories to the Agreement, and with respect thereto and to the extent inconsistent herewith, shall nullify, repudiate, replace and supplant, as between such Subscribing Producer and Subscribing Insurer, any prior agreements or judicial determinations whether or not final; provided, that this Paragraph shall not apply to the extent that a Subscribing Insurer, by written agreement executed prior to March 29, 1985, extinguished or exhausted an insurance coverage obligation by payment of monies to a Subscribing Producer or affiliated company. With respect to such extinguishment of an insurance coverage obligation, the Subscribing Producer in question shall make liability payments and pay expenses (including payments due under Appendix E) as would the Subscribing Insurer in question under the Agreement in the absence of such extinguishment, and the Subscribing Producer shall make such payments and pay such expenses until the Subscribing Producer has paid hereunder an amount equal to the monies received from such Subscribing Insurer with respect to such extinguishment., plus investment income, if any, on such monies, and less any payments made and expenses paid directly by such Subscribing Producer for asbestos-related claims.

2. Subject to the provisions of this Section XIX, and except as

otherwise provided hereinbelow in this Paragraph 2, each Subscribing Producer and each Subscribing Insurer shall be reimbursed for liability payments and allocated and unallocated expenses, including deductibles, retrospective premiums and loss conversion factors, incurred prior to the date on which the Subscribing Producer or Subscribing Insurer became a signatory to the Agreement, such reimbursement to be made in accordance with the Agreement and as if the Agreement (but not Section VI or Appendix A-1) were in effect at the time such payments and expenses initially were incurred; provided, that payments and expenses incurred pursuant to an agreement explicitly providing that such payments are final or to a final settlement agreement or final judicial determination that became effective prior to the date on which the Subscribing Producer or Subscribing Insurer became a signatory to the Agreement shall not be subject to reimbursement or reallocation. Notwithstanding the provisions of
Section XX hereinbelow, neither a Subscribing Producer nor a Subscribing Insurer shall make reimbursements for amounts that otherwise would have been reimbursed hereunder by an Insurer not a signatory hereto if said Insurer had become a signatory hereto.

3. Reimbursement of payments and expenses due hereunder shall be made within 90 days of the date the Subscribing Producer or Subscribing Insurer became a signatory to the Agreement. At the option of such Producer or Insurer, reimbursement of payments and expenses may be made quarterly in not more than twelve equal consecutive installments from the date payable under the Agreement, with interest upon any unpaid principal balances compounded daily and payable on a quarterly basis at the rate of interest announced publicly by Citibank, N.A., in New York, New York, from time to time as Citibank, N.A.'s Base Rate.

4. Reimbursement of payments and expenses pursuant to Paragraph 2 hereinabove shall be made by and reallocated among primary and excess insurance policies in a reasonable manner, and shall not require reallocation on an individual case basis.

5. With respect to fees and expenses incurred in asbestos insurance coverage litigation, each Subscribing Producer and each Subscribing Insurer, in the absence of agreement, may submit claims for such fees and expenses to alternative dispute resolution.

6. A Subscribing Producer shall not be reimbursed for allocated or unallocated expenses incurred in fulfilling its duty of assistance and cooperation under its insurance policies:

(A) In-house costs claimed by a Subscribing Producer to be in excess of those incurred in fulfilling its duty of assistance and cooperation under its insurance policies, in the absence of agreement with its Subscribing Insurers, may be submitted to alternative dispute resolution; and

(B) Claims by a Subscribing Producer for fees and expenses incurred for coordinating counsel, in the absence of agreement with its Subscribing Insurers, may be submitted to alternative dispute resolution.

XX. INSURANCE ISSUED BY NON-SIGNATORIES

1. Whenever a Subscribing Producer has an insurance policy issued to it for a particular period within the coverage block by an Insurer that is not a signatory hereto, such Producer shall use its reasonable best efforts, including, if necessary, the timely pursuit of litigation, to obtain a final and reasonable settlement agreement or final judicial determination concerning the application of such insurance policy to asbestos-related claims. With respect thereto, each Subscribing Producer and each Subscribing Insurer, to the

extent practicable, shall cooperate with and assist the Subscribing Producer in question.

2. Whenever, with respect to an insurance policy described in Paragraph 1 hereinabove, the Subscribing Producer, pursuant to a final settlement agreement or final judicial determination, has received from the Insurer in question monies to administer, handle or dispose of asbestos-related claims, such Subscribing Producer shall make payments and pay expenses (including payments due under Appendix E) as would the Insurer in question with respect to such Producer if said Insurer had become a signatory hereto, and the Subscribing Producer shall make such payments and pay such expenses until the Subscribing Producer has paid an amount equal to the monies received from such Insurer to administer, handle or dispose of asbestos-related claims plus investment income, if any, on such monies and less proration of any payments made and unreimbursed expenses paid directly by such Subscribing Producer for asbestos-related claims or incurred in obtaining such judicial determination or settlement agreement.

3. Whenever an insurance policy described in Paragraph 1 hereinabove would have had to make payments or to pay expenses on a particular claim under the Agreement had the Insurer in question become a signatory hereto, and the Subscribing Producer has not received monies from such non-signatory Insurer pursuant to Paragraphs 1 and 2 hereinabove, each insurance policy in the coverage block covering a part of the exposure period for such claim shall make payments and pay expenses, subject to applicable limits of liability, on a pro- rata basis in lieu of the non-signatory insurance policy and to the extent that such insurance policy would have had to make payments under the Agreement, up to the applicable limits of such insurance policy; provided, that the directly overlying excess insurance policy shall make such payments and pay such expenses in lieu of the non-signatory insurance policy only if no other insurance policies in the coverage block cover a part of the exposure period for such claim. Thereafter, upon a final settlement or final judicial determination described in Paragraphs 1 and 2 hereinabove, each Subscribing Insurer contributing hereunder shall, at its option, be reimbursed by the Subscribing Producer; provided, that total reimbursement of all such contributing Insurers shall not exceed the monies received by the Producer from the non-signatory Insurer to administer, handle or dispose of asbestos-related claims plus investment income, if any, on such monies and less payments made and expenses paid directly by such Subscribing Producer for asbestos-related claims or incurred in obtaining such judicial determination or settlement agreement.

4. Whenever, with respect to an insurance policy described in Paragraph 1 hereinabove, the Subscribing Producer in question does not obtain a final settlement agreement or final judicial determination pursuant to Paragraphs 1 and 2 hereinabove within two years of the date upon which a Subscribing Insurer first has actually made liability payments and actually paid allocated expenses on a pro-rata basis in lieu of such non-signatory insurance policy pursuant to Paragraph 3 hereinabove, interest shall begin to accrue at the conclusion of such two year period on all liability payments actually made and allocated expenses actually paid by such Subscribing Insurer in lieu of the non-signatory insurance policy, and shall continue until the earlier of the date that the Subscribing Producer obtains such a final settlement agreement or final judicial determination or the date that the Subscribing Insurer in question would have exhausted its obligations to make payments or to pay expenses under the Agreement if the non-signatory Insurer in question had become a signatory hereto. Such interest shall be payable on a quarterly basis from the date of first accrual at the rate of interest announced publicly by Citibank, N.A., in New York, New York, from time to time as Citibank, N.A.'s Base Rate. When the Subscribing Producer in question obtains a final settlement agreement or final judicial determination, pursuant to Paragraphs 1 and 2 hereinabove, such Producer shall be reimbursed by the

Subscribing Insurer in question for interest paid on any amounts that exceed the monies to which the Subscribing Insurer is entitled under the reimbursement provisions of Paragraph 3 hereinabove.

XXI. ADDITIONAL SIGNATORIES

1. Except as otherwise provided in Paragraph 2 hereinbelow, a Producer or Insurer may become a signatory to the Agreement subsequent to June 19, 1985, only upon application to and approval by the Board of Directors of the Facility. In determining whether such a Producer or Insurer may become a signatory hereto, the Board of Directors shall determine whether the best interests of the Facility and of the other signatories would be served thereby, in order to assure that the compromises herein and commitments of resources hereunder are duly respected, that such Producer or Insurer derives no unfair advantage with respect to the other signatories and that none of the other signatories suffers any unfair disadvantage by reason of said Producer's or Insurer's failure to become a signatory to the Agreement on June 19, 1985.

2. Notwithstanding the provisions of Paragraph 1 hereinabove, a Producer or Insurer that has pending on June 19, 1985, a petition for reorganization under Chapter 11, Title 11, of the United States Code, may become a signatory to the Agreement on or before December 31, 1986; provided that:

(A) Such Producer or Insurer conditionally subscribed to the Agreement prior to June 19, 1985;

(B) Such Producer or Insurer covenants and agrees to be bound by all of the provisions contained herein and in the Appendices hereto, including the respective allocations of liabilities, costs and expenses pursuant to Appendices A-1 and A-2; and

(C) The court of competent jurisdiction in such Chapter 11 proceeding shall have confirmed, by December 31, 1986, a plan of reorganization authorizing and directing such Producer or Insurer to become a signatory to the Agreement or ratifying said action.

3. With respect to any Producer or Insurer that becomes a signatory hereto pursuant to Paragraph 1 or Paragraph 2 hereinabove, Sections VIII through and including XIX of the Agreement shall not apply between such Producer and each of its Subscribing Insurers or between such Insurer and each of its Subscribing Producers, as the case may be, absent the express written consent of the Subscribing Insurer or Subscribing Producer in question. In the absence of such consent, the insurance policies in question shall be treated under Section XX as if issued by an Insurer that is not a signatory hereto.

4. Each person that subsequent to June 19, 1985, pursues litigation, other than as provided for under the Agreement, against a Subscribing Producer or Subscribing Insurer concerning matters within the scope of the Agreement shall, upon becoming a signatory hereto:

(A) Reimburse each Subscribing Producer or Subscribing Insurer for all attorneys' fees and costs incurred in such litigation after June 19, 1985, and prior to the date such Producer or Insurer becomes a signatory hereto;

(B) Forgo any claims for attorneys' fees and costs incurred in such litigation after June 19, 1985, and prior to the date such Producer or Insurer becomes a signatory hereto; and,

(C) Reimburse each such Subscribing Producer or Subscribing Insurer for all damages (including punitive damages) paid by such

Subscribing Producer or Subscribing Insurer as a result of such litigation.

5. The application of the Agreement provided for herein is reasonable and necessary to obtain sufficient participation in the Agreement by Producers and Insurers on or before June 19, 1985, to ensure the continued viability of the Facility and to further and protect the interests of the signatories hereto.

XXII. MODIFICATION, TERM AND CHOICE OF LAW

1. The Agreement, including Appendices A through E hereto, is the entire agreement between and among Subscribing Producers and Subscribing Insurers for the administration, defense, payment and disposition of asbestos-related claims. All antecedent or contemporaneous extrinsic representations, warranties or collateral provisions concerning the negotiation and preparation of the Agreement and the Appendices hereto are intended to be discharged and nullified. In any dispute involving the Agreement or the Appendices hereto, no signatory shall introduce evidence of or seek to compel testimony concerning any oral or written communication made prior to June 19, 1985, with respect to the negotiation and preparation of the Agreement. Any modifications to the Agreement and Appendix B hereto may be made only by mutual agreement of all Subscribing Producers and Subscribing Insurers and in writing. Modifications to Appendices A, C, D and E may be made as provided therein.

2. All disputes concerning the validity, interpretation and application of the Agreement or the Appendices hereto, or any provision thereof, and all disputes concerning issues within the scope of the Agreement shall be determined in accordance with applicable common law of the states of the United States.

3. The Agreement shall have perpetual existence, notwithstanding the failure or invalidation of any particular provision in the Agreement or the Appendices hereto. Except as otherwise provided in the Agreement, neither termination of the Facility, termination of Facility membership nor withdrawal pursuant to Section IV hereinabove shall relieve a signatory to the Agreement of its rights and obligations hereunder, and each such signatory shall continue to abide and be bound by all of the terms and conditions of the Agreement and the Appendices hereto.

XXIII. DEFINITIONS

As used in this Agreement and the Appendices hereto, the following terms shall have the following meanings:

1. Allocated Expenses--means all fees and expenses incurred for services performed outside the Facility that can be directly attributed to the defense and disposition of a particular asbestos-related claim.

2. Asbestos-Related Claims--means any claims or lawsuits against any Subscribing Producers, Subscribing Insurers or the Facility, by whomever brought and in whatever procedural posture such claims or lawsuits may arise, seeking monetary relief (whether or not such relief is the only relief sought) for bodily injury, sickness, disease or death, alleged to have been caused in whole or in part by any asbestos or asbestos-containing product; provided, that asbestos-related claims shall not include claims for damage to or destruction of property or statutory claims for compensation by an employee against an employer.

3. Deductibles--means, with respect to any insurance policy,

that part of liability payments or, if the insurance policy so provides, that part of allocated expenses to be paid directly by the policyholder or reimbursed by the policyholder to the Insurer issuing such insurance policy.

4. Insurers--means persons that are or were engaged in the business of providing liability insurance to Producers. "Primary Insurers" means Insurers that have issued primary insurance policies to Producers. "Excess Insurers" means Insurers that have issued excess insurance policies to Producers.

5. Liability Payments--means the sums paid in settlement of, or in satisfaction of a judgment on, any asbestos-related claims, exclusive of allocated and unallocated expenses for such claims.

6. Persons--means natural persons and organizations of any kind.

7. Pre-1966 Standard Form Insurance Policy--means an insurance policy containing substantially the same defense-of-suits-clause as the pre-10/1/66 National Bureau of Casualty Underwriters editions of the standard general liability insurance policy.

8. Producers--means persons that are or were engaged in the mining, manufacturing, production, processing, fabrication, distribution, installation, sale or use of asbestos or asbestos-containing products or that may have a liability with respect to asbestos-related claims.

9. Retrospective Rating Plans--means rating plans that establish premiums based in whole or in part upon the policyholder's actual loss experience under the insurance policy.

10. Self-Insured Retention--means the amount that is to be paid or assumed by the policyholder and which amount must be exceeded before overlying insurance will respond for coverage.

11. Start-Up Costs--means those costs incurred by Insurers to establish the Facility, including funds used to purchase or lease Facility assets and to hire Facility personnel.

12. Subscribing Insurers--means Insurers that have become signatories to the Agreement.

13. Subscribing Producers--means Producers that have become signatories to the Agreement.

14. Unallocated Expenses--means the overhead, operating and administrative expenses (other than allocated expenses) incurred in administering, defending and disposing of asbestos-related claims.

XXIV. SIGNATURE

The Agreement may be executed in any number of counterparts and by different signatories hereto in separate counterparts, each of which when so executed shall be deemed to be an original and all of which taken together shall constitute one and the same agreement. Each Subscribing Producer and each Subscribing Insurer shall send one executed counterpart of the Agreement to a depository to be established and maintained by the Facility.

IN WITNESS WHEREOF, the person named below has caused this Agreement to be signed by its authorized representative on this 19th day of June , 1985.

Name: Armstrong World Industries, Inc.

By: /s/ Joseph L. Jones

Title: President

Signed, sealed and delivered this 19 day of June , 19 85 , in the presence of

/s/ Harry H. Welling

Witness to the signature of the above-named person.

APPENDIX A-1

PRODUCER ALLOCATION FORMULAE

In accordance with Section VI of the Agreement, the liability payments (exclusive of punitive damage judgments) and allocated expenses incurred by the Facility on each asbestos-related claim shall be allocated among all Subscribing Producers pursuant to the formulae set forth below. Each Subscribing Producer's percentages determined in accordance with such formulae or Section H below shall be its "Allocation Percentages." The formulae apply only to Subscribing Producers who had active claims pending in the tort system as of September 30, 1983. The initial allocation percentages of "new entrants" shall be determined in accordance with Section H below.

A. LIABILITY PAYMENTS

For open claims as of September 30, 1983, plus new claims reported to Subscribing Producers or the Facility for the period October 1, 1983, to one year after the opening date of the Facility, the allocation formula is as follows:

1. For each major state: Pennsylvania, California, Texas, Washington, Massachusetts, Maryland, Virginia, New Jersey, Mississippi and Connecticut.

(a) Determine the number of closed claims for each Producer as of September 30, 1983.

(b) Determine the amount of indemnity dollars, including punitive damages, if any, paid or owing for each Producer as of September 30, 1983.

(c) Divide each Producer's number of closed claims into its amount of indemnity paid or owing to arrive at an average cost per claim for each Producer.

(d) Determine the number of open claims for each Producer as of September 30, 1983.

(e) Multiply each Producer's number of open claims by each Producer's average cost per claim. This calculates each Producer's average cost times open claims.

2. For the remaining states the following procedure will be followed for each Subscribing Producer.

(a) Add together the number of closed claims in all remaining states as of September 30, 1983.

(b) Add together the amount of indemnity paid or owing, including punitive damages, if any, in all remaining states as of September 30, 1983.

(c) Divide each Producer's total number of closed claims into each Producer's total amount of indemnity paid or owing to arrive at each Producer's average cost per claim for states other than the major ones.

(d) Add together the number of open claims in the remaining states as of September 30, 1983.

(e) Multiply each Producer's number of open claims by its average cost per claim. This calculates each Producer's average cost times open claims for the remaining states.

3. Combining the major states' and remaining states' information:

(a) Add together each Producer's average cost times open claims (each Producer will have one amount for each major state and one amount for all remaining states).

(b) To determine each Producer's allocation percentage, divide each Producer's average cost times open claims by the aggregate of all Subscribing Producers' average cost times open claims. An adjustment will be made for each Producer that had 20 or fewer closed claims in a state. For that Producer, its simple arithmetic nationwide average cost per claim (total closed claim--all states--divided into the total amount of indemnity--all states) is used as that state's average cost per closed claim.

B. CREDIT

An additional adjustment shall be made for all claims settled between September 30, 1983, and the opening of the Facility. For each Subscribing Producer, the aggregated payments in this period will be compared to the amount each Producer would have paid in the Facility.

If a Producer's aggregated payments are equal to what it would have paid in the Facility, it will receive a full credit for such payments.

If a Producer's aggregated payments are less than what it would have paid in the Facility, it will receive credit for the full amount paid, and pay an additional amount, so that its total payments equal what it would have paid in the Facility.

If a Producer's aggregated payments are greater than what it would have paid in the Facility, it will receive a credit up to the amount it would have paid. The excess amount will be considered a "benefit" to all Subscribing Producers, and will be distributed to each (including the Producer making the payments) according to its respective allocation percentage.

C. ALLOCATED EXPENSES

Each Subscribing Producer's allocated expense percentage shall be calculated by dividing its number of open claims as of September 30, 1983, by the aggregate of all open claims as of September 30, 1983, for all Subscribing Producers.

D. PUNITIVE DAMAGES

Punitive damage judgments shall not be distributed among the Subscribing Producers according to the allocation percentages of this Appendix A-1, but shall be borne by the Subscribing Producer against which the judgment was rendered and its Insurers in accordance with the Agreement.

E. NO THIRD PARTY RIGHTS

Nothing in the Agreement or this Appendix A-1 shall obligate a non- defaulting Subscribing Producer to make any payment on behalf of a

Subscribing Producer who is in default in its obligations to make payments to the Facility under this Agreement or under the By-laws of the Facility, whether by virtue of insolvency, bankruptcy or otherwise.

F. AUDIT

The data submitted by Producers shall be reviewed for accuracy, consistency, reasonableness and completeness. A Producer shall no longer be bound to its allocation percentage if any necessary audit adjustments adversely affect the Producer's allocation percentage by more than 10 percent. If such a shift results from the submission of incomplete or inaccurate data on the part of a Producer, that Producer shall be bound to its adjusted percentage.

G. PROSPECTIVE ADJUSTMENT

1. Irrespective of what information is collected for other purposes, the following types of information shall be obtained relating to pending and new claims as they enter the Facility:

(a) Occupation of worker (see 3(a) below).

(b) Duties of the worker.

(c) Employment history (employers, dates, etc.).

(d) Percentage of time involved in removal, repair or maintenance of asbestos-containing products.

(e) Dates of exposure to asbestos-containing products.

(f) States and/or cities where the claimant worked.

(g) Specific projects on which the claimant worked.

(h) Other as appropriate.

2. The following types of information shall be obtained from Subscribing Producers:

(a) List of all types of asbestos-containing products.

(b) Date each Producer ceased placing such asbestos-containing products in the stream of commerce.

3. Allocation percentages shall be adjusted prospectively one year after the date of opening of the Facility, and at three-year intervals thereafter, to reflect changes, if any, from the occupational mix of claims included in the data base used to compute the then existing allocation percentage. This adjustment shall be made as follows:

(a) The total number of pending claims as of September 30, 1983, shall be divided into occupational categories. These categories shall include plantworker, construction (excluding insulator), shipyard (all trades involved in ship construction and repair), insulator and such other comparable categories as are significantly represented among the pending claims. Each occupational category shall be stated as a percentage of the whole. These constitute the "Facility Baseline Percentages."

(b) The calculation described in (a) above shall be

performed for claims pending against each Subscribing Producer to develop its "Producer Baseline Percentages."

(c) Each Subscribing Producer's "Producer Baseline Percentages" shall be multiplied times its allocation percentage to determine its "Occupational Allocation Percentages."

(d) For claims filed after the data cutoff for the preceding allocation percentage calculation, the calculation described in (a) above shall be performed to determine changes, if any, in the "Facility Baseline Percentages." The increase or decrease in the percentage for each occupational category determined by subtracting the "Facility Baseline Percentages" from the newly determined percentages shall be referred to as the "Adjustment Factors."

(e) The percentages determined to be Adjustment Factors will be applied to the corresponding Occupational Allocation Percentages for each Producer to determine revised Occupational Allocation Percentages.

(f) Each Producer's revised Occupational Allocation Percentages shall be aggregated to determine each Producer's revised allocation percentage. Any shortfall or overage in the sum of the revised allocation percentages for all Subscribing Producers shall be distributed among the Subscribing Producers on the basis of the then applicable allocation percentages.

(g) In the event a new type of claim appears in significant numbers for which no Producer Baseline Percentages are appropriate, the Subscribing Producers shall determine appropriate sharing percentages for such claims. In the absence of agreement, the matter shall be decided pursuant to Paragraph 8 below.

(h) The data and percentages computed as a result of one prospective adjustment shall be used as the bases for the next.

4. The procedure described above shall be modified as follows to account for Subscribing Producers who have ceased placing asbestos-containing products in the stream of commerce:

(a) Determine the dates on which a Subscribing Producer ceased placing asbestos-containing products in the stream of commerce.

(b) Determine the percentage of all post-September 30, 1983, claims in which the claimant's first exposure to asbestos-containing products occurred subsequent to the date determined in (a) above. In determining this percentage, alleged post-date exposures resulting from the removal, repair or maintenance of asbestos-containing products shall be excluded from those claims with a first exposure after the date determined in (a).

(c) The percentage determined in (b) above shall be used as a component in calculating the Adjustment Factor for Producers impacted by (a) and (b) above, so as to reduce such Producer's allocation percentage.

5. No Subscribing Producer's allocation percentages shall change by more than 15 percent of its initial allocation percentages as a result of any one prospective adjustment, except as may be provided pursuant to

Section H below. Any amount eliminated from the adjustment by application of this cap shall be distributed among other Subscribing Producers on the basis of their then applicable allocation percentages.

6. The percentage change in any Subscribing Producer's allocation percentage, including application of Paragraph 5 above, shall be applied to its allocation percentage for Allocated Expenses as well as Liability Payments.

7. All matters pertaining to the prospective adjustment shall be decided solely by the Subscribing Producers.

8. Any Subscribing Producer that believes that application of any prospective adjustment to its particular facts is inequitable, that any determination required by Subparagraphs G.3(a) or 4(a) above is incorrect, or that the calculation of any prospective adjustment has been performed inaccurately may take the matter to alternative dispute resolution within the Facility. Such Producer shall bear the burden of proof. If 51 percent of the Subscribing Producers with 51 percent of the allocation percentages (for liability or allocated expenses depending on the issue involved) so agree, application of the prospective adjustment may be changed without an alternative dispute resolution proceeding. This shall not preclude any Subscribing Producer who does not agree from taking the matter to alternative dispute resolution within the Facility. Such Subscribing Producer shall bear the burden of proof. No determination through alternative dispute resolution or by the Subscribing Producers may alter the 15 percent limitation established in Paragraph 5 above.

H. NEW ENTRANTS

Those Subscribing Producers whose data were not part of the data base from which the Producer allocation formulae were derived shall submit such data. In the event the data that any such Producer submits are substantially the same in qualitative and quantitative terms as the existing data base, the Producer shall have its allocation percentages computed pursuant to these formulae. Producers whose data are not substantially the same in qualitative and quantitative terms shall be admitted on a mutually-agreeable basis.

APPENDIX A-2

INSURER ALLOCATION OF START-UP COSTS AND OPERATING EXPENSES

1. Primary Objective

Fairness in allocation method or formula decided upon.

2. Secondary Objective

A. Ease of administration.

B. Attractiveness to prospective members, i.e., sales appeal.

C. Long-term workability.

3. Types of Funding

Funding will be divided into three main areas:

A. Funds (seed money) required to be expended before the final subscription period is concluded. These funds are reimbursable.

B. Funds provided by a single initial assessment of all Insurer subscribers to be paid no later than thirty days after the final subscription date. These funds are to be used for necessary expenses incurred before the Facility becomes operational.

C. Funds required to ensure the ongoing operation of the Facility, including the cost of the development of the data processing system and its continued operation and maintenance, including the repayment of the initial seed monies furnished by members of the Asbestos Claims Council prior to the final subscription date.

4. Method of Funding

As regards each area of funding required, a separate method is provided for:

A. First, as regards funds (seed money) required to be expended before the final subscription date or at most before a period not to exceed thirty days thereafter.

(1) It should be noted that members of the Asbestos Claims Council have already incurred many thousands of dollars of expense, and this expense is considered to be part of seed money required and will be included as part of the pre-operation expenditures as being reimbursable. It is expected that prior to the close of the final subscription period such expenses will continue to be incurred (e.g., Center for Public Resources charges, consultant fees and other similar expenses), that these expenses will continue to be paid by Council members as heretofore and that these additional expenses will likewise be reimbursable.

B. Second, as regards the single initial assessment for funds to be used for expenses between the final subscription date and the date when the Facility becomes operational:

(1) Immediately after it is determined that the number of subscriptions is sufficient so that the plan is a viable one, a nonreimbursable initial assessment fee of $100,000 will be assessed against each and every non-Lloyds and London Company subscriber. At this same time, a nonreimbursable initial assessment fee in the amount of

$250,000 will be assessed as a total sum against all those subscribers represented by Lloyds and London Companies. All the monies collected by reason of these initial assessment fees are intended to cover expenses incurred between the end of the subscription period and the establishment of an ongoing line of credit to be established as soon as possible after the incorporation of the entity is finalized.

(2) If there should be any monies remaining in this fund when the Facility operations begin, those monies will pass into the general operating fund designed to cover the expenses of the operation.

(3) Any Insurer that subscribes to the Facility after the close of the initial subscription period will pay an initiation assessment of two times the initial assessment fee of charter subscribers, and that money will pass into the appropriate operating fund.

C. As regards funds to ensure the ongoing operation of the Facility, the cost of development, continued operation and maintenance of the data processing system and the repayment of the initial seed money to members of the Asbestos Claims Council:

(1) A surcharge which will be established by the Comptroller will be made against each Insurer (or Producer if its claims are handled by the Facility after the exhaustion of available coverage) for each of its claims as same is disposed of predicated upon (a) a percentage of indemnity paid and (b) a percentage of the allocated expenses paid. In no way or manner will the amounts of this surcharge in any way reduce or in any other manner impact the amount of indemnity coverage available to any insured.

(2) For the purposes of this surcharge, a claim will be considered to be a separate matter for each Insurer (Producer) for whom either an indemnity payment is made or an allocated expense is incurred or where both an indemnity payment is made and an allocated expense incurred for the same matter. For these purposes, the definition of indemnity payment and allocated expense is the common one used for insurance accounting purposes.

(3) The percentage of the surcharges may be different for indemnity and for allocated expense. By assessing a surcharge against indemnity, the problem which arises by reasons of Insurers (or Producers) making only indemnity payments at any one time is addressed. By assessing surcharges against allocated expense, the problem which arises by reason of the Facility successfully defending claims so that no indemnity need be paid is addressed in that these users also contribute. The underlying rationale is to assure that all users contribute to the cost of operating the Facility to the extent that the usage can be properly measured .

(4) The amount of the surcharge will be determined after studies are concluded as to the estimation of annual likely indemnity and allocated payments.

(5) As soon as possible after the Facility becomes a corporate entity, an initial line of credit will be obtained to ensure that sufficient funds are available for all preliminary and initial stages of the operation.

(6) During the initial months of operation, the Comptroller will draw down from the line of credit that amount of money which is required as a difference between operating expenses and surcharges received to meet the obligations incurred by reason of organization and operating

expenses.

(7) As the Facility operations mature, there will come a time when the monthly surcharges collected will exceed the total monthly operating expenses. Those excess funds will now be applied first toward reinstating the full amount of the line of credit and thereafter toward reimbursing in equal shares those carriers who advanced seed money during the presubscription period and the time between the end of the subscription period and the collection of the assessment fees referred to in Paragraph 4-B(1).

(8) At the time the line of credit becomes fully reimbursed, it will be reduced to an amount felt to be necessary and proper by the Comptroller to ensure against monthly shortfalls in surcharges collected.

(9) Surcharges will continue to be levied in the same manner until the Comptroller has acquired a fund of money that will be sufficient to ensure the continued operation of the Facility for a period of at least two years forward.

(10) At that point in time, the Comptroller will reevaluate the surcharge schedule and recommend to the Board of Directors a schedule that will continue the level of available operating funds at a level which will ensure two future years of operation.

(11) Thereafter for the purposes of timing, an evaluation of the funding, etc. will be made twice each year e.g., as of June 30 and December 30. At that time, the Comptroller will report and make recommendations to the Board of Directors. The Board will then direct the necessary action.

(12) The Comptroller may recommend the discontinuance of the line of credit at any time when he deems he has accumulated sufficient operating funds to ensure at least two years of future operation.

(13) As regards the cost of development, continued operation and maintenance of the data processing system, this will be considered to be a part of the annual operating expenses of the Facility and such expenses will be covered by the surcharge in the same manner as are all other expenses.

Further, as regards the data processing system, it is contemplated:

(a) That the development costs of the system after the completion of the user specification period will be in the area of $5,500,000. This is the best available estimate as of October, 1984.

(b) That the Facility will enter into a likely seven year contract with the vendor for the operation of the system and that the monthly charges for paying for the cost of development plus operation of the system will be in the area of $180,000 per month. These charges will be included in the Facility operation budget.

(c) Because the payment of the development costs is spread across a contract that contemplates at least seven years of operation, it is agreed and understood by all Insurer subscribers that if the Facility should cease to operate before the development costs are fully paid, the remaining sum due will be divided among all Insurer subscribers, with the exception of Lloyds and the London companies, in equal shares in order to discharge this obligation.

APPENDIX B

CONDITIONS, DEFENSES AND EXCLUSIONS RESERVED BY SUBSCRIBING INSURERS

Subscribing Insurers reserve the right to raise only the following conditions, defenses or exclusions pursuant to Paragraph 5 of Section VIII of the Agreement, and Subscribing Producers reserve the right to contest same; disputes concerning such matters shall be resolved pursuant to Paragraph 6 of
Section VIII of the Agreement:

1. That particular insurance policies were never issued or were canceled; provided, that a Subscribing Insurer that disputes the existence of an applicable insurance policy or part thereof notifies the affected Subscribing Producer of its intention to assert such a defense. The notice required under this provision shall identify the policy or policies involved and shall be given within 30 days of March 29, 1985, or of the date that the insurance policy in question is listed in the Producer's Schedules of Insurance provided to such Insurer, whichever occurs later.

2. That, with respect solely to matters occurring subsequent to June 19, 1985:

(a) the Subscribing Producer misrepresented or failed to disclose information material to an underwriter's issuance of an insurance policy, including information on the declarations page; or

(b) the Subscribing Producer breached its duties under an insurance policy, in the event of an occurrence, claim or suit, to give notice and to assist and cooperate; provided, that notice to and cooperation with the Facility shall be deemed to satisfy these duties.

3. That, with respect solely to matters occurring subsequent to June 19, 1985, or matters that were the subject of a dispute between an Insurer and Producer prior to May 1, 1984, the Subscribing Producer failed to pay insurance policy premiums.

4. That insurance coverage is not available due to or is affected by multiple insurance policies issued solely to comply with state requirements, the inapplicability of a pre-merger or pre-acquisition insurance policy to after-acquired liabilities, exhaustion of applicable limits of liability, or the existence or non-existence of a defense obligation in an insurance policy or the obligation to provide supplementary defense payments; provided, that nothing contained herein shall be deemed to modify Sections XI, XII or XVII of the Agreement.

5. That the Subscribing Producer failed to permit inspection and audit for retrospective premium purposes for a period of three (3) years after the ending date of the insurance policy period.

6. That, subsequent to May 1, 1984, and other than by operation of the Agreement, a Subscribing Producer prejudiced the subrogation rights of a Subscribing Insurer or assigned an interest in an insurance policy without the approval of the Insurer.

7. That coverage under an insurance policy is not available due to express exclusions for claims otherwise recoverable under automobile insurance, claims for statutory worker's compensation benefits or claims otherwise recoverable under worker's compensation or employer's liability

insurance.

8. That coverage under an insurance policy is not available due to express exclusions for claims involving particular territories, particular operations of the insured, particular locations, particular products or particular diseases.

9. That any changes in any insurance policies must have been made in writing pursuant to policy terms in order to be effective.

10. That the insurance policy in question does not cover punitive damage awards due to an express exclusion or because the law of the state governing the insurability of punitive damages in the particular case holds that punitive damage awards are not covered by insurance because of public policy or contract interpretation; provided, that if such holding is by other than the highest court of the state in question, the Subscribing Producer and the Subscribing Insurer each shall pay 50 percent of the punitive damage award. Any disagreement as to whether punitive damage awards are covered by insurance shall be resolved by negotiation, followed by non-binding alternative dispute resolution, followed, if necessary, by litigation. Any such resolution shall apply, in all respects, to the affected parties notwithstanding any other provision of the Agreement.

APPENDIX C

ALTERNATIVE DISPUTE RESOLUTION

INTRODUCTION

Alternative Dispute Resolution ("ADR") is the method for resolving disputed issues as provided in the Agreement. ADR involves three basic stages: 1) good- faith negotiation; 2) a proceeding concluding with a binding decision if litigation is not allowed and a non-binding decision if litigation is allowed (the "Proceeding"); and 3) an appellate process for the binding decision.

At the negotiation stage, a person (the "Neutral") will be selected who will be empowered to employ a full range of informal, mediational techniques with Principals present. After the Proceeding there will be a final settlement conference with the Judge and/or the Neutral as a last attempt to reach a Party- fashioned solution. This is to be followed by a binding decision or litigation if litigation is allowed. The binding decision may be appealed to a panel of three Judges.

Before and during formal initiation of the ADR Procedure, all Parties are strongly encouraged to engage freely in any informal negotiation desired with the express goal of reaching a negotiated solution.

OBJECTIVES

1. TO ENCOURAGE A NEGOTIATED RESULT RATHER THAN USE OF ADR.

2. TO MAXIMIZE OPTIONS FOR PRAGMATIC SOLUTIONS.

3. TO BE COST-EFFECTIVE.

4. TO BE SPEEDY.

5. TO BE EFFICIENT.

6. TO BE FAIR.

7. TO ENCOURAGE CONSISTENCY OF INTERPRETATION.

DEFINITIONS

1. Days--Business days.

2. Party--When there are more than two Parties involved in a dispute, the use of the word Party in this document shall be interpreted to mean all Parties on a side. Thus, for example, joint Parties must exercise strikes collectively.

3. Principal--An individual with settling authority for a Subscriber.

4. Subscribers--Subscribing Producers and Subscribing Insurers.

THE NEGOTIATION

Day

1.00 Negotiation Procedure

1 — 1.1 A Party or Parties notify the ADR branch of the Asbestos Claims Facility* ("Facility") of the dispute and request ADR.

2 — 1.2 Case is docketed by the Facility.

2.00 Aggregation of Issues Between Disputing Parties

2.1 Issues may be aggregated only by agreement of all Parties.

3.00 Good Faith Negotiation

3.1 The Facility shall maintain a Panel of Neutrals who have been approved by the Initial Subscribers. These Neutrals will be qualified and prepared to apply the full range of informal mediational processes and techniques. Criteria for selecting a Panel of Neutrals are set forth in Exhibit 1 hereto.

3 — 3.2 If the Parties can agree on one or more Neutrals selected from the Panel, they will notify the Facility of the name or names selected. If the Parties cannot agree, the Facility will notify the Parties of a list of seven available Neutrals.

5 — 3.3 The Parties will notify the Facility of three mutually acceptable Neutrals. Each Party may strike two names from the list provided by the Facility; the initiating Party strikes first by telephone.

7 — 3.4 The Facility will notify the Parties of the name of the Neutral and the time and the place of the first meeting. There shall be no ex parte communications with the Neutral.

9 to completion — 3.5 Good-faith negotiations shall be held with the Principals and the Neutral present. Good-faith negotiations require that the Parties make good-faith offers and/or demands. The Parties and the Neutral should undertake to develop all options for resolution and prepare:

3.51 A statement of issues.

3.52 A statement of desired results.

3.53 An exchange of key documents, testimony, and other relevant information.

3.54 A statement of offers.

3.6 If, in the judgment of the Neutral, good-faith negotiations have taken place and the Parties cannot achieve resolution, either Party may initiate the

Proceeding. If the Parties feel that good-faith negotiations have taken place and the Neutral does not agree, the Parties may initiate the Proceeding. If one Party believes that good-faith negotiations have taken place, but the other Party and the Neutral disagree, the Parties shall proceed as set forth in the Procedure Manual.

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* The Facility is more particularly described in Sections II through VII of the Agreement. ADR can be modified by unanimous agreement of the Parties, the Trial Judge and the Facility. The Parties may apply to the Trial Judge for modification of the ADR Procedure on a showing of good cause.

Day

4.00 Initiation of the Proceeding

1 — 4.1 The Parties notify the Facility of the request for the Proceeding.

2 — 4.2 The Facility notifies all Subscribers of the request for the Proceeding.

3-10 — 4.3 New Parties may be joined at this point if all existing Parties agree. A written consent by all Parties to such joinder must be filed with the Facility no later than seven days after notification by the Facility of the Proceeding.

4.4 The Facility shall maintain a Panel of Trial Judges who have been approved by the Initial Subscribers. Criteria for selecting a Panel of Trial Judges are set forth in Exhibit 2 hereto.

11 — 4.5 If the Parties can agree on one or more Trial Judges from the Panel, they will notify the Facility of the name or names selected. If the Parties cannot agree, the Facility will notify the Parties of a List of seven available Trial Judges. The list of Trial Judges shall not include the Neutral, and there shall be no communication between the Trial Judge and the Neutral.

13 — 4.6 The Parties shall notify the Facility of three mutually acceptable Trial Judges. Each Party may strike two names from the list provided by the Facility; the initiating Party strikes first by telephone.

15 — 4.7 The Facility shall notify the parties of the name of the Trial Judge and the time and place of the first conference. There shall be no ex parte communications with the Trial Judge.

16 — 4.8 The Parties shall forward to the Trial Judge a joint statement of facts, issues, requested relief, and requests for documents not previously produced and other relevant information.

19 — 5.00 Initial Conference. Principals need not be present.

5.1 The Trial Judge shall review and clarify the statement of dispute, issues, requested relief, and status of settlement; confirm the trial date, place and schedule; and rule on any disputes relating to document production.

6.00 Discovery

24 — 6.1 Production of Documents. Parties will produce all requested documents not previously produced. The Trial Judge will be present during the production.

29-38 6.2 Depositions.

6.21 No more than five days per side unless the Trial Judge rules otherwise. The Trial Judge has the discretion to rule otherwise in cases where there is a multiplicity of Parties or issues, or for good cause shown.

6.22 The Trial Judge will be present unless the Parties agree otherwise.

40 7.00 Pre-Proceeding Conference. The Principals and the Trial Judge must be present.

7.1 The Parties shall exchange and provide the Trial Judge (in writing) with:

a. Lists of witnesses and summaries of direct testimony related to issues to be proven.

b. Exhibits related to issues to be proven.

C. Trial briefs.

7.2 The Trial Judge shall resolve issues such as authenticity, admissibility, etc.

47-57 8.00 Proceeding. The case shall be presented to the Trial Judge and the Principals, who are required to be present.

8.1 The first Party may put on its direct case for up to two days. The second Party may cross examine for up to one day. The Trial Judge may summarize the state of evidence.

8.2 The second Party may put on its direct case for up to two days. The first Party may cross examine for up to one day. The Trial Judge may summarize the state of evidence.

8.3 Each side may have up to one-half day for rebuttal.

8.4 Argument. The First Party may present direct argument for up to one hour. The Second Party may present rebuttal for up to one-half hour. The Second Party may present direct argument for up to one hour. The First Party may present rebuttal argument for up to one-half hour. Questioning by the Trial Judge is allowed.

8.5 A record of the Proceeding shall be kept.

8.6 The Trial Judge has the discretion to alter the length of the Proceeding in cases where there is a multiplicity of Parties or issues, or for good cause shown.

58 9.00 Final Settlement Conference

9.1 The Trial Judge shall meet with the Principals. If all the Parties agree, the Trial Judge may:

a. Discuss the strengths and weaknesses of each Party's case;

b. Question the Parties in an effort to conciliate; and

c. Engage in mediation, as the Trial Judge sees fit.

60 10.A Non-Binding Decision, where the issue is one for which litigation is allowed .

10.A1 There will be no written opinion.

10.A2 An advisory opinion will be provided to any Party who requests it. The advisory opinion shall not be provided until two days after the Final Settlement Conference.

10.A3 Nothing from the ADR process is admissible in subsequent litigation.

10.A4 There will be a cooling off period of up to two days if the Trial Judge deems it advisable.

62 10.A5 A final negotiation session shall be held after the non-binding decision, with the Trial Judge and/or the original Neutral present, if all Parties agree.

10.A6 If settlement is not achieved at the final negotiation session, the Parties proceed to litigation.

72-79 10.B Binding Decision, where the issue is one for which litigation is not allowed. The Parties will have one week to file additional briefs or comments, and then the Trial Judge shall issue a written opinion and judgment within two weeks of the close of the Proceeding or the submission of additional papers, whichever is later. The opinion and judgment shall contain:

10.B1 Statement of relief granted.

10.B2 Statement of costs, expenses and fees awarded to the prevailing party. Prejudgment interest shall be awarded as provided in the Agreement and the Procedure Manual.

10.B3 Findings of Fact and Conclusions of Law shall be issued.

10.B4 Petitions for rehearing may be filed but will not affect the time for appeal.

APPELLATE PROCESS

11.00 Appeal

1 11.1 No later than 10 days after the decision any Party desiring to appeal shall notify the Facility. The notice of appeal shall include a statement of the dispute, the requested relief, and the decision rendered below.

2 11.2 The Facility will docket the appeal and notify all Subscribers.

11.3 The Facility shall maintain a Panel of Appellate Judges who have been approved by the Initial Subscribers. Criteria for selecting a Panel of Appellate Judges are set forth in Exhibit 3 hereto.

3 11.4 If the Parties can agree on three or more Appellate Judges from the Panel, they will notify the Facility of the names selected. If the Parties cannot agree, the Facility will notify the Parties of a list of nine available Appellate Judges. The list of Appellate Judges shall not include the Neutral or the Trial Judge, and there shall be no communications between the Appellate Judges and either the Neutral or the Trial Judge.

4 11.5 The Parties shall notify the Facility of five mutually acceptable Judges. Each Party may strike two names from the list provided by the Facility; the initiating Party strikes first by telephone.

6 11.6 The Facility shall notify the Parties of the three Appellate Judge Panel and the date of the appellate pre-argument conference which shall be held three days later.

9 12.00 Appellate Pre-Argument Conference

12.1 The Court shall review the issues on appeal and the relief requested.

12.2 The Court shall confirm that the appeal is in good faith and, if all the Parties agree, shall conduct settlement negotiations as to the issues on appeal.

12.3 The Court shall confirm the appeal schedule.

13.00 Record On Appeal

11 13.1 The Appellant shall file the record with the Facility.

13 13.2 The Appellee shall supplement the record if necessary.

14.00 Briefs

21 14.1 The Appellant's brief is due 10 days after the filing of the record.

41 14.2 The Appellee's brief is due 20 days after filing of the Appellant's brief.

46 14.3 The Appellant's reply brief is due five days after filing of the Appellee's brief.

51 15.00 Argument

15.1 Appellant--45 Minutes.

15.2 Appellee--One Hour.

15.3 Appellant--15 Minutes.

15.4 The Court may examine counsel either during the

argument or after the argument is closed.

65 16.00 Decision. The Court shall issue a written opinion within two weeks of the close of the argument. The opinion shall contain:

16.1 Statement of relief granted.

16.2 Statement of costs, expenses and fees awarded to the prevailing Party. Prejudgment interest shall be awarded as provided in the Agreement and the Procedure Manual.

66 17.00 Rehearing. The procedure for Rehearing at the appellate level (and at the Proceeding) shall be as provided in the Procedure Manual.

100.00 Miscellaneous Provisions

100.1 Amicus Curiae Briefs

a. Any Subscriber may file an amicus curiae brief as a matter of right at either the Proceeding or Appellate stage.

b. The Court may accord the brief whatever weight it deems appropriate.

100.2 The standard for reversal on appellate review is whether the decision is clearly erroneous. If all Parties request, the Trial Judge may help the Parties resolve their differences, and efforts by the Trial Judge in this regard are not subject to appeal.

100.3 All questions of law, including conflicts of law and burden of proof, shall be resolved by the Trial Judge as provided in the Procedure Manual.

100.4 The Trial Judge and the Appellate Panel shall have the power to impose sanctions for failure to comply with any aspect of the ADR Procedure. Sanctions also may be imposed for frivolous appeals and frivolous petitions for rehearing. The sanctions may include costs, fees, and expenses; the relief requested by any Party; and any further monetary or other sanctions that the Trial Judge or the Appellate Panel deems appropriate. There will be a right of appeal with regard to any award of sanctions by the Trial Judge.

100.5 The Board of Directors of the Facility shall provide guidance and instructions regarding the ADR Procedure and all problems relating thereto, with assistance from the General Counsel's office as necessary.

100.6 There will be no precedential effect of any decisions rendered in the ADR Procedure.

100.7 All decisions in the ADR Procedure shall be filed with the Facility but will be maintained by the Facility on a confidential basis and shall be available only to Subscribers.

100.8 The Federal Rules of Evidence will be applied by the Trial Judge unless modified by the Procedure Manual. Depositions and trial transcripts in prior actions automatically will be admissible, subject to whatever weight the Trial Judge determines to give such evidence.

100.9 The Facility will bear the costs of the ADR Procedure and the costs of the Neutrals until Initiation of the Proceeding (4.00). From then on, all costs will be paid by the losing Party. The procedure for payment of such costs is provided in the Procedure Manual.

PANEL OF NEUTRALS

It is anticipated that the panel of Neutrals will be drawn primarily from the CPR Judicial List. However, all Neutrals shall be approved by the Initial Subscribers.

The criteria to be used to select a Neutral are as follows:

1. Neutral and unbiased toward any of the parties or the industries involved.

2. Distinguished and respected in the business or legal communities.

3. Available on a sustained basis and on reasonably short notice.

4. Experienced in the techniques of Alternative Dispute Resolution or willing and able to learn quickly.

5. Unquestioned integrity.

6. Experienced.

7. Creative.

EXHIBIT I

PANEL OF TRIAL JUDGES

It is anticipated that the panel of Trial Judges will be drawn primarily from the CPR Judicial List. However, all Trial Judges shall be approved by the Initial Subscribers.

The criteria to be used to select a Trial Judge are as follows:

1. Neutral and unbiased toward any of the parties or the industries involved.

2. Distinguished and respected in the business or legal communities.

3. Available on a sustained basis and on reasonably short notice.

4. Unquestioned integrity.

5. Creative.

6. Judicial experience at the trial court level.

7. Exhibits judicial temperament; that is, the judge is:

a. Impartial;

b. Patient;

c. Courteous;

d. Decisive;

e. Fair; and

f. Effective.

EXHIBIT 2

PANEL OF APPELLATE JUDGES

It is anticipated that the panel of Appellate Judges will be drawn primarily from the CPR Judicial List. However, all Appellate Judges shall be approved by the Initial Subscribers.

The criteria to be used to select an Appellate Judge are as follows:

1. Neutral and unbiased toward any of the parties or the industries involved.

2. Distinguished and respected in the business or legal communities.

3. Available on a sustained basis and on reasonably short notice.

4. Unquestioned integrity.

5. Creative.

6. Judicial experience at the appellate court level.

7. Exhibits judicial temperament; that is, the judge is:

a. Impartial;

b. Patient;

c. Courteous;

d. Decisive;

e. Fair; and

f. Effective.

EXHIBIT 3

APPENDIX D
SCHEDULES OF INSURANCE

Following are: 1) guidelines to assist in the completion of the Schedules of Insurance pursuant to the provisions of the Agreement; 2) the forms of Schedules to be used; and 3) the form of Schedules Certification to be executed by each Subscribing Producer and its Subscribing Insurers. All policies of insurance affording general liability, products liability or premises coverage should be scheduled hereunder. Each Subscribing Producer and each of its Subscribing Insurers shall execute the Schedules Certification (in the form set forth hereinbelow) within 20 days of the date that such Producer or Insurer becomes a signatory to the Agreement, and shall note thereon any disputed issues with respect thereto. The failure by a signatory to the Agreement so to execute the Schedules Certification within such 20 day period shall be deemed an assent to and valid execution of the Schedules in question by such signatory.

1. Initial Coverage Block: Set forth the closing date of the initial coverage block. For the definition of coverage block, see Section IX of the Agreement. All insurance policies covering the period prior to the closing date should be listed on Section 1 of the form of Schedules. All insurance policies covering the period subsequent to the closing date should be listed on Section 2 of the form of Schedules.

2. Pre-Date Insurance Polices and Post-Date Insurance Polices: Set forth the date mutually agreed upon in accordance with Section XV of the Agreement. All pre-date insurance policies and all post-date insurance policies should be listed on the appropriate Sections of the form of Schedules.

3. Insurer: Specify exactly as named in the insurance policy or other evidential document of coverage.

4. Policy Period: Refer to the actual period for which the insurance policy is in effect. For policy periods of other than 12 month multiples, see Section XVIII of the Agreement.

5. Policy Type: Specify whether primary, excess or self-insured.

6. Policy Form: Enter the codes that describe the insurance policy form:

   A. Pre-1966 Standard Form Insurance Policy, as defined in Section XXIII of the Agreement.

   B. The insurance policy does not pay allocated expenses following exhaustion of aggregate limits. See Section XII of the Agreement.

   C. The insurance policy does pay allocated expenses following

exhaustion of aggregate limits. See Section XII of the Agreement.

D. The insurance policy expressly provides coverage on a specific manifestation basis.

E. The insurance policy expressly provides coverage on a claims-made basis.

F. The insurance policy expressly provides coverage on a first discovery basis.

G. The insurance policy pays allocated expenses and such expenses do not apply against aggregate limits. See Section XI of the Agreement.

H. The insurance policy pays allocated expenses and such expenses apply against aggregate limits. See Section XI of the Agreement.

I. The insurance policy does not pay allocated expenses. See Section XI of the Agreement

7. Per Occurrence/Accident Limits: Refer to the limit for any one occurrence or any one accident

8. Products Aggregate: Refer to the aggregate limit applicable to

products bodily injury liability coverage. Certain insurance policies may contain a combined aggregate for bodily injury, property damage and other covered perils; if so, refer to the combined limit.

With respect to insurance policies without aggregate limits, see Section XVII of the Agreement.

9. Products Aggregate Consumption: The function of the Aggregate Consumption Summary is to track the consumption of total products liability aggregate limits by asbestos products bodily injury claims.

With respect to an insurance policy containing a deductible that explicitly provides that payment of deductibles reduces aggregate limits, see Section XV of the Agreement.

With respect to the payment of allocated expenses applying against aggregate limits, see Section XI of the Agreement.

10. Non-Products Coverage: To impute aggregate limits for non-products

coverage, see Section XVII of the Agreement.

11. Deductibles and Retentions: Enter the codes that describe the deductible or retention:

J. Per occurrence deductible.

K. Per claim deductible.

L. Deductible reduces the aggregate limits of the insurance policy.

M. Self-insured retention.

N. Loss limit.

Where deductibles and retentions are not limited explicitly by the insurance policy language, see Section XVI of the Agreement.

Where an insurance policy containing a deductible explicitly provides that payment of deductibles reduces aggregate limits, see Section XV of the Agreement.

APPENDIX D--SCHEDULES OF INSURANCE

Attaching to and forming a part of the Agreement Concerning Asbestos- Related Claims:

Subscribing Producer:*

Initial Coverage Block Ending: / /

(date)

SECTION 1 (COVERAGE BLOCK):

A. Pre-Date Insurance Policies (pre- / /)

					Products Coverage		
Policy Period	Policy No.	Insurer**	Policy Type	Policy Form	Per Occurrence/Accident Limit	B.I. or Combined Aggregate	B.I. or Combined Aggregate Consumption

Products Coverage	Non-Products Coverage				Retention			
B.I. or Combined Aggregate Balance	Per Occurrence/ Accident Limit	Aggregate	Aggregate Consumption	Aggregate Balance	Type	Amount	Stop Loss	Retro Balance

* This includes all affiliated persons (including related companies and employees, officers and directors) covered by the insurance policies listed herein .

**This includes all predecessor and successor persons of each Insurer listed herein.

APPENDIX D--SCHEDULES OF INSURANCE

Attaching to and forming a part of the Agreement Concerning Asbestos- Related Claims:
Subscribing Producer:*

Initial Coverage Block Ending: / /

(date)

SECTION 1 (COVERAGE BLOCK):

B. Post-Date Insurance Policies (post- / /)

Policy Period	Policy No.	Insurer**	Policy Type	Policy Form	Products Coverage: Per Occurrence/Accident Limit	Products Coverage: B.I. or Combined Aggregate	Products Coverage: B.I. or Combined Aggregate Consumption

Products Coverage: B.I. or Combined Aggregate Balance	Non-Products Coverage: Per Occurrence/ Accident Limit	Non-Products Coverage: Aggregate	Non-Products Coverage: Aggregate Consumption	Non-Products Coverage: Aggregate Balance	Retention: Type	Retention: Amount	Retention: Stop Loss	Retention: Retro Balance

* This includes all affiliated persons (including related companies and employees, officers and directors) covered by the insurance policies listed herein .

**This includes all predecessor and successor persons of each Insurer listed herein.

APPENDIX D--SCHEDULES OF INSURANCE

Attaching to and forming a part of the Agreement Concerning Asbestos- Related Claims:
Subscribing Producer:*

Initial Coverage Block Ending: / /

(date)

SECTION 2 (NON COVERAGE BLOCK):

A. Pre-Date Insurance Policies (pre- / /)

Policy Period	Policy No.	Insurer**	Policy Type	Policy Form	Products Coverage: Per Occurrence/Accident Limit	Products Coverage: B.I. or Combined Aggregate	Products Coverage: B.I. or Combined Aggregate Consumption

Products Coverage: B.I. or Combined Aggregate Balance	Non-Products Coverage: Per Occurrence/ Accident Limit	Non-Products Coverage: Aggregate	Non-Products Coverage: Aggregate Consumption	Non-Products Coverage: Aggregate Balance	Retention: Type	Retention: Amount	Retention: Stop Loss	Retention: Retro Balance

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* This includes all affiliated persons (including related companies and employees, officers and directors) covered by the insurance policies listed herein .

**This includes all predecessor and successor persons of each Insurer listed herein.

APPENDIX D--SCHEDULES OF INSURANCE

Attaching to and forming a part of the Agreement Concerning Asbestos- Related Claims:
Subscribing Producer:*_______________________________________

Initial Coverage Block Ending: / /

(date)

SECTION 2 (NON COVERAGE BLOCK):

B. Post-Date Insurance Policies (post- / /)

					Products Coverage		
Policy Period	Policy No.	Insurer**	Policy Type	Policy Form	Per Occurrence/Accident Limit	B.I. or Combined Aggregate	B.I. or Combined Aggregate Consumption

Products Coverage	Non-Products Coverage				Retention			
B.I. or Combined Aggregate Balance	Per Occurrence/ Accident Limit	Aggregate	Aggregate Consumption	Aggregate Balance	Type	Amount	Stop Loss	Retro Balance

* This includes all affiliated persons (including related companies and employees, officers and directors) covered by the insurance policies listed herein. **This includes all predecessor and successor persons of each Insurer listed herein.

APPENDIX D--SCHEDULES OF INSURANCE CERTIFICATION

The foregoing comprises the Schedules of all relevant policies of insurance known to the Subscribing Producer and to any of its Subscribing Insurers as of this date. Any insurance policy that subsequently becomes relevant (by discovery or otherwise) will be added to these Schedules by amendment or addendum, and it is agreed that all Subscribing Insurers are committed to cooperate with and assist the Subscribing Producer in the continuing search for policies of insurance.

These Schedules of Insurance are subject to the terms and conditions of the Agreement to which they shall be attached and form a part thereof. The undersigned acknowledge and agree that such Schedules of Insurance are in compliance with the provisions of the Agreement.

Dated:

Subscribing Producer:______________________________________

Subscribing Insurers:______________________________________

APPENDIX E

INSURANCE DEFENSE PROGRAM

1. Purpose:

The purpose of the Insurance Defense Program (herein called the "Defense Program" or the "Program") shall be solely to implement the provisions of Paragraph 2 of Section XII of the Agreement.

2. Definitions:

"Covered claims" means claims to which the Defense Program applies under Section 3 below.

"Base standard charge" means the standard charge for a single pre-1966 standard form insurance policy issued to a Subscribing Producer in the lowest risk category.

"Standard charge" for any calendar year means the amount designated as such in the Subscribing Insurer's Standard Charge Notice for such calendar year.

"Base surcharge" means the surcharge for a single pre-1966 standard form insurance policy issued to a Subscribing Producer in the lowest risk category.

"Surcharge" means the amount due as a surcharge under Section 7 below.

"Reserve Fund" means the amount, including all investment income thereon, held by the Administrators for the payment of defense expenses expected under the Defense Program.

"Administrators" means those holding office as such under the Defense Program.

3. Application:

The Defense Program applies only to those asbestos-related claims against Subscribing Producers that:

(a) are being administered by the Facility; and

(b) under the Agreement would have triggered an obligation to pay allocated expenses and unallocated expenses under a pre-1966 standard form insurance policy.

The Defense Program covers only the payment of allocated expenses and unallocated expenses attributable to such claims. It does not provide coverage for liability payments. The Defense Program shall not survive termination of the Facility.

4. Participation:

Each Subscribing Insurer that has issued a pre-1966 standard form insurance policy to a Subscribing Producer shall become a participant in the Defense Program and shall be bound by all of the provisions of the Program.

Each participant shall pay promptly on notice from the Administrators all standard charges and surcharges due under the Defense Program.

5. Administrators:

The Defense Program shall be administered by a Committee of Administrators, with no less than six in number, all of which shall be participants. The Committee shall include representatives of all three classes of participants, those with relatively high, moderate or low exposure to charges under the Defense Program.

The Committee will be appointed for a designated term of years by the Insurer members of the Board of Directors of the Facility. The Board will designate carriers to be members, and the carriers will designate the individual representative who will represent them. Each Administrator shall have one vote.

The Committee of Administrators shall have the full power to administer the Defense Program including power to deal with the Facility with respect to the defense of claims subject to the Defense Program and the appropriate amounts to be paid the Facility for conducting such defense and full power to determine the financing of the Defense Program including the power to determine standard charges and surcharges and to accumulate reserves.

The Committee will adopt schedules, charges and otherwise conduct their business on the basis of majority vote. If for some reason a majority decision cannot be reached, then the matter will be referred to the Insurer members of the Board of Directors for resolution. If a majority vote is not possible at that time, then the matter is referred to the Chief Financial Officer for an absolute and binding decision.

6. Mutual Sharing or Insurance Nature of the Defense Program:

The defense expenses incurred under the Defense Program shall be shared mutually by the participants in relation to:

(a) the number of pre-1966 standard form insurance policies issued by each such participant to Subscribing Producers; and

(b) the degree of risk each such policy presents as estimated by the Administrators.

For the purpose of implementing subdivision (b) above, the Administrators shall classify Subscribing Producers into three risk categories with the following risk relativity factors:

Risk Category	Risk Relativity
A	3
B	2
C	1

The Administrators shall assign Producers to risk categories in accordance with their respective shares of liability payments unless, by at least a two- thirds majority, they shall determine that such a method is not appropriate to reflect the relative risk and shall adopt another method.

7. Funding:

The Administrators shall direct the Chief Financial Officer to establish a Common Reserve Fund to hold all payments made by the participants under the Defense Program. There must be no co-mingling of monies received for this purpose with any other funds, monies or assets of the Facility. The Chief Financial Officer shall keep an account for each participant showing all amounts paid by the participant, and in the event the Administrators should ever determine that the defense fund appears to be greater than needed to meet the cost of defending covered claims, then they shall direct the Chief

Financial Officer to refund the excess to the participants in the ratio that the total amount paid by each bears to the total amount paid by all participants.

For each calendar year the Administrators shall estimate the amount of defense expense expected to be incurred by the Facility in defending covered claims during the calendar year plus an amount appropriate in their judgment as a reserve against contingencies. The Administrators shall then determine the base standard charge and send each participant written notice of the participant's standard charge for such calendar year.

In the event the Administrators determine that the Reserve Fund is not sufficient to meet the expected defense expenses to be incurred, the Administrators shall estimate the amount required to meet the deficit. The Administrators shall then determine the base surcharge and send each participant written notice of the participant's portion of the total surcharge.

For the first calendar year of subscription the base standard charge for each pre-1966 standard policy shall be $400 unless the Administrators shall determine that such an amount is plainly not appropriate.

The following section gives a pro forma example that will enable each participant to estimate its approximate standard charge for the first year as soon as the number of its policies subject to the Defense Program and their Risk Categories are known.

8. Pro Forma Examples of Standard Charges and Surcharges:

The first example uses a base standard charge of $400 and a participant with 100 pre-1966 standard form insurance policies subject to the Program, distributed as follows: 40 in Risk Category A; 35 in Risk Category B; and 25 in Risk Category C. The participants' annual standard charge is computed as follows:

Policies	Risk Category	Risk Factor	Base Charge	Standard Charge
40	A	3	$400	$48,000
35	B	2	$400	$28,000
25	C	1	$400	$10,000
Total standard charge for the year:				$86,000

If a surcharge were determined to be required during the course of the year, it would be applied in a like manner as with the basic standard charge. This second example demonstrates the application of a surcharge as regards a participant with the same policy and risk distribution as above:

Policies	Risk Category	Risk Factor	Base Charge	Surcharge
40	A	3	$200	$24,000
35	B	2	$200	$14,000
25	C	1	$200	$ 5,000
Total surcharge for affected year:				$43,000

9. Appeals and Dispute Resolution:

The Administrators shall have power to resolve all disputes among participants relating to the Defense Program and, by at least a two-thirds majority, to extend equitable relief to an individual participant if a strict

application of its rules or decisions would cause the participant undue and unfair hardship.

Any participant who is aggrieved by a decision of the Board by less than a two-thirds majority may submit the matter to binding nonjudicial dispute resolution under Appendix C of the Agreement.

Exhibit 10(iii)(j)

THOMASVILLE FURNITURE INDUSTRIES, INC.

THOMASVILLE VALUE PLAN

Section 1. Purpose

The purposes of the Thomasville Value Plan (the "Plan") are: (a) to enhance the value, growth and profitability of Thomasville Furniture Industries, Inc., a Pennsylvania corporation ("Thomasville" or the "Company"), by providing the incentive of long-term rewards to key employees who are capable of having a significant impact on the performance of Thomasville and; (b) to attract and retain key employees of outstanding competence and ability.

Section 2. Definitions

For the purpose of the Plan, the following terms shall have the meanings indicated:

(a) "Armstrong" means Armstrong World Industries, Inc., and any corporation, partnership, or other organization of which Armstrong owns or controls, directly or indirectly, not less than 50 percent of the total combined voting power of all classes of stock or other equity interests. For purposes of this Plan, the term "Armstrong" shall include any successor thereto.

(b) "Board" means the Board of Directors of Thomasville.

(c) "Committee" means the Compensation Committee of the Thomasville Board of Directors.

(d) "Common Stock" means the Common Stock, par value $1.00 per share, of Armstrong World Industries, Inc., a Pennsylvania corporation.

(e) "Disability" means total and permanent disability within the meaning of Section 22(e)(3) of the Code.

(f) "Fair Market Value" means the closing price of the Common Stock as reported on the New York Stock Exchange Composite Tape on the applicable date or, if no sales were made on such date, on the next preceding date on which the sales of the Common Stock were made.

(g) "Investment Award" means a right to earn an award based upon Thomasville attaining designated performance goals established by the Committee.

(h) "Investment Period" means a period of four consecutive years, beginning at the end of each year of the Performance Period during which time Thomasville Phantom Shares earned can gain or lose value.

(i) "Participant" means any key employee who has met the eligibility requirements set forth in Section 4 hereof and to whom a grant has been made and is outstanding under the Plan.

(j) "Performance Period" means, in relation to an Investment Award, any period for which performance goals have been established.

(k) "Retirement" means termination from employment with Armstrong after the Participant has attained age 55 and has completed five years of service with Armstrong or termination of employment under circumstances which the Committee deems equivalent to retirement.

(l) "Thomasville Phantom Share" means a stock unit equivalent of Thomasville which unit does not convey to the Participant holder any interest, right, or title to Thomasville.

Section 3. Administration

The Plan shall be administered by the Committee which shall consist of appointed directors of the Company, none of whom is eligible to participate in the Plan. Subject to the provisions of the Plan and to directions by the Board, the Committee is authorized to interpret the Plan, to adopt administrative rules, regulations, and guidelines for the Plan, and to impose such terms, conditions, and restrictions on grants as it deems appropriate.

Section 4. Eligibility and Participation

Participation in the Plan shall be limited to officers, who may also be members of the Board of Directors, and other key employees of the Company. The Committee retains the right to discontinue a Participant's participation in the Plan in the event of transfer to a new position within the Company, transfer to an Armstrong affiliate, or under circumstances which the Committee determines to warrant such action.

Section 5. Awards Under the Plan

5.1 Target Investment Award

For each year of the Performance Period, a Participant shall be assigned a target Investment Award. The amount of the Investment Award shall vary depending on the Participant's level of responsibility. Each Participant shall receive a written document indicating the target Investment Award amount for each year of the Performance Period.

5.2 Performance Goals

At any time before or during a Performance Period, the Committee shall establish one or more performance goals for such Performance Period. In establishing the performance goals, the Committee shall determine both a minimum performance level, below which no Investment Award shall be earned, and a performance schedule under which the amount of the Investment Award earned may be less than, equal to, or greater than the target amount.

5.3 Determination of Investment Award Amount and Conversion to

Thomasville Phantom Shares

At the conclusion of each year of the Performance Period, the amount of the Investment Award earned, if any, shall be determined as specified in the performance schedule. The Investment Award amount earned shall be converted to Thomasville Phantom Shares in accordance with a method specified by the Committee. The Thomasville Phantom Shares earned shall be credited to an account to be maintained for each such Participant for the duration of the Investment Period or such longer period as specified by the Participant.

5.4 Investment Period

The Committee shall establish an Investment Period which shall be a period of four consecutive years, beginning at the end of the year in which an Investment Award is earned. During the Investment Period, Thomasville Phantom Shares shall be subject to the risk of forfeiture. Further, during such Investment Period, the Participant shall not be permitted to sell, assign, transfer, pledge or otherwise dispose of Thomasville Phantom Shares that have been earned. The Committee may provide for the lapse of such restrictions in installments and may accelerate or waive such restrictions, in whole or in part, based on such factors as the Committee may determine.

5.5 Payment of Awards

Following the lapse of the Investment Period, a Participant shall have the right to receive payment in cash or in shares of Armstrong Common Stock, or may elect to continue to hold Thomasville Phantom Shares. The President of Thomasville Furniture Industries, Inc. shall not be permitted to receive payment in Armstrong Common Stock. The value of the Thomasville Phantom Shares shall be determined in accordance with a method specified by the Committee. The number of shares of Armstrong Common Stock awarded shall be based on the Fair Market Value on the date of conversion.

If a Participant elects to continue to hold Thomasville Phantom Shares beyond the Investment Period not subject to a deferral agreement, the Participant shall be permitted to receive payment in cash or in shares of Armstrong Common Stock at the beginning of each subsequent year based on the current value of the Thomasville Phantom Shares. The President of Thomasville shall not be permitted to receive payment in Armstrong Common Stock.

A Participant may elect to defer receipt of the awards pursuant to Section 8 hereof.

Section 6. Transfer to an Armstrong Affiliate

In the event a Participant transfers to an Armstrong affiliate:

(a) The Committee shall determine if the Participant shall be entitled to receive an Investment Award for the year in which such transfer occurs.

(b) All restrictions shall remain in effect on all Thomasville Phantom Shares earned under the Plan unless otherwise provided for by the Committee.

(c) At the conclusion of any Investment Period following such transfer, the Committee has the right to require the Participant to take payment in cash or in shares of Armstrong Common Stock. Any Participant who is subject to Section 16 of the Securities Exchange Act of 1934, as amended, shall not have the option to receive Armstrong Common Stock.

Section 7. Termination of Employment

(a) In the event a Participant terminates employment with Armstrong on or after July 1 by reason of death, Disability, or Retirement, the Participant or the Participant's designated beneficiary, shall be entitled to receive payment with regard to an outstanding Investment Award prorated for the number of months of employment during the year in which such termination occurs. In the event a Participant terminates employment with Armstrong prior to July 1, the Participant shall not be entitled to receive an Investment Award.

(b) In the event a Participant terminates employment with Armstrong by reason of death or Disability, restrictions shall lapse on all Thomasville Phantom Shares earned which are subject to restriction at the time of termination. If termination of employment is by reason of death, the Participant's designated beneficiary shall be entitled to receive the Participant's award payment under the Plan. If termination of employment is by reason of retirement, any applicable Investment Period shall continue in effect, but in no event beyond the end of the calendar year of the three-year period following the Participant's Retirement.

(c) In the event a Participant terminates employment with Armstrong for any reason other than death, Disability or Retirement, the Participant shall forfeit all rights to earn an Investment Award and Thomasville Phantom Shares not held for the full duration of the Investment Period unless otherwise provided for by the Committee.

(d) Notwithstanding Sections 7(a) and 7(b), in the event a Participant's employment with Armstrong is terminated under special circumstances, the Committee may, in its sole discretion, continue a Participant's rights to earn any or all Investment Awards in the year of termination and waive in whole or in part any or all remaining restrictions applicable to outstanding Thomasville Phantom Shares.

Section 8. Deferral of Payment

At the discretion of the Committee, a Participant may be offered the right to defer the receipt of all or any portion of an award payment beyond the conclusion of the Investment Period. Such right shall be exercised by execution of a written agreement by the Participant at least one year in advance of the end of the Investment Period. Award payments may be deferred in the form of (1) Thomasville Phantom Shares or (2) shares of Armstrong Common Stock based on the Fair Market Value at the end of the Investment Period. The President of Thomasville shall not be permitted to defer payment in the form of Armstrong Common Stock.

If a Participant elects to defer in the form of Armstrong Common Stock, the shares of Common Stock subject to the deferral shall remain in the custody of Armstrong. Cash dividends paid with respect to these shares shall be reinvested to purchase additional shares of Common Stock that shall be subject to the same deferral provisions.

If a Participant elects to defer in the form of Thomasville Phantom Shares, at the conclusion of the deferral period the Participant may elect to receive payment in cash or in shares of Armstrong Common Stock. The value of the Thomasville Phantom Shares shall be determined in accordance with a method specified by the Committee. The number of shares of Armstrong Common Stock paid shall be based on the Fair Market Value at the end of the deferral period.

Section 9. Changes to Method of Thomasville Phantom Share Valuation

The Committee reserves the right to adjust the method by which Thomasville Phantom Shares are valued. Such changes may be triggered by investments, acquisitions, divestitures, distributions, changes in tax or accounting policies, or other unusual or extraordinary events.

Section 10. Miscellaneous

10.1 No Right to Employment

Nothing contained in the Plan, nor in any grant pursuant to the Plan, shall confer upon any Participant any right with respect to continuance of employment by the Company or Armstrong, nor interfere in any way with the right of the Company or Armstrong to terminate the employment or change the compensation of any employee at any time.

10.2 Nontransferability

A Participant's rights under the Plan, including the right to any amounts or shares payable, may not be assigned, pledged or otherwise transferred except, in the event of a Participant's death, to the Participant's designed beneficiary or, in the absence of such a designation, by will or by the laws of descent and distribution.

10.3 Designation of Beneficiary

A Participant may designate, in writing delivered to the Company before the Participant's death, a person or persons to receive, in the event of the Participant's death, any rights to which the Participant would be entitled under the Plan. If a Participant fails to designate a beneficiary, then the Participant's estate shall be deemed to be the beneficiary.

10.4 Withholding

Armstrong shall have the right to require the Participant to satisfy any federal, state, local or other tax withholding requirements unless the Participant elects to defer receipt of award payments pursuant to
Section 8 hereof.

10.5 Governing Law

The Plan shall be construed and its provisions enforced and administered in accordance with the laws of the Commonwealth of Pennsylvania applicable to contracts entered into and performed entirely in such State.

10.6 Rights as a Shareholder

The recipient of any grant under the Plan shall have no rights as a shareholder with respect thereto unless and until certificates for shares of Common Stock are issued to such recipient.

10.7 Unfunded Plan

Unless otherwise determined by the Committee, the Plan shall be unfunded and shall not create (or be construed to create) a trust or separate funds. With respect to any payment not yet made to a Participant, nothing contained herein shall give any Participant any rights that are greater than those of a general creditor of Armstrong.

10.8 Other Compensation Plans

No payment under the Plan shall be taken into account in determining any benefits under any retirement, group insurance, or other employee benefit plan of Armstrong. Nothing contained in this Plan shall prevent the Company from adopting other or additional compensation arrangements, subject to Armstrong shareholder approval if such approval is required.

10.9 Termination of Employment - Certain Forfeitures

Notwithstanding any other provision of the Plan and except for Thomasville Phantom Shares held for the duration of the Investment Period or Armstrong Common Stock which would otherwise be free of restrictions and the receipt of which has been deferred pursuant to Section 8, a Participant shall have no right to earn an Investment Award or receive payment of the value of any Thomasville Phantom Shares if:

(1) the Participant is discharged for willful, deliberate, or gross misconduct as determined by the Committee in its sole discretion or (2) if following the Participant's termination of employment with Armstrong, and within a period of three years thereafter, the Participant engages in any business or enters into any employment which the Committee in its sole discretion determines to be (a) directly or indirectly competitive with the business of Armstrong or (b) substantially injurious to Armstrong's financial interest. A Participant may request the Committee in writing to determine whether any proposed business or employment activity would justify such a forfeiture. Such a request shall fully describe the proposed activity and the Committee's determination shall be limited to the specific activity so described.

Section 11 Amendment and Termination

The Board may modify, amend, discontinue or terminate the Plan without the consent of Armstrong shareholders or Participants, except that, without the approval of the shareholders of Armstrong, no amendment, discontinuation or termination shall be made if Armstrong shareholder approval is required by any federal or state law or regulation.

Section 12. Shares Subject to the Plan

The total number of shares of Armstrong Common Stock that may be distributed under the Plan shall be 100,000. Shares of Armstrong Common Stock distributed under the Plan may be treasury shares or authorized but unissued shares. No fractional shares shall be issued under the Plan.

Section 13. Effective Date and Duration of Plan

The Plan shall become effective on January 1, 1993 and remain in effect until

terminated by the Board.

Exhibit No. 10(iii)(k)

THOMASVILLE FURNITURE INDUSTRIES

THOMASVILLE ACHIEVEMENT PLAN

January 1993

PURPOSE

The Thomasville Achievement Plan is intended to promote the company's financial success by recognizing the significant contributions key managers can make to the achievement of company goals. The plan's objective is to motivate key Thomasville managers to produce outstanding results by providing to them the opportunity to earn additional financial rewards based on the attainment of corporate and business unit goals.

CONCEPT

At the beginning of the year, an annual Target Achievement Award is established for each key manager based on the achievement of specific financial goals. When the year is over, the results actually achieved will be evaluated against these goals to determine the specific amount, if any, of additional compensation earned.

ADMINISTRATION

Subject to the final approval of the Compensation Committee, the plan will be administered by the President, Thomasville Furniture Industries, Inc., with the advice and counsel of Thomasville's key executives.

ELIGIBILITY

Participation in the Plan will be limited to key managers whose duties and responsibilities permit them to make a continuing material impact on the achievement of organization goals. The President of TFI will annually determine participants based upon recommendations of the company's key management.

To be a participant, a manager must have been in an eligible position at least for the period July 1 through December 31 of the year in which awards are to be paid.

AWARD DETERMINATION

Target Awards

A Target Achievement Award, expressed as a percentage of the participant's base salary earnings, is established for each eligible manager. Target awards vary with levels and types of responsibility, as reflected in position grades for each eligible manager. Refer to Exhibit I for the current Achievement groups and Award percentages.

Timing of Payment

Awards are to be paid on or around March 1 following the close of the plan year.

Target Award Allocation

Target awards for eligible participants will be based on the achievement of a TFI "PAR" ROA Target, TFI Business Unit Budget ROA, and TFI Business Unit "PAR" ROA. The following is the allocation of target awards for all managers:

	Line Manager	Staff Manager
TFI "PAR" ROA Target	20%	40%
TFI Business Unit "PAR" ROA	30%	--
TFI Business Unit Budget ROA	50%	--
TFI Budget ROA	--	60%

Example

John Doe, Line Manager
Annual Base Salary: $48,000
Target Award Percent: 15%

Annual Salary	x	Target Percentage	=	Target Award
$48,000		15%		$7,200

Target Award Allocation

TFI "PAR" ROA	20%	x	$7,200	=	$1,440
TFI Business Unit "PAR" ROA	30%	x	$7,200	=	$2,160
TFI Business Unit Budget ROA	50%	x	$7,200	=	$3,600
Total Target Award					$7,200

TFI "PAR" ROA Segment

As a measure of the long-term corporate results, the President of Thomasville, in consultation with senior management, establishes a "PAR" target based on return on assets for the company. This goal needs to be fixed over a period in time as a long-term objective for the company. The goal includes a threshold below which no award will be made, and a maximum level above which no additional award is earned. The amount earned at each level of achievement is determined by the award earnings Schedule A attached.

TFI Budget ROA Segment

As a measure of the annual efforts, the President of Thomasville, in consultation with senior management, establishes an annual budget based on return on assets. This budget includes a threshold level below which no awards are made, and a maximum level above which no additional award is earned. The amount earned at each level of achievement is determined by the award earnings Schedule B attached.

TFI Business Unit "PAR" ROA

As a measure of the long-term business unit results, the President of Thomasville in consultation with senior management of the business unit, establishes a "PAR" target based on return on assets for the business unit. This goal needs to be fixed over a period of time as a long-term objective for the business unit. The goal includes a threshold below which no award will be made, and a maximum level above which no additional award is earned. The amount earned at each level of achievement is determined by the awards earnings schedules attached.

TFI Business Unit Budget ROA

As a measure of the annual efforts, the President of Thomasville in consultation with the business unit senior management, establishes an annual budget based on return on assets. This budget includes a threshold level below which no awards are made, and a maximum level above which no additional award is earned. The amount earned at each level of achievement is determined by the award earnings schedules attached.

Determining Actual Awards

The actual award payable is determined by multiplying each segment of the target award by the appropriate percentage of the award earned. The sum of these calculations represents the participant's recommended award. The calculation is illustrated in the examples which follow.

If actual TFI "PAR" ROA results are less than the threshold, there will be no award under this segment of the plan. In this situation, payments under the business unit or TFI Budget ROA segment of the plan will only be made if the business unit or TFI Budget ROA reaches or exceeds 100% of its goal.

Benefit Plans

Individual Achievement Awards are included in total compensation for the purpose of computing pensions, Savings Investment Plan contributions, and Share-in- Success Plan contributions. Such awards, however, are not used in calculating group life insurance or long-term disability payments.

Example 1

THOMASVILLE FURNITURE INDUSTRIES, INC.

THOMASVILLE ACHIEVEMENT PLAN

Name: John Doe Title:

Unit: Line Unit B

Target Award

Base Salary	x	Target Percentage	=	Target Award
$48,000		15%		$7,200

Award Allocation

TFI "PAR" Target	20%	x	$7,200	=	$1,440
TFI Business Unit "PAR"	30%	x	$7,200	=	$2,160
TFI Business Unit Budget	50%	x	$7,200	=	$3,600
	Target Award				$7,200

Award Calculation - Example

Segment	Achievement Factor		Award Allocation		Award
TFI "PAR" ROA	108.0%	x	$1,440	=	$3,110
TFI Business Unit "PAR"	125.0%	x	$2,160	=	$2,700
TFI Business Unit Budget ROA	150.0%	x	$3,600	=	$5,400
	Recommended Award				$11,210

EXHIBIT NO. 22
(as of January 1994)

Domestic Subsidiaries	Jurisdiction of Incorporation
American Olean Tile Company, Inc.	New York
ArmStar (50%-owned-unincorporated affiliate)	
Armstrong Cork Finance Corporation	Delaware
Armstrong Realty Group, Inc.	Pennsylvania
Armstrong Ventures, Inc.	Delaware
Armstrong World Industries (Delaware) Inc.	Delaware
A W I (NEVADA), INC.	Nevada
BEGA/US, Inc.	California
Charleswater Products, Inc.	Delaware
Chemline Industries, Inc.	Delaware
Design Ideas Incorporated	Pennsylvania
Fayette Enterprises, Inc.	Mississippi
Gordon's, Inc.	Delaware
I.W. Insurance Company	Vermont
IWF, Inc.	Nevada
The W. W. Henry Company	California
The Worthington Armstrong Venture (50%-owned- unincorporated affiliate)	
Thomasville Furniture Industries, Inc.	Delaware
Thomasville Upholstery, Inc.	Delaware
WAVE International, Inc. (owned by WAVE)	Delaware

Foreign Subsidiaries	
Alphacoustic (UK) Ltd.	England
Armstrong-ABC Co., Ltd.	Japan
Armstrong Cork (Ireland) Limited	Ireland
Armstrong Europe Services	England
Armstrong FSC, Ltd.	Bermuda
Armstrong Insulation Products (Korea) Co. Ltd.	Korea
Armstrong Insulation Rus.	Russia
Armstrong (Japan) K.K.	Japan
Armstrong-Nylex Pty. Ltd.	Australia
Armstrong (Singapore) Pte. Ltd.	Singapore
Armstrong Textile Rubber Products Company Shanghai Ltd.	People's Republic of China
Armstrong World Industries - A.C.I. B.V.	Netherlands
Armstrong World Industries - Belgium S.A.	Belgium
Armstrong World Industries Canada Ltd.	Canada
Armstrong World Industries (China) Ltd.	People's Republic of China
Armstrong World Industries de Mexico, S.A. de C.V.	Mexico
Armstrong World Industries - France, S.A.	France
Armstrong World Industries, G.m.b.H.	Germany
Armstrong World Industries (H.K.) Limited	Hong Kong
Armstrong World Industries Italia S.r.l.	Italy
Armstrong World Industries Korea, Ltd.	Korea
Armstrong World Industries Ltd.	England
Armstrong World Industries Netherlands B.V.	Netherlands
Armstrong World Industries - Pontarlier S.A.	France
Armstrong World Industries Pty. Ltd.	Australia
Armstrong World Industries, S.A.	Spain
Armstrong World Industries (Schweiz) A.G.	Switzerland
Armstrong World Industries (Thailand) Ltd.	Thailand
Inarco Limited (40%-owned affiliate)	India
ISA Co., Ltd. (25%-owned affiliate)	Japan
ISO Holding, A.G.	Switzerland
Liberty Commercial Services Ltd.	Bermuda
Recubrimientos Interceramic S.A. de C.V. (49%-owned affiliate)	Mexico
Worthington Armstrong Venture Europe S.A. (owned by WAVE)	France

Exhibit No. 24

Consent of Independent Auditors

The Board of Directors
Armstrong World Industries, Inc.:

We consent to incorporation by reference in Registration Statement No. 33-38837 on Form S-3 and the Registration Statement Nos. 2-50942, 2-77936, 2-91890, 33-18996, 33-18997, 33-18998, 33-29768 and 33-60070 on Form S-8 of Armstrong World Industries, Inc. of our report dated February 14, 1994, relating to the consolidated balance sheets of Armstrong World Industries, Inc., and subsidiaries as of December 31, 1993 and 1992 and the related consolidated statements of earnings and cash flows and related supplementary information on depreciation rates and schedules for each of the years in the three-year period ended December 31, 1993, which report appears in the December 31, 1993 Annual Report on Form 10-K of Armstrong World Industries, Inc.

The audit report on the consolidated financial statements of Armstrong World Industries, Inc. referred to above contains an explanatory paragraph that states that the company is involved in antitrust litigation, the outcome of which cannot presently be determined. Accordingly, no provision for any liability that may result has been made in the consolidated financial statements. Also, as discussed in the Financial Review section, effective January 1, 1992, the company changed its methods of accounting to adopt the provisions of the Financial Accounting Standards No. 109, "Accounting for Income Taxes", No. 106, "Employers' Accounting for Postretirement Benefits Other than Pensions" and No. 112, "Employers' Accounting for Postemployment Benefits."

KPMG Peat Marwick

Philadelphia, Pennsylvania
March 22, 1994

Exhibit No. 25

POWER OF ATTORNEY

Re: 1993 Annual Report on Form 10-K

I, James E. Marley, as a Director of Armstrong World Industries, Inc., do hereby constitute and appoint, GEORGE A. LORCH or, in the case of his absence or inability to act as such, E. ALLEN DEAVER, my agent, to sign in my name and in my behalf the Company's Annual Report on Form 10-K for the year ended December 31, 1993, and any amendments thereto, to be filed by the Company with the Securities and Exchange Commission under the Securities Exchange Act of 1934, as amended, with the same effect as if such signature were made by me personally.

James E. Marley

Dated February 22, 1994

(Exhibit No. 25)

All powers of attorney required to be filed are substantially identical in all material respects. Therefore, in accordance with SEC Regulation 229.601(a) Instruction 2, only the foregoing copy is being included except, however, that the manually signed copy filed with the Securities and Exchange Commission includes a complete set of powers of attorney.

All powers of attorney differ only from the form of the foregoing in that they are executed by the following parties in the capacities indicated on or about February 22, 1994, and the power by E. Allen Deaver appoints George A. Lorch only as his agent:

Name	Capacity
William J. Wimer	Senior Vice-President, Finance, and Treasurer (Principal Financial Officer)
Bruce A. Leech, Jr.	Controller (Principal Accounting Officer)
William W. Adams	Chairman of the Board
Wm. Wallace Abbott	Director
Van C. Campbell	Director
E. Allen Deaver	Director
Ursula F. Fairbairn	Director
Michael C. Jensen	Director
James E. Marley	Director
Robert F. Patton	Director
J. Phillip Samper	Director
Jerre L. Stead	Director

(Exhibit No. 25)

I, L. A. Pulkrabek, Senior Vice-President and Secretary of Armstrong World Industries, Inc., a corporation organized and existing under the laws of the Commonwealth of Pennsylvania, do hereby certify that, at a meeting of the Board of Directors of said corporation duly held on the 22nd day of February, 1994, at which a quorum was present and acting throughout, the following resolutions were adopted and are now in full force and effect:

RESOLVED That the 1993 annual report on Form 10-K in the form presented to this meeting has been reviewed by the Board of Directors; and the execution thereof on behalf of the Company by George A. Lorch or E. Allen Deaver, with such changes therein and additions or deletions thereto as either of them and the legal counsel to the Company may approve, and the filing thereof with the Securities and Exchange Commission after being so executed by the requisite number of directors personally or by their respective attorneys-in-fact, are hereby authorized.

FURTHER RESOLVED That the execution of the 1993 annual report on Form 10-K by George A. Lorch, William J. Wimer and Bruce A. Leech, Jr., personally or by their respective attorneys-in-fact, as principal executive officer, principal financial officer, and principal accounting officer, respectively, of the Company, is hereby authorized.

IN WITNESS WHEREOF, I have hereunto set my hand and the seal of said corporation this 28th day of March, 1994.

/s/ L. A. Pulkrabek

Sr. Vice-President & Secretary

Exhibit No. 28(ii)(a)

FORM 11-K

SECURITIES AND EXCHANGE COMMISSION
Washington, D. C. 20549

(Mark One)

[X] ANNUAL REPORT PURSUANT TO SECTION 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the fiscal year ended September 30, 1993

OR

[ ] TRANSITION REPORT PURSUANT TO SECTION 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from ____________________ to ______________________

Commission file number 1-2116

RETIREMENT SAVINGS PLAN FOR SALARIED EMPLOYEES
OF ARMSTRONG WORLD INDUSTRIES, INC.
(Full title of the Plan)

ARMSTRONG WORLD INDUSTRIES, INC.
Liberty and Charlotte Streets
Lancaster, Pennsylvania 17604

(Name of issuer of the securities held pursuant to the Plan and the address of its principal executive office)

Page No.

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September 30, 1993 and 1992

Item 2. Statements of Changes in Plan Equity 5-7

(a) Year ended September 30, 1993
(b) Year ended September 30, 1992
(c) Year ended September 30, 1991

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SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, the members of the committee constituting the administrator which administers the plan have duly caused this annual report to be signed by the undersigned hereunto duly authorized.

RETIREMENT SAVINGS PLAN FOR SALARIED EMPLOYEES OF ARMSTRONG WORLD INDUSTRIES, INC.

March 25, 1994 *By: /s/E. A. Deaver*

E. Allen Deaver
Chairman of the Retirement Committee

RETIREMENT SAVINGS PLAN FOR SALARIED EMPLOYEES OF ARMSTRONG WORLD INDUSTRIES, INC.

Statements of Net Assets

September 30, 1993 and 1992

1993

	Commingled Equity Fund	Specialized Equity Fund	Money Market Fund	Fixed Income Fund	Armstrong Stock Fund	"OTC" Portfolio Fd.
Assets:						
Investments in master trust at fair value (note 3)	$21,907,057	$38,103,999	$2,664,691	$110,188,428	$7,121,870	$1,601,565
Total assets	$21,907,057	$38,103,999	$2,664,691	$110,188,428	$7,121,870	$1,601,565
Plan equity	$21,907,057	$38,103,999	$2,664,691	$110,188,428	$7,121,870	$1,601,565

	Asset Manager Fund	Asset Mgr. Income Fund	Asset Mgr. Growth Fund	Loan Portfolio Fund	Total
Assets:					
Investments in master trust at fair value (note 3)	$297,227	$85,542	$94,578	$3,512,435	$185,577,392
Total assets	$297,227	$85,542	$94,578	$3,512,435	$185,577,392
Plan equity	$297,227	$85,542	$94,578	$3,512,435	$185,577,392

1992

	Commingled Equity Fund	Specialized Equity Fund	Money Market Fund	Fixed Income Fund	Armstrong Stock Fund	"OTC" Portfolio Fd.
Assets:						
Investments in master trust at fair value (note 3)	$19,886,879	$27,493,135	$2,800,063	$103,489,554	$4,960,888	$ --
Total assets	$19,886,879	$27,493,135	$2,800,063	$103,489,554	$4,960,888	$ --
Plan equity	$19,886,879	$27,493,135	$2,800,063	$103,489,554	$4,960,888	$ --

	Asset Manager Fund	Asset Mgr. Income Fund	Asset Mgr. Growth Fund	Loan Portfolio Fund	Total
Assets:					
Investments in master trust at fair value (note 3)	$ --	$ --	$ --	$3,547,189	$162,177,708
Total assets	$ --	$ --	$ --	$3,547,189	$162,177,708
Plan equity	$ --	$ --	$ --	$3,547,189	$162,177,708

See accompanying notes to financial statements.

RETIREMENT SAVINGS PLAN FOR SALARIED EMPLOYEES
OF ARMSTRONG WORLD INDUSTRIES, INC.
Statements of Changes in Plan Equity

Years Ended September 30, 1993, 1992, and 1991

1993	Commingled Equity Fund	Specialized Equity Fund	Money Market Fund	Fixed Income Fund	Armstrong Stock Fund	"OTC" Portfolio Fd.
Plan equity at October 1, 1992	$19,886,879	$27,493,135	$2,800,063	$103,489,554	$4,960,888	$ --
Increases in plan equity:						
Contributions	1,384,117	2,551,576	171,760	4,044,086	164,903	230,659
Dividends	679,115	3,697,160	83,909	--	203,773	122,231
Interest	60,943	80,967	27,305	8,412,031	5,793	4,072
Realized gain(loss) on investments (note 3)	573,187	319,808	--	--	(23,113)	(363)
Unrealized appreciation (depreciation) of investments	1,269,718	4,787,209	--	--	2,081,543	(19,487)
Transfers (to) from other employee benefit plans of Armstrong World Industries, Inc.	(9,500)	(96,958)	(7,156)	259,981	7,437	(11,638)
Loan (advances) and repayments, net	(183,935)	(57,356)	(6,215)	181,848	16,858	23,420
	3,773,645	11,282,406	269,603	12,897,946	2,457,194	348,894
Decreases in plan equity:						
Benefits paid (note 4)	(719,211)	(1,188,862)	(249,513)	(5,282,177)	(162,630)	--
Interfund transfers	(1,034,256)	517,320	(155,462)	(916,895)	(133,582)	1,252,671
	(1,753,467)	(671,542)	(404,975)	(6,199,072)	(296,212)	1,252,671
Plan equity at September 30, 1993	$21,907,057	$38,103,999	$2,664,691	$110,188,428	$7,121,870	$1,601,565

	Asset Manager Fund	Asset Mgr. Income Fund	Asset Mgr. Growth Fund	Loan Portfolio Fund	Total
Plan equity at October 1, 1992	$ --	$ --	$ --	$3,547,189	$162,177,708
Increases in plan equity:					
Contributions	1,055	770	2,970	--	8,551,896
Dividends	458	--	--	--	4,786,646
Interest	19	20	22	--	8,591,172
Realized gain (loss) on investments (note 3)	--	--	--	--	869,519
Unrealized appreciation (depreciation) of investments	205	595	825	--	8,120,608
Transfers (to) from other employee benefit plans of Armstrong World Industries, Inc.	--	--	--	(59,707)	82,459
Loan (advances) and repayments, net	128	124	175	24,953	--
	1,865	1,509	3,992	(34,754)	31,002,300
Decreases in plan equity:					
Benefits paid (note 4)	--	--	(223)	--	(7,602,616)
Interfund transfers	295,362	84,033	90,809	--	--
	295,362	84,033	90,586	--	(7,602,616)
Plan equity at September 30, 1993	$297,227	$85,542	$94,578	$3,512,435	$185,577,392

See accompanying notes to financial statements.

(Continued)

RETIREMENT SAVINGS PLAN FOR SALARIED EMPLOYEES OF ARMSTRONG WORLD INDUSTRIES, INC.

Statements of Changes in Plan Equity, Continued

	1992						
	Commingled Equity Fund	Specialized Equity Fund	Money Market Fund	Fixed Income Fund	Armstrong Stock Fund	Loan Portfolio Fund	Total
Plan equity at October 1, 1991	$18,728,412	$22,868,411	$2,518,571	$ 94,446,481	$4,978,681	$3,318,457	$146,859,013
Increases in plan equity:							
Contributions	1,368,039	2,156,761	177,318	4,156,871	161,102	--	8,020,091
Dividends	736,870	3,312,128	106,509	--	191,137	--	4,346,644
Interest	68,311	77,739	40,178	8,799,164	7,040	--	8,992,432
Realized gain (loss) on investments (note 3)	547,755	412,818	--	--	(15,536)	--	945,037
Loan (advances) and repayments, net	(311,423)	(119,816)	31,222	102,779	25,620	271,618	--
	2,409,552	5,839,630	355,227	13,058,814	369,363	271,618	22,304,204
Decreases in plan equity:							
Unrealized appreciation (depreciation) of investments	683,621	(1,511,517)	--	--	(539,308)	--	(1,367,204)
Transfers to other employee benefit plans of Armstrong World Industries, Inc.	(74,230)	(3,661)	(26,147)	(44,044)	(21,214)	--	(169,296)
Benefits paid (note 4)	(823,104)	(894,803)	(59,799)	(3,558,349)	(70,068)	(42,886)	(5,449,009)
Interfund transfers	(1,037,372)	1,195,075	12,211	(413,348)	243,434	--	--
	(1,251,085)	(1,214,906)	(73,735)	(4,015,741)	(387,156)	(42,886)	(6,985,509)
Plan equity at September 30, 1992	$19,886,879	$27,493,135	$2,800,063	$103,489,554	$4,960,888	$3,547,189	$162,177,708

See accompanying notes to financial statements.

(Continued)

Statements of Changes in Plan Equity, Continued

	1991						
	Commingled Equity Fund	Specialized Equity Fund	Money Market Fund	Fixed Income Fund	Armstrong Stock Fund	Loan Portfolio Fund	Total
Plan equity at October 1, 1990	$15,106,558	$14,691,212	$1,868,301	$84,759,859	$3,546,766	$3,360,414	$123,333,110
Increases in plan equity:							
Contributions	1,427,771	1,721,034	198,435	4,309,574	189,116	--	7,845,930
Dividends	553,494	908,918	149,413	--	169,492	--	1,781,317
Interest	49,401	49,797	56,472	8,456,577	6,045	--	8,618,292
Realized gain (loss) on investments (note 3)	2,901,808	3,969,221	--	--	(150,653)	--	6,720,376
Net unrealized appreciation of investments	556,987	1,137,826	--	--	1,261,444	--	2,956,257
Loan (advances) and repayments, net	(352,458)	(95,195)	160,205	(100,610)	20,084	367,974	--
	5,137,003	7,691,601	564,525	12,665,541	1,495,528	367,974	27,922,172
Decreases in plan equity:							
Benefits paid (note 4)	(621,496)	(448,433)	(153,330)	(2,587,036)	(56,316)	(380,324)	(4,246,935)
Transfers from (to) other employee benefit plans of Armstrong World Industries, Inc.	(10,696)	(20,517)	(4,814)	(88,363)	4,663	(29,607)	(149,334)
Interfund transfers	(882,957)	954,548	243,889	(303,520)	(11,960)	--	--
	(1,515,149)	485,598	85,745	(2,978,919)	(63,613)	(409,931)	(4,396,269)
Plan equity at September 30, 1991	$18,728,412	$22,868,411	$2,518,571	$94,446,481	$4,978,681	$3,318,457	$146,859,013

See accompanying notes to financial statements.

Notes to Financial Statements

(1) Summary of Significant Accounting Policies

(a) Basis of Presentation

The accompanying financial statements have been prepared on the accrual basis.

(b) Investments in Master Trust

The fair value of the commingled equity, specialized equity, over- the-counter portfolio, and Asset Manager funds is based on the underlying market value of the investments. The money market fund is stated at cost which approximates fair value. The fixed income fund is stated at contract value which represents contributions plus interest at the contract rate, less benefits paid. The value of the Armstrong stock fund is based on quoted market price. The value of the loan portfolio fund represents the unpaid principal of employee loans.

Securities transactions are recognized on the settlement date (the date on which payment for a buy or sell order is made or received), since adjustment to a trade-date basis would not be material. Dividend income is recorded on the ex-dividend date.

Realized gains and losses on investments are determined by the average cost method.

(c) Expenses

All legal, accounting and administrative expenses associated with Plan operations are paid by the Company.

(2) Plan Description

The Plan was established on August 1, 1983, under the name the Savings Investment Plan for Salaried Employees of Armstrong World Industries, Inc. On November 30, 1987, the Board of Directors of Armstrong amended the Plan effective February 1, 1988, to permit investments by participants in an Armstrong Common Stock Fund and to change its name to the Retirement Savings Plan for Salaried Employees of Armstrong World Industries, Inc.

During the Plan year ended September 30, 1993, four investment options were added to the Plan. Effective January 1, 1993, an over-the-counter portfolio mutual fund was made available for participant investment and, effective September 1, 1993, three Asset Manager mutual funds became investment options.

The plan is a defined contribution plan established for the purpose of providing to eligible salaried employees of Armstrong World Industries, Inc. (the Company) a means for long-term savings intended for the accumulation of retirement income in addition to that provided under other retirement plans maintained for the benefit of employees.

Participants may elect to make contributions to the Plan in each of the following methods:

1. Up to 15% of their before-tax compensation, as deferred compensation as permitted under Section 401(k) of the Internal Revenue Code.

2. Up to 10% of their after-tax compensation.

Separate accounts are maintained for contributions made by or on behalf of a participant. The accounts in each fund reflect the participants' contributions together with dividends, interest, other income, and realized and unrealized gains and losses allocated thereon.

Participants have an immediate 100 percent vested interest with respect to their contributions and are fully vested with regard to matching company contributions made through October 1, 1989, the date of discontinuance of the matching feature.

(3) Investments in Master Trust

Through the Plan year ended September 30, 1990, assets of the Plan were held in a Master Trust administered by Wachovia Bank and Trust Co., N.A., as Trustee. Effective October 1, 1990, the Company appointed the Fidelity Management Trust Co. as the new Trustee of the Plan. The investment options offered to Plan participants by Fidelity are comparable to those which were made available by Wachovia.

Assets in the Master Trust, administered by Fidelity, are segregated into nine investment options: a commingled equity mutual fund (Fidelity U.S. Equity Index Portfolio), a specialized equity mutual fund (Fidelity Magellan), a money market mutual fund (Fidelity Return Money Market Portfolio), three Asset Manager mutual funds, an over-the-counter mutual fund (OTC Portfolio Fund), a fixed income fund, and an Armstrong stock fund. The Plan utilizes the Trustee and associated investment managers to direct investment activity. The Plan participates in all nine investment alternatives.

The following is a description of the investment funds to which Plan participants can elect to allocate their contributions.

1. Commingled Equity Fund - This fund is principally a portfolio of common stocks constructed and maintained with the objective of providing investment results which approximate the overall performance of the common stocks included in the Standard & Poor's Composite Index of 500 stocks. At September 30, 1993, there were 1,557 active participants in this investment fund.

2. Specialized Equity Fund - This fund invests in common stocks of companies having substantial growth prospects as determined by independent investment managers. At September 30, 1993, there were 2,024 active participants in this investment fund.

3. Money Market Fund - This fund invests in short-term (less than one year maturity) fixed income instruments such as U.S. Treasury Bills, bank certificates of deposit, and high grade commercial paper. At September 30, 1993, there were 544 active participants in this investment fund.

4. Fixed Income Fund - Contributions to this fund are invested in the general accounts of insurance companies and are credited at contracted interest rates. At September 30, 1993, the interest rates ranged between 5.69% and 16.00%. Invested principal and accumulated interest amounts are guaranteed against loss by the insurance company. At September 30, 1993, there were 3,278 active participants in this investment fund.

5. Asset Manager Fund - An asset allocation fund which invests in a portfolio of stocks, bonds, and short-term instruments. The fund has a balanced investment strategy with a goal of high total return with reduced risk over the long term. At September 30, 1993, there were 15 active participants in this investment fund.

6. Asset Manager Growth Fund - An asset allocation fund invested in a diversified mix of stocks, bonds, and short-term instruments. The fund's investment strategy is an aggressive one emphasizing stocks with the goal of maximum total return over the long term. At September 30, 1993, there were 20 active participants in this investment fund.

7. Asset Manager Income Fund - An asset allocation fund which invests in a diversified portfolio of stocks, bonds, and short-term instruments. The fund has a conservative investment strategy focusing on bonds and short- term instruments to achieve a high level of current income and capital preservation. At September 30, 1993, there were nine active participants in this investment fund.

8. OTC Portfolio Fund - This fund invests in securities traded in the over- the-counter securities market with the objective of maximizing capital appreciation. Over-the counter securities include common and preferred stocks, securities convertible into common stock, warrants, and debt instruments. At September 30, 1993, there were 187 active participants in the investment fund.

Notes to Financial Statements, (Continued)

9. Armstrong Stock Fund - Amounts invested in this fund, along with dividend earnings thereon, are invested in Armstrong common stock. At September 30, 1993, there were 2,113 active participants in this investment fund. Common stock shares held by the fund at September 30, 1993 and 1992 were 171,096 and 167,456, respectively.

10. Loan Portfolio Fund - The amount in this fund represents the unpaid principal balances of loans made by Plan participants in accordance with established loan provision guidelines. At September 30, 1993, there were 1,383 loans outstanding.

The following table presents the cost and fair values of the investments in securities of the Master Trust at September 30, 1993 and 1992:

	September 30, 1993		September 30, 1992	
Investment	Cost	Fair Value	Cost	Fair Value
Commingled equity	$ 16,777,849	$ 21,907,057	$ 16,027,389	$ 19,886,879
Specialized equity	29,954,229	38,103,999	24,130,574	27,493,135
Money market	2,664,691	2,664,691	2,800,063	2,800,063
Fixed income	110,188,428	110,188,428	103,489,554	103,489,554
Armstrong stock	5,943,263	7,121,870	5,863,824	4,960,888
OTC portfolio	1,621,052	1,601,565	--	--
Asset manager	297,022	297,227	--	--
Asset manager income	84,947	85,542	--	--
Asset manager growth	93,753	94,578	--	--
Loan portfolio	3,512,435	3,512,435	3,547,189	3,547,189
	$171,137,669	$185,577,392	$155,858,593	$162,177,708

The amounts of realized gain (loss) on investments in securities of the Master Trust for the years ended September 30, 1993, 1992, and 1991 are presented below:

	Aggregate Proceeds	Aggregate Cost	Realized Gain (Loss)
1993			
Commingled equity	$ 3,120,551	$ 2,547,364	$ 573,187
Specialized equity	3,914,772	3,594,964	319,808
Armstrong stock	432,085	455,198	(23,113)
OTC portfolio	604,721	605,084	(363)
	$ 8,072,129	$ 7,202,610	$ 869,519
1992			
Commingled equity	$ 2,463,737	$ 1,915,982	$ 547,755
Specialized equity	2,348,309	1,935,491	412,818
Armstrong stock	147,651	163,187	(15,536)
	$ 4,959,697	$ 4,014,660	$ 945,037

1991	Aggregate Proceeds	Aggregate Cost	Realized Gain (Loss)
Commingled equity	$16,927,565	$14,025,757	$2,901,808
Specialized equity	16,166,560	12,197,339	3,969,221
Armstrong stock	113,470	264,123	(150,653)
	$33,207,595	$26,487,219	$6,720,376

(4) Benefits

Under terms of the Plan, a participant (or a beneficiary) is eligible for benefits upon retirement, termination of employment, or death before retirement. Disbursement of the total amount credited to a participant's account is payable (i) in a lump sum or (ii) in the case of retirement, in such other manner as requested by the participant and approved by the Plan Administrator. In addition, a participant may elect to withdraw all or any part of his account attributable to his contributions.

If the amount of a withdrawal exceeds the amount of contributions made by the participant and not previously withdrawn, the participant shall be ineligible to make contributions for a specified period, except that a participant may elect to withdraw all or any portion of his account attributable to tax deductible contributions.

Under the rules of the Plan, the participant may borrow up to 90 percent of his account, other than amounts attributable to tax deductible contributions or amounts invested in the Armstrong Stock Fund, with the approval of the Plan Administrator. The amount of the loan is transferred to a Loan Reserve pledged as security for the loan and is evidenced by a promissory note payable to the Plan. Interest rates are determined periodically by the Retirement Savings Plan Committee in accordance with prevailing interest rates. The loans are reflected in the Loan Portfolio investment fund. Loan repayments are made by payroll deductions or in a manner agreed to by the employee and the Plan Administrator.

(5) Obligation for Benefits

All the funds of the Plan are held by investing institutions appointed by the Company under a trust agreement or insurance contract. Benefits under the Plan are payable only out of these funds. The Company has no legal obligation to make any direct payment of benefits accrued under the Plan.

Except as may be provided in an insurance contract, neither the Company nor any investing institution guarantees the funds of the Plan against any loss or depreciation or guarantees the payment of any benefit hereunder. Although the Company has not expressed any intent to terminate the Plan, it may do so at any time. In case of termination or partial termination, the total amount in each employee's account will be distributed as the Plan Administrator directs.

(6) Federal Income Taxes

The Internal Revenue Service issued its latest determination letter on November 14, 1989, which stated that the Plan qualifies under the applicable provisions of the Internal Revenue Code and therefore is exempt from federal income taxes. The Plan has been amended to conform with current tax law changes. The amended Plan instruments will be submitted to the Internal Revenue Service for a letter of determination that the Plan continues to qualify as exempt from federal taxes. In the opinion of the Plan administrator, the Plan remains qualified under the applicable provisions of the Internal Revenue Code.

INDEPENDENT AUDITORS' REPORT

The Retirement Committee
Armstrong World Industries, Inc.:

We have audited the accompanying statements of net assets of the Retirement Savings Plan for Salaried Employees of Armstrong World Industries, Inc. as of September 30, 1993 and 1992 and the related statements of changes in plan equity for each of the years in the three-year period ended September 30, 1993. These financial statements are the responsibility of the Plan's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Retirement Savings Plan for Salaried Employees of Armstrong World Industries, Inc. as of September 30, 1993 and 1992 and the changes in its plan equity for each of the years in the three- year period ended September 30, 1993, in conformity with generally accepted accounting principles.

KPMG PEAT MARWICK

Philadelphia, Pennsylvania
February 25, 1994

EXHIBIT INDEX

24 Consent of Independent Auditors

Exhibit No. 24

Consent of Independent Auditors

The Retirement Committee
Armstrong World Industries, Inc.:

We consent to incorporation by reference in the Registration Statement No. 33- 18996 on Form S-8 of Armstrong World Industries, Inc. of our report dated February 25, 1994, relating to the statements of net assets of the Retirement Savings Plan for Salaried Employees of Armstrong World Industries, Inc. as of September 30, 1993 and 1992 and the related statements of changes in plan equity for each of the years in the three-year period ended September 30, 1993, which report is included herein.

KPMG PEAT MARWICK

Philadelphia, Pennsylvania
March 22, 1994

Exhibit No. 28(ii)(b)

FORM 11-K

SECURITIES AND EXCHANGE COMMISSION
Washington, D. C. 20549

(Mark One)

[X] ANNUAL REPORT PURSUANT TO SECTION 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the fiscal year ended September 30, 1993

OR

[ ] TRANSITION REPORT PURSUANT TO SECTION 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from ____________________ to ________________________

Commission file number 1-2116

RETIREMENT SAVINGS PLAN FOR HOURLY-PAID EMPLOYEES
OF ARMSTRONG WORLD INDUSTRIES, INC.
(Full title of the Plan)

ARMSTRONG WORLD INDUSTRIES, INC.
Liberty and Charlotte Streets
Lancaster, Pennsylvania 17604

(Name of issuer of the securities held pursuant to the Plan and the address of its principal executive office)

Page No.

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September 30, 1993 and 1992

Item 2. Statements of Changes in Plan Equity 5-7

(a) Year ended September 30, 1993
(b) Year ended September 30, 1992
(c) Year ended September 30, 1991

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SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, the members of the committee constituting the administrator which administers the plan have duly caused this annual report to be signed by the undersigned hereunto duly authorized.

RETIREMENT SAVINGS PLAN FOR HOURLY-PAID EMPLOYEES OF ARMSTRONG WORLD INDUSTRIES, INC.

March 25, 1994 *By: /s/ E. Allen Deaver*

E. Allen Deaver
Chairman of the Retirement Committee

RETIREMENT SAVINGS PLAN FOR HOURLY-PAID EMPLOYEES
OF ARMSTRONG WORLD INDUSTRIES, INC.

Statements of Net Assets

September 30, 1993 and 1992

	1993					
	Commingled Equity Fund	Specialized Equity Fund	Money Market Fund	Fixed Income Fund	Armstrong Stock Fund	"OTC" Portfolio Fd.
Assets:						
Investments in master trust at fair value (note 3)	$4,608,160	$6,627,445	$346,871	$43,948,437	$7,788,330	$134,271
Total assets	$4,608,160	$6,627,445	$346,871	$43,948,437	$7,788,330	$134,271
Plan equity	$4,608,160	$6,627,445	$346,871	$43,948,437	$7,788,330	$134,271

	Asset Manager Fund	Asset Mgr. Growth Fund	Loan Portfolio Fund	Total
Assets:				
Investments in master trust at fair value (note 3)	$190	$97	$1,539,245	$64,993,046
Total assets	$190	$97	$1,539,245	$64,993,046
Plan equity	$190	$97	$1,539,245	$64,993,046

	1993					
	Commingled Equity Fund	Specialized Equity Fund	Money Market Fund	Fixed Income Fund	Armstrong Stock Fund	"OTC" Portfolio Fd.
Assets:						
Investments in master trust at fair value (note 3)	$4,386,260	$4,477,432	$294,327	$39,221,724	$5,092,760	$ --
Total assets	$4,386,260	$4,477,432	$294,327	$39,221,724	$5,092,760	$ --
Plan equity	$4,386,260	$4,477,432	$294,327	$39,221,724	$5,092,760	$ --

	Asset Manager Fund	Asset Mgr. Growth Fund	Loan Portfolio Fund	Total
Assets:				
Investments in master trust at fair value (note 3)	$ --	$ --	$1,103,257	$54,575,760
Total assets	$ --	$ --	$1,103,257	$54,575,760
Plan equity	$ --	$ --	$1,103,257	$54,575,760

See accompanying notes to financial statements.

RETIREMENT SAVINGS PLAN FOR HOURLY-PAID EMPLOYEES
OF ARMSTRONG WORLD INDUSTRIES, INC.
Statements of Changes in Plan Equity

Years Ended September 30, 1993, 1992, and 1991

	1993					
	Commingled Equity Fund	Specialized Equity Fund	Money Market Fund	Fixed Income Fund	Armstrong Stock Fund	"OTC" Portfolio Fd.
Plan equity at October 1, 1992	$4,386,260	$4,477,432	$294,327	$39,221,724	$5,092,760	$ --
Increases in plan equity:						
Contributions	432,882	796,749	81,475	4,030,031	702,836	29,497
Dividends	142,358	617,693	10,820	--	214,445	9,814
Interest	7,356	11,427	3,128	3,318,955	13,284	374
Realized gain (loss) on investments (note 3)	158,379	48,725	--	--	(1,959)	(310)
Unrealized appreciation (depreciation) of investments	224,275	814,731	--	--	2,214,920	(1,656)
Loan (advances) and repayments, net	(79,125)	(92,389)	(16,984)	(236,907)	(22,946)	1,707
	886,125	2,196,936	78,439	7,112,079	3,120,580	39,426
Decreases in plan equity:						
Benefits paid (note 4)	(308,376)	(107,764)	(40,716)	(2,749,830)	(216,767)	(331)
Transfers (to) from other employee benefit plans of Armstrong World Industries, Inc.	(1,181)	(3,817)	--	(13,784)	(10,008)	--
Interfund transfers	(354,668)	64,658	14,821	378,248	(198,235)	95,176
	(664,225)	(46,923)	(25,895)	(2,385,366)	(425,010)	94,845
Plan equity at September 30, 1993	$4,608,160	$6,627,445	$346,871	$43,948,437	$7,788,330	$134,271

	Asset Manager Fund	Asset Mgr. Growth Fund	Loan Portfolio Fund	Total
Plan equity at October 1, 1992	$ --	$ --	$1,103,257	$54,575,760
Increases in plan equity:				
Contributions	190	97	--	6,073,757
Dividends	--	--	--	995,130
Interest	--	--	--	3,354,524
Realized gain (loss) on investments (note 3)	--	--	--	204,835
Unrealized appreciation (depreciation) of investments	--	--	--	3,252,270
Loan (advances) and repayments, net	--	--	446,644	--
	190	97	446,644	13,880,516
Decreases in plan equity:				
Benefits paid (note 4)	--	--	--	(3,423,784)
Transfers (to) from other employee benefit plans of Armstrong World Industries, Inc.	--			
Interfund transfers	--	--	(10,656)	(39,446)
	--	--	(10,656)	(3,463,230)
Plan equity at September 30, 1993	$190	$97	$1,539,245	$64,993,046

See accompanying notes to financial statements.

(Continued)

RETIREMENT SAVINGS PLAN FOR HOURLY-PAID EMPLOYEES OF ARMSTRONG WORLD INDUSTRIES, INC.

Statements of Changes in Plan Equity, Continued

	1992						
	Commingled Equity Fund	Specialized Equity Fund	Money Market Fund	Fixed Income Fund	Armstrong Stock Fund	Loan Portfolio Fund	Total
Plan equity at October 1, 1991	$3,758,041	$3,502,807	$ 352,878	$34,293,818	$5,107,265	$ 761,699	$47,776,508
Increases in plan equity:							
Contributions	429,830	640,502	63,402	3,779,889	748,535	--	5,662,158
Dividends	157,950	515,922	14,162	--	190,073	--	878,107
Interest	5,164	8,723	2,845	3,275,530	13,178	--	3,305,440
Realized gain on investments (note 3)	57,980	81,125	--	--	5,813	--	144,918
Loan (advances) and repayments, net	(62,676)	(74,436)	(13,006)	(186,602)	(25,410)	362,130	--
Transfers from other employee benefit plans of Armstrong World Industries, Inc.	--	--	700	818	--	--	1,518
	588,248	1,171,836	68,103	6,869,635	932,189	362,130	9,992,141
Decreases in plan equity:							
Unrealized appreciation (depreciation) of investments	203,794	(238,412)	--	--	(566,379)	--	(600,997)
Benefits paid (note 4)	(162,993)	(176,350)	(24,291)	(2,080,111)	(127,575)	(20,572)	(2,591,892)
Interfund transfers	(830)	217,551	(102,363)	138,382	(252,740)	--	--
	39,971	(197,211)	(126,654)	(1,941,729)	(946,694)	(20,572)	(3,192,889)
Plan equity at September 30, 1992	$4,386,260	$4,477,432	$ 294,327	$39,221,724	$5,092,760	$1,103,257	$54,575,760

See accompanying notes to financial statements.

(Continued)

RETIREMENT SAVINGS PLAN FOR HOURLY-PAID EMPLOYEES OF ARMSTRONG WORLD INDUSTRIES, INC.

Statements of Changes in Plan Equity, Continued

	1991						
	Commingled Equity Fund	Specialized Equity Fund	Money Market Fund	Fixed Income Fund	Armstrong Stock Fund	Loan Portfolio Fund	Total
Plan equity at October 1, 1990	$3,037,670	$2,129,534	$195,022	$30,122,339	$3,091,039	$522,591	$39,098,195
Increases in plan equity:							
Contributions	445,194	516,834	51,645	3,641,394	878,406	--	5,533,473
Dividends	111,230	132,294	19,415	--	163,511	--	426,450
Interest	4,302	5,652	3,143	3,041,576	6,399	--	3,061,072
Realized gain (loss) on investments (note 3)	577,668	(209,257)	--	--	(119,317)	--	249,094
Net unrealized appreciation of investments	109,572	948,112	--	--	1,264,500	--	2,322,184
Loan (advances) and repayments, net	(40,523)	(22,263)	12,398	(171,387)	(30,813)	252,588	--
Transfers from (to) other employee benefit plans of Armstrong World Industries, Inc.	21,913	(2,383)	1,178	3,283	(6,119)	2,677	20,549
	1,229,356	1,368,989	87,779	6,514,866	2,156,567	255,265	11,612,822
Decreases in plan equity:							
Benefits paid (note 4)	(297,082)	(148,122)	(13,671)	(2,349,041)	(110,436)	(16,157)	(2,934,509)
Interfund transfers	(211,903)	152,406	83,748	5,654	(29,905)	--	--
	(508,985)	4,284	70,077	(2,343,387)	(140,341)	(16,157)	(2,934,509)
Plan equity at September 30, 1991	$3,758,041	$3,502,807	$352,878	$34,293,818	$5,107,265	$761,699	$47,776,508

See accompanying notes to financial statements.

Notes to Financial Statements

(1) Summary of Significant Accounting Policies

(a) Basis of Presentation

The accompanying financial statements have been prepared on the accrual basis.

(b) Investments in Master Trust

The fair value of the commingled equity, specialized equity, over- the-counter portfolio, and Asset Manager funds is based on the underlying market value of the investments. The money market fund is stated at cost which approximates fair value. The fixed income fund is stated at contract value which represents contributions plus interest at the contract rate, less benefits paid. The value of the Armstrong stock fund is based on quoted market price. The value of the loan portfolio fund represents the unpaid principal of employee loans.

Securities transactions are recognized on the settlement date (the date on which payment for a buy or sell order is made or received), since adjustment to a trade-date basis would not be material. Dividend income is recorded on the ex-dividend date.

Realized gains and losses on investments are determined by the average cost method.

(c) Expenses

All legal, accounting and administrative expenses associated with Plan operations are paid by the Company.

(2) Plan Description

Armstrong World Industries, Inc. (the Company) has adopted the Retirement Savings Plan for Hourly-Paid Employees of Armstrong World Industries, Inc. (the Plan). The Plan is a defined contribution plan established for the purpose of providing to eligible hourly-paid employees a means for long-term savings intended for the accumulation of retirement income in addition to that provided under other retirement plans maintained for the benefit of employees.

During the Plan year ended September 30, 1993, four investment options were added to the Plan. Effective January 1, 1993, an over-the-counter portfolio mutual fund was made available for participant investment and, effective September 1, 1993, three Asset Manager mutual funds became investment options.

Participants may elect to make contributions to the Plan in each of the following methods:

1. Up to 15% of their before-tax compensation, as deferred compensation as permitted under Section 401(k) of the Internal Revenue Code.

2. Up to 10% of their after-tax compensation.

Effective October 1, 1989, unless specifically provided for under a collective bargaining agreement between the Company and a bargaining unit, the matching Company contribution feature was discontinued. Employer contributions amounted to $50,611 and $294,259 for the years ended September 30, 1991 and 1990, respectively. No employer contributions were required for the year ended September 30, 1992.

Separate accounts are maintained for contributions made by or on behalf of a participant. The accounts in each fund reflect the participants' contributions together with dividends, interest, other income, and realized and unrealized gains and losses allocated thereon.

Participants have an immediate 100 percent vested interest with respect to their contributions and are fully vested with regard to matching company contributions made in the years ended September 30, 1991 and 1990.

(3) Investments in Master Trust

Through the Plan year ended September 30, 1990, assets of the Plan were held in a Master Trust administered by Wachovia Bank and Trust Co., N.A., as Trustee. Effective October 1, 1990, the Company appointed the Fidelity Management Trust Co. as the new Trustee of the Plan. The investment options offered to Plan participants by Fidelity are comparable to those which were made available by Wachovia.

Assets in the Master Trust, administered by Fidelity, are segregated into nine investment options: a commingled equity mutual fund (Fidelity U.S. Equity Index Portfolio), a specialized equity mutual fund (Fidelity Magellan), a money market mutual fund (Fidelity Return Money Market Portfolio), three Asset Manager mutual funds, an over-the-counter mutual fund (OTC Portfolio Fund), a fixed income fund, and an Armstrong stock fund. The Plan utilizes the Trustee and associated investment managers to direct investment activity. At September 30, 1993, Plan participants had funds invested in eight of the investment alternatives.

The following is a description of the investment funds to which Plan participants can elect to allocate their contributions.

1. Commingled Equity Fund - This fund is principally a portfolio of common stocks constructed and maintained with the objective of providing investment results which approximate the overall performance of the common stocks included in the Standard & Poor's Composite Index of 500 stocks. At September 30, 1993, there were 520 active participants in this investment fund.

2. Specialized Equity Fund - This fund invests in common stocks of companies having substantial growth prospects as determined by independent investment managers. At September 30, 1993, there were 719 active participants in this investment fund.

3. Money Market Fund - This fund invests in short-term (less than one year maturity) fixed income instruments such as U.S. Treasury Bills, bank certificates of deposit, and high grade commercial paper. At September 30, 1993, there were 153 active participants in this investment fund.

4. Fixed Income Fund - Contributions to this fund are invested in the general accounts of insurance companies and are credited at contracted interest rates. At September 30, 1993, the interest rates ranged between 5.69% and 16.00%. Invested principal and accumulated interest amounts are guaranteed against loss by the insurance company. At September 30, 1993, there were 2,519 active participants in this investment fund.

5. Asset Manager Fund - An asset allocation fund which invests in a portfolio of stocks, bonds, and short-term instruments. The fund has a balanced investment strategy with a goal of high total return with reduced risk over the long term. At September 30, 1993, there were 2 active participants in this investment fund.

6. Asset Manager Growth Fund - An asset allocation fund invested in a diversified mix of stocks, bonds, and short-term instruments. The fund's investment strategy is an aggressive one emphasizing stocks with the goal of maximum total return over the long term. At September 30, 1993, there were 3 active participants in this investment fund.

7. Asset Manager Income Fund - An asset allocation fund which invests in a diversified portfolio of stocks, bonds, and short-term instruments. The fund has a conservative investment strategy focusing on bonds and short- term instruments to achieve a high level of current income and capital preservation. At September 30, 1993, there were no active participants in this investment fund.

8. OTC Portfolio Fund - This fund invests in securities traded in the over- the-counter securities market with the objective of maximizing capital appreciation. Over-the-counter securities include common and preferred stocks, securities convertible into common stock, warrants, and debt instruments. At September 30, 1993, there were 38 active participants in the investment fund.

9. Armstrong Stock Fund - Amounts invested in this fund, along with dividend earnings thereon, are invested in Armstrong common stock. At September 30, 1993, there were 1,754 active participants in this investment fund. Common stock shares held by the fund at September 30, 1993 and 1992 were 187,107 and 171,908, respectively.

10. Loan Portfolio Fund - The amount in this fund represents the unpaid principal balances of loans made by Plan participants in accordance with established loan provision guidelines. At September 30, 1993, there were 778 loans outstanding.

The following table presents the cost and fair values of the investments in securities of the Master Trust at September 30, 1993 and 1992:

	September 30, 1993		September 30, 1992	
Investment	Cost	Fair Value	Cost	Fair Value
Commingled equity	$ 3,545,332	$ 4,608,160	$ 3,547,707	$ 4,386,260
Specialized equity	5,349,154	6,627,445	4,013,872	4,477,432
Money market	346,871	346,871	294,327	294,327
Fixed income	43,948,437	43,948,437	39,221,724	39,221,724
Armstrong stock	6,218,563	7,788,330	5,737,913	5,092,760
OTC portfolio	135,927	134,271	--	--
Asset manager	190	190	--	--
Asset manager growth	97	97	--	--
Loan portfolio	1,539,245	1,539,245	1,103,257	1,103,257
	$61,083,816	$64,993,046	$53,918,800	$54,575,760

The amounts of realized gain (loss) on investments in securities of the Master Trust for the years ended September 30, 1993, 1992, and 1991 are presented below:

	Aggregate	Aggregate	Realized
1993	Proceeds	Cost	Gain (Loss)
Commingled equity	$ 813,795	$ 655,416	$ 158,379
Specialized equity	2,026,637	1,977,912	48,725
Armstrong stock	577,975	579,934	(1,959)
OTC portfolio	74,147	74,457	(310)
	$3,492,554	$3,287,719	$ 204,835
1992			
Commingled equity	$ 261,808	$ 203,828	$ 57,980
Specialized equity	1,604,311	1,523,186	81,125
Armstrong stock	408,429	402,616	5,813
	$2,274,548	$2,129,630	$ 144,918

1991	Aggregate Proceeds	Aggregate Cost	Realized Gain (Loss)
Commingled equity	$3,532,737	$2,955,069	$ 577,668
Specialized equity	2,427,507	2,636,764	(209,257)
Armstrong stock	222,062	341,379	(119,317)
	$6,182,306	$5,933,212	$ 249,094

(4) Benefits

Under terms of the Plan, a participant (or a beneficiary) is eligible for benefits upon retirement, termination of employment, or death before retirement. Disbursement of the total amount credited to a participant's account is payable (i) in a lump sum or (ii) in the case of retirement, in such other manner as requested by the participant and approved by the Plan Administrator. In addition, a participant may elect to withdraw all or any part of his account attributable to his contributions.

If the amount of a withdrawal exceeds the amount of contributions made by the participant and not previously withdrawn, the participant shall be ineligible to make contributions for a specified period, except that a participant may elect to withdraw all or any portion of his account attributable to tax deductible contributions.

Under the rules of the Plan, the participant may borrow up to 90 percent of his account, other than amounts attributable to tax deductible contributions or amounts invested in the Armstrong Stock Fund, with the approval of the Plan Administrator. The amount of the loan is transferred to a Loan Reserve pledged as security for the loan and is evidenced by a promissory note payable to the Plan. Interest rates are determined periodically by the Retirement Savings Plan Committee in accordance with prevailing interest rates. The loans are reflected in the Loan Portfolio investment fund. Loan repayments are made by payroll deductions or in a manner agreed to by the employee and the Plan Administrator.

(5) Obligation for Benefits

All the funds of the Plan are held by investing institutions appointed by the Company under a trust agreement or insurance contract. Benefits under the Plan are payable only out of these funds. The Company has no legal obligation to make any direct payment of benefits accrued under the Plan.

Except as may be provided in an insurance contract, neither the Company nor any investing institution guarantees the funds of the Plan against any loss or depreciation or guarantees the payment of any benefit hereunder. Although the Company has not expressed any intent to terminate the Plan, it may do so at any time. In case of termination or partial termination, the total amount in each employee's account will be distributed as the Plan Administrator directs.

(6) Federal Income Taxes

The Internal Revenue Service issued its latest determination letter on November 14, 1989, which stated that the Plan qualifies under the applicable provisions of the Internal Revenue Code and therefore is exempt from federal income taxes. The Plan has been amended to conform with current tax law changes. The amended Plan instruments will be submitted to the Internal Revenue Service for a letter of determination that the Plan continues to qualify as exempt from federal taxes. In the opinion of the Plan administrator, the Plan remains qualified under the applicable provisions of the Internal Revenue Code.

Independent Auditors' Report

The Retirement Committee
Armstrong World Industries, Inc.:

We have audited the accompanying statements of net assets of the Retirement Savings Plan for Hourly-Paid Employees of Armstrong World Industries, Inc. as of September 30, 1993 and 1992 and the related statements of changes in plan equity for each of the years in the three-year period ended September 30, 1993. These financial statements are the responsibility of the Plan's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Retirement Savings Plan for Hourly-Paid Employees of Armstrong World Industries, Inc. as of September 30, 1993 and 1992 and the changes in its plan equity for each of the years in the three-year period ended September 30, 1993, in conformity with generally accepted accounting principles.

KPMG PEAT MARWICK

Philadelphia, Pennsylvania
February 25, 1994

EXHIBIT INDEX

24 Consent of Independent Auditors

Exhibit No. 24

Consent of Independent Auditors

The Retirement Committee
Armstrong World Industries, Inc.:

We consent to incorporation by reference in the Registration Statement No. 33- 18997 on Form S-8 of Armstrong World Industries, Inc. of our report dated February 25, 1994, relating to the statements of net assets of the Retirement Savings Plan for Hourly-Paid Employees of Armstrong World Industries, Inc. as of September 30, 1993 and 1992 and the related statements of changes in plan equity for each of the years in the three-year period ended September 30, 1993, which report is included herein.

KPMG PEAT MARWICK

Philadelphia, Pennsylvania
March 22, 1994

Exhibit No. 28(ii)(c)

FORM 11-K

SECURITIES AND EXCHANGE COMMISSION
Washington, D. C. 20549

(Mark One)

[X] ANNUAL REPORT PURSUANT TO SECTION 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the fiscal year ended September 30, 1993

OR

[ ] TRANSITION REPORT PURSUANT TO SECTION 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from ____________________ to ______________________

Commission file number 1-2116

RETIREMENT SAVINGS PLAN FOR HOURLY-PAID EMPLOYEES
OF THOMASVILLE FURNITURE, INC.
401 East Main Street
Thomasville, N.C. 27360
(Full title and address of the Plan)

ARMSTRONG WORLD INDUSTRIES, INC.
Liberty and Charlotte Streets
Lancaster, Pennsylvania 17604

(Name of issuer of the securities held pursuant to the Plan and the address of its principal executive office)

Page No.

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September 30, 1993 and 1992

Item 2. Statements of Changes in Plan Equity 5-7

(a) Year ended September 30, 1993
(b) Year ended September 30, 1992
(c) Year ended September 30, 1991

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<u>Exhibits</u>

24. Consent of Independent Auditors 14

SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, the members of the committee constituting the administrator which administers the plan have duly caused this annual report to be signed by the undersigned hereunto duly authorized.

RETIREMENT SAVINGS PLAN FOR HOURLY-PAID EMPLOYEES OF THOMASVILLE FURNITURE INDUSTRIES, INC.

March 25, 1994

By: /s/ Richard O. Millen

Richard O. Millen
Secretary of Thomasville Hourly-Paid Retirement Committee

RETIREMENT SAVINGS PLAN FOR HOURLY-PAID EMPLOYEES
OF THOMASVILLE FURNITURE INDUSTRIES, INC.

Statements of Net Assets

September 30, 1993 and 1992

1993	Commingled Equity Fund	Specialized Equity Fund	Money Market Fund	Fixed Income Fund	Armstrong Stock Fund	"OTC" Portfolio Fd.
Assets:						
Investments in master trust at fair value (note 3)	$499,160	$1,803,185	$13,805	$5,900,380	$828,332	$53,964
Total assets	$499,160	$1,803,185	$13,805	$5,900,380	$828,332	$53,964
Plan equity	$499,160	$1,803,185	$13,805	$5,900,380	$828,332	$53,964

1993	Asset Manager Fund	Loan Portfolio Fund	Total
Assets:			
Investments in master trust at fair value (note 3)	$313	$178,401	$9,277,540
Total assets	$313	$178,401	$9,277,540
Plan equity	$313	$178,401	$9,277,540

1992	Commingled Equity Fund	Specialized Equity Fund	Money Market Fund	Fixed Income Fund	Armstrong Stock Fund	"OTC" Portfolio Fd.
Assets:						
Investments in master trust at fair value (note 3)	$ 12,302	$ 52,039	$ 7,626	$1,565,638	$582,701	$ --
Total assets	$ 12,302	$ 52,039	$ 7,626	$1,565,638	$582,701	$ --
Plan equity	$ 12,302	$ 52,039	$ 7,626	$1,565,638	$582,701	$ --

1992	Asset Manager Fund	Loan Portfolio Fund	Total
Assets:			
Investments in master trust at fair value (note 3)	$ --	$ 98,931	$2,319,237
Total assets	$ --	$ 98,931	$2,319,237
Plan equity	$ --	$ 98,931	$2,319,237

See accompanying notes to financial statements.

RETIREMENT SAVINGS PLAN FOR HOURLY-PAID EMPLOYEES OF THOMASVILLE FURNITURE INDUSTRIES, INC.

Statements of Changes in Plan Equity

Years Ended September 30, 1993, 1992, and 1991

	1993					
	Commingled Equity Fund	Specialized Equity Fund	Money Market Fund	Fixed Income Fund	Armstrong Stock Fund	"OTC" Portfolio Fd.
Plan equity at October 1, 1992	$12,302	$52,039	$7,626	$1,565,638	$582,701	$ --
Increases in plan equity:						
Contributions	8,195	24,213	5,157	331,489	48,934	372
Dividends	16,872	141,129	286	--	23,698	4,081
Interest	938	2,958	34	423,048	595	6
Realized gain (loss) on investments (note 3)	7,012	2,555	--	--	(5,799)	782
Unrealized appreciation (depreciation) of investments	26,902	236,224	--	--	241,799	(594)
Transfers (to) from other employee benefit plans of Armstrong World Industries, Inc. (note 2)	490,254	1,208,043	7,584	3,971,275	9,155	--
Loan (advances) and repayments, net	(32,520)	(68,478)	(2,493)	11,809	(1,013)	90
	517,653	1,546,644	10,568	4,737,621	317,369	4,737
Decreases in plan equity:						
Benefits paid (note 4)	(2,093)	(3,363)	(3,225)	(179,542)	(67,091)	(483)
Interfund transfers	(28,702)	207,865	(1,164)	(223,337)	(4,647)	49,710
	(30,795)	204,502	(4,389)	(402,879)	(71,738)	49,227
Plan equity at September 30, 1993	$499,160	$1,803,185	$13,805	$5,900,380	$828,332	$53,964

	Asset Manager Fund	Loan Portfolio Fund	Total
Plan equity at October 1, 1992	$ --	$98,931	$2,319,237
Increases in plan equity:			
Contributions	12	--	418,372
Dividends	--	--	186,066
Interest	1	--	427,580
Realized gain(loss) on investments (note 3)	--	--	4,550
Unrealized appreciation (depreciation) of investments	5	--	504,336
Transfers (to) from other employee benefit plans of Armstrong World Industries, Inc. (note 2)	--	(13,115)	5,673,196
Loan (advances) and repayments, net	20	92,585	--
	38	79,470	7,214,100
Decreases in plan equity:			
Benefits paid (note 4)	--	--	(255,797)
Interfund transfers	275	--	--
	275	--	(255,797)
Plan equity at September 30, 1993	$313	$178,401	$9,277,540

See accompanying notes to financial statements.

(Continued)

RETIREMENT SAVINGS PLAN FOR HOURLY-PAID EMPLOYEES OF THOMASVILLE FURNITURE INDUSTRIES, INC.

Statements of Changes in Plan Equity, Continued

	1992						
	Commingled Equity Fund	Specialized Equity Fund	Money Market Fund	Fixed Income Fund	Armstrong Stock Fund	Loan Portfolio Fund	Total
Plan equity at October 1, 1991	$ 6,883	$16,499	$1,741	$1,291,147	$603,178	$ --	$1,919,448
Increases in plan equity:							
Contributions	4,262	20,402	6,209	335,869	52,555	--	419,297
Dividends	341	4,266	149	--	22,669	--	27,425
Interest	49	61	25	128,452	284	--	128,871
Loan (advances) and repayments, net	(535)	(2,372)	(200)	(91,545)	(3,521)	98,173	--
Transfers (to) from other employee benefit plans of Armstrong World Industries, Inc.	--	--	(700)	10,767	2,414	758	13,239
	4,117	22,357	5,483	383,543	74,401	98,931	588,832
Decreases in plan equity:							
Realized gain (loss) on investments (note 3)	3	809	--	--	(5,305)	--	(4,493)
Unrealized appreciation (depreciation) of investments	521	(2,518)	--	--	(61,619)	--	(63,616)
Benefits paid (note 4)	--	(619)	--	(97,882)	(22,433)	--	(120,934)
Interfund transfers	778	15,511	402	(11,170)	(5,521)	--	--
	1,302	13,183	402	(109,052)	(94,878)	--	(189,043)
Plan equity at September 30, 1992	$12,302	$52,039	$7,626	$1,565,638	$582,701	$98,931	$2,319,237

See accompanying notes to financial statements.

(Continued)

RETIREMENT SAVINGS PLAN FOR HOURLY-PAID EMPLOYEES
OF THOMASVILLE FURNITURE INDUSTRIES, INC.

Statements of Changes in Plan Equity, Continued

	1991					
	Commingled Equity Fund	Specialized Equity Fund	Money Market Fund	Fixed Income Fund	Armstrong Stock Fund	Total
Plan equity at October 1, 1990	$ --	$ --	$ --	$ 868,708	$416,341	$1,285,049
Increases in plan equity:						
Contributions	236	884	478	291,467	52,033	345,098
Dividends	133	425	59	--	20,389	21,006
Interest	--	--	--	104,181	--	104,181
Net unrealized appreciation of investments	1,218	3,794	--	--	145,303	150,315
Transfers from (to) other employee benefit plans of Armstrong World Industries, Inc.	5,296	11,396	1,204	59,244	1,458	78,598
	6,883	16,499	1,741	454,892	219,183	699,198
Decreases in plan equity:						
Benefits paid (note 4)	--	--	--	(32,535)	(23,002)	(55,537)
Realized loss on investments (note 3)	--	--	--	--	(9,262)	(9,262)
Interfund transfers	--	--	--	82	(82)	--
	--	--	--	(32,453)	(32,346)	(64,799)
Plan equity at September 30, 1991	$ 6,883	$ 16,499	$ 1,741	$1,291,147	$603,178	$1,919,448

See accompanying notes to financial statements.

Notes to Financial Statements

(1) Summary of Significant Accounting Policies

(a) Basis of Presentation

The accompanying financial statements have been prepared on the accrual basis.

(b) Investments in Master Trust

The fair value of the commingled equity, specialized equity, over- the-counter portfolio, and Asset Manager funds is based on the underlying market value of the investments. The money market fund is stated at cost which approximates fair value. The fixed income fund is stated at contract value which represents contributions plus interest at the contract rate, less benefits paid. The value of the Armstrong stock fund is based on quoted market price. The value of the loan portfolio fund represents the unpaid principal of employee loans.

Securities transactions are recognized on the settlement date (the date on which payment for a buy or sell order is made or received), since adjustment to a trade-date basis would not be material. Dividend income is recorded on the ex-dividend date.

Realized gains and losses on investments are determined by the average cost method.

(c) Expenses

All legal, accounting and administrative expenses associated with Plan operations are paid by the Company.

(2) Plan Description

Thomasville Furniture Industries, Inc. (the Company), a wholly-owned subsidiary of Armstrong World Industries, Inc., adopted on February 1, 1988, the Retirement Savings Plan for Hourly-Paid Employees of Thomasville Furniture Industries, Inc. (the Plan). The Plan is a defined contribution plan established for the purpose of providing to eligible hourly-paid employees a means for long-term savings intended for the accumulation of retirement income in addition to that provided under other retirement plans maintained for the benefit of employees. Effective January 1, 1992, the Plan was amended to provide for a participant loan feature.

The Company's Board of Directors amended the Plan, effective October 1, 1992, to permit former participants of the Capital Accumulation Plan for Commissioned Sales Representatives of Thomasville Furniture Industries, Inc. (the CAP Plan) to make a rollover contribution into the Plan of their CAP Plan account balances. During the Plan year ended September 30, 1993, rollover contributions made to the Plan totaled $5.9 million. The CAP Plan participants are fully vested with regard to their rollover amounts, but are ineligible to make further contributions to the Plan. CAP Plan participants are treated as members of the Plan with regard to provisions addressing investment, distribution, withdrawal, and loan eligibility.

During the Plan year ended September 30, 1993, four investment options were added to the Plan. Effective January 1, 1993, an over-the-counter portfolio mutual fund was made available for participant investment and, effective September 1, 1993, three Asset Manager mutual funds became investment options.

Participants may elect to make contributions to the Plan, up to 15 percent of their before-tax compensation, as deferred compensation as permitted under Section 401(k) of the Internal Revenue Code.

Separate accounts are maintained for contributions made by or on behalf of a participant. The accounts in each fund reflect the participants' contributions together with dividends, interest, other income, and realized and unrealized gains and losses allocated thereon.

Notes to Financial Statements, (Continued)

Participants have an immediate 100 percent vested interest with respect to their contributions and are fully vested with regard to matching company contributions made through October 1, 1989, the date of discontinuance of the matching feature.

(3) Investments in Master Trust

Through the Plan year ended September 30, 1990, assets of the Plan were held in a Master Trust administered by Wachovia Bank and Trust Co., N.A., as Trustee. Effective October 1, 1990, the Company appointed the Fidelity Management Trust Co. as the new Trustee of the Plan. The investment options offered to Plan participants by Fidelity are comparable to those which were made available by Wachovia.

Assets in the Master Trust, administered by Fidelity, are segregated into nine investment options: a commingled equity mutual fund (Fidelity U.S. Equity Index Portfolio), a specialized equity mutual fund (Fidelity Magellan), a money market mutual fund (Fidelity Return Money Market Portfolio), three Asset Manager mutual funds, an over-the-counter mutual fund (OTC Portfolio Fund), a fixed income fund, and an Armstrong stock fund. The Plan utilizes the Trustee and associated investment managers to direct investment activity. At September 30, 1993, Plan participants had funds invested in seven investment alternatives.

The following is a description of the investment funds to which Plan participants can elect to allocate their contributions.

1. Commingled Equity Fund - This fund is principally a portfolio of common stocks constructed and maintained with the objective of providing investment results which approximate the overall performance of the common stocks included in the Standard & Poor's Composite Index of 500 stocks. At September 30, 1993, there were 38 active participants in this investment fund.

2. Specialized Equity Fund - This fund invests in common stocks of companies having substantial growth prospects as determined by independent investment managers. At September 30, 1993, there were 81 active participants in this investment fund.

3. Money Market Fund - This fund invests in short-term (less than one year maturity) fixed income instruments such as U.S. Treasury Bills, bank certificates of deposit, and high grade commercial paper. At September 30, 1993, there were 13 active participants in this investment fund.

4. Fixed Income Fund - Contributions to this fund are invested in the general accounts of insurance companies and are credited at contracted interest rates. At September 30, 1993, the interest rates ranged between 5.69% and 16.00%. Invested principal and accumulated interest amounts are guaranteed against loss by the insurance company. At September 30, 1993, there were 537 active participants in this investment fund.

5. Asset Manager Fund - An asset allocation fund which invests in a portfolio of stocks, bonds, and short-term instruments. The fund has a balanced investment strategy with a goal of high total return with reduced risk over the long term. At September 30, 1993, there was one active participant in this investment fund.

6. Asset Manager Growth Fund - An asset allocation fund invested in a diversified mix of stocks, bonds, and short-term instruments. The fund's investment strategy is an aggressive one emphasizing stocks with the goal of maximum total return over the long term. At September 30, 1993, there were no active participants in this investment fund.

7. Asset Manager Income Fund - An asset allocation fund which invests in a diversified portfolio of stocks, bonds, and short-term instruments. The fund has a conservative investment strategy focusing on bonds and short- term instruments to achieve a high level of current income and capital preservation. At September 30, 1993, there were no active participants in this investment fund.

Notes to Financial Statements, (Continued)

8. OTC Portfolio Fund - This fund invests in securities traded in the over- the-counter securities market with the objective of maximizing capital appreciation. Over-the counter securities include common and preferred stocks, securities convertible into common stock, warrants, and debt instruments. At September 30, 1993, there was one active participant in the investment fund.

9. Armstrong Stock Fund - Amounts invested in this fund, along with dividend earnings thereon, are invested in Armstrong common sto ck. At September 30, 1993, there were 478 active participants in this investment fund. Common stock shares held by the fund at September 30, 1993 and 1992 were 19,900 and 19,669, respectively.

10. Loan Portfolio Fund - The amount in this fund represents the unpaid principal balances of loans made by Plan participants in accordance with established loan provision guidelines. At September 30, 1993, there were 96 loans outstanding.

The following table presents the cost and fair values of the investments in securities of the Master Trust at September 30, 1993 and 1992:

	September 30, 1993		September 30, 1992	
Investment	Cost	Fair Value	Cost	Fair Value
Commingled equity	$ 470,519	$ 499,160	$ 10,563	$ 12,302
Specialized equity	1,565,685	1,803,185	50,763	52,039
Money market	13,805	13,805	7,626	7,626
Fixed income	5,900,380	5,900,380	1,565,638	1,565,638
Armstrong stock	687,685	828,332	683,853	582,701
OTC protfolio	54,558	53,964	--	--
Asset manager	308	313	--	--
Loan portfolio	178,401	178,401	98,931	93,931
	$8,871,341	$9,277,540	$2,417,374	$2,319,237

The amounts of realized gain (loss) on investments in securities of the Master Trust for the years ended September 30, 1993, 1992, and 1991 are presented below:

	Aggregate	Aggregate	Realized
	Proceeds	Cost	Gain (Loss)
1993			
Commingled equity	$220,464	$213,452	$ 7,012
Specialized equity	238,812	236,257	2,555
Armstrong stock	76,506	82,305	(5,799)
OTC portfolio	104,846	104,064	782
	$640,628	$636,078	$ 4,550
1992			
Commingled equity	$ 402	$ 399	$ 3
Specialized equity	3,619	2,810	809
Armstrong stock	36,505	41,810	(5,305)
	$ 40,526	$ 45,019	$(4,493)

1991	Aggregate Proceeds	Aggregate Cost	Realized Gain (Loss)
Armstrong stock	$ 23,083	$ 32,345	$(9,262)

(4) Benefits

Under terms of the Plan, a participant (or a beneficiary) is eligible for benefits upon retirement, termination of employment, or death before retirement. Disbursement of the total amount credited to a participant's account is payable (i) in a lump sum or (ii) in the case of retirement, in such other manner as requested by the participant and approved by the Plan Administrator.

If the amount of a withdrawal exceeds the amount of contributions made by the participant and not previously withdrawn, the participant shall be ineligible to make contributions for a specified period, except that a participant may elect to withdraw all or any portion of his account attributable to tax deductible contributions.

Under the rules of the Plan, the participant may borrow up to 90 percent of his account, other than amounts attributable to tax deductible contributions or amounts invested in the Armstrong Stock Fund, with the approval of the Plan Administrator. The amount of the loan is transferred to a Loan Reserve pledged as security for the loan and is evidenced by a promissory note payable to the Plan. Interest rates are determined periodically by the Retirement Savings Plan Committee in accordance with prevailing interest rates. The loans are reflected in the Loan Portfolio investment fund. Loan repayments are made by payroll deductions or in a manner agreed to by the employee and the Plan Administrator.

(5) Obligation for Benefits

All the funds of the Plan are held by investing institutions appointed by the Company under a trust agreement or insurance contract. Benefits under the Plan are payable only out of these funds. The Company has no legal obligation to make any direct payment of benefits accrued under the Plan.

Except as may be provided in an insurance contract, neither the Company nor any investing institution guarantees the funds of the Plan against any loss or depreciation or guarantees the payment of any benefit hereunder. Although the Company has not expressed any intent to terminate the Plan, it may do so at any time. In case of termination or partial termination, the total amount in each employee's account will be distributed as the Plan Administrator directs.

(6) Federal Income Taxes

The Internal Revenue Service issued its latest determination letter on April 13, 1990, which stated that the Plan qualifies under the applicable provisions of the Internal Revenue Code and therefore is exempt from federal income taxes. The Plan has been amended to conform with current tax law changes. The amended Plan instruments will be submitted to the Internal Revenue Service for a letter of determination that the Plan continues to qualify as exempt from federal taxes. In the opinion of the Plan administrator, the Plan remains qualified under the applicable provisions of the Internal Revenue Code.

Independent Auditors' Report

The Retirement Committee
Thomasville Furniture Industries, Inc.

We have audited the accompanying statements of net assets of the Retirement Savings Plan for Hourly-Paid Employees of Thomasville Furniture Industries, Inc. as of September 30, 1993 and 1992 and the related statements of changes in plan equity for each of the years in the three-year period ended September 30, 1993. These financial statements are the responsibility of the Plan's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Retirement Savings Plan for Hourly-Paid Employees of Thomasville Furniture Industries, Inc. as of September 30, 1993 and 1992 and the changes in its plan equity for each of the years in the three-year period ended September 30, 1993, in conformity with generally accepted accounting principles.

KPMG PEAT MARWICK

Philadelphia, Pennsylvania
February 25, 1994

EXHIBIT INDEX

24 Consent of Independent Auditors

Exhibit No. 24

Consent of Independent Auditors

The Retirement Committee
Thomasville Furniture Industries, Inc.:

We consent to incorporation by reference in the Registration Statement No. 33- 18998 on Form S-8 of Armstrong World Industries, Inc. of our report dated February 25, 1994, relating to the statements of net assets of the Retirement Savings Plan for Hourly-Paid Employees of Thomasville Furniture Industries, Inc. as of September 30, 1993 and 1992 and the related statements of changes in plan equity for each of the years in the three-year period ended September 30, 1993, which report is included herein.

KPMG PEAT MARWICK

Philadelphia, Pennsylvania
March 22, 1994

Exhibit No. 28(ii)(d)

FORM 11-K

SECURITIES AND EXCHANGE COMMISSION
Washington, D. C. 20549

(Mark One)

[X] ANNUAL REPORT PURSUANT TO SECTION 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the fiscal year ended September 30, 1993

OR

[ ] TRANSITION REPORT PURSUANT TO SECTION 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from ____________________ to _______________________

Commission file number 1-2116

ARMSTRONG WORLD INDUSTRIES, INC.
EMPLOYEE STOCK OWNERSHIP PLAN
("SHARE IN SUCCESS PLAN")

(Full title of the Plan)

ARMSTRONG WORLD INDUSTRIES, INC.
Liberty and Charlotte Streets
Lancaster, Pennsylvania 17604

(Name of issuer of the securities held pursuant to the Plan and the address of its principal executive office)

Page No.

Item 1. Statements of Net Assets Available for Plan Benefits

September 30, 1993 and 1992 4

Item 2. Statements of Changes in Net Assets Available for Plan

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                  Benefits                                     5
                  --------

                (a) Year ended September 30, 1993
                (b) Year ended September 30, 1992
                (c) Year ended September 30, 1991

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SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, the members of the committee constituting the administrator which administers the plan have duly caused this annual report to be signed by the undersigned hereunto duly authorized.

ARMSTRONG WORLD INDUSTRIES, INC.
EMPLOYEE STOCK OWNERSHIP PLAN
("SHARE IN SUCCESS PLAN")

March 25, 1994 *By: /s/ E. Allen Deaver*

E. Allen Deaver
Chairman of the Retirement Committee

ARMSTRONG WORLD INDUSTRIES, INC.
EMPLOYEE STOCK OWNERSHIP PLAN

Statements of Net Assets Available for Plan Benefits September 30, 1993 and 1992

	1993			1992		
	Allocated	Unallocated	Total	Allocated	Unallocated	Total
Assets						
Investment in Armstrong World Industries, Inc. Preferred Stock (note 2)	$ 47,543,551	$ 216,483,904	$ 264,027,455	$ 35,521,083	$ 230,841,088	$ 266,362,171
Cash and short-term investments	3,261	972,034	975,295	54	1,006,462	1,006,516
Employee contributions receivable	--	505,921	505,921	--	478,460	478,460
Employer contributions receivable	--	1,134,655	1,134,655	--	733,683	733,683
Dividends receivable	1,007,039	4,587,620	5,594,659	752,909	4,892,935	5,645,844
Interest receivable	2	659	661	--	190	190
Total assets	48,553,853	223,684,793	272,238,646	36,274,046	237,952,818	274,226,864
Liabilities						
Guaranteed ESOP notes (note 5)	--	257,303,403	257,303,403	--	262,701,403	262,701,403
Accrued interest	--	6,425,906	6,425,906	--	6,674,337	6,674,337
Total liabilities	--	263,729,309	263,729,309	--	269,375,740	269,375,740
Net assets available for plan benefits	$ 48,553,853	$ (40,044,516)	$ 8,509,337	$ 36,274,046	$ (31,422,922)	$ 4,851,124

See accompanying notes to financial statements.

ARMSTRONG WORLD INDUSTRIES, INC.
EMPLOYEE STOCK OWNERSHIP PLAN

Statements of Changes in Net Assets Available for Plan Benefits Years Ended September 30, 1993, 1992 and 1991

	1993			1992		
	Allocated	Unallocated	Total	Allocated	Unallocated	Total
Increases:						
Employee contributions (note 1)	$ --	$5,956,851	$5,956,851	$ --	$5,836,465	$5,836,465
Employer contributions	--	3,274,572	3,274,572	--	2,338,248	2,338,248
Dividends (note 2)	3,043,702	16,174,289	19,217,991	2,170,867	17,192,736	19,363,603
Interest income	--	20,905	20,905	--	28,843	28,843
Allocation of preferred stock of Armstrong World Industries, Inc.	11,570,821	--	11,570,821	11,743,418	--	11,743,418
	14,614,523	25,426,617	40,041,140	13,914,285	25,396,292	39,310,577
Decreases:						
Interest expense	--	(22,477,390)	(22,477,390)	--	(22,980,291	(22,980,291)
Benefits paid (note 3)	(2,334,716)	--	(2,334,716)	(1,303,347)	--	(1,303,347)
Allocation of preferred stock of Armstrong World Industries, Inc.	--	(11,570,821)	(11,570,821)	--	(11,743,418)	(11,743,418)
	(2,334,716)	(34,048,211)	(36,382,927)	(1,303,347)	(34,723,709)	(36,027,056)
Net increase (decrease)	12,279,807	(8,621,594)	3,658,213	12,610,938	(9,327,417)	3,283,521
Net assets available for plan benefits:						
Beginning of period	36,274,046	(31,422,922)	4,851,124	23,663,108	(22,095,505)	1,567,603
End of period	$48,553,853	($40,044,516)	$8,509,337	$36,274,046	($31,422,922)	$4,851,124

	1991		
	Allocated	Unallocated	Total
Increases:			
Employee contributions (note 1)	$ --	$5,611,128	$5,611,128
Employer contributions	--	--	--
Dividends (note 2)	1,267,706	18,160,336	19,428,042
Interest income	--	64,148	64,148
Allocation of preferred stock of Armstrong World Industries, Inc.	11,981,706	--	11,981,706
	13,249,412	23,835,612	37,085,024
Decreases:			
Interest expense	--	(23,230,439)	(23,230,439)
Benefits paid (note 3)	(615,373)	--	(615,373)
Allocation of preferred stock of Armstrong World Industries, Inc.	--	(11,981,706)	(11,981,706)
	(615,373)	(35,212,145)	(35,827,518)
Net increase (decrease)	12,634,039	(11,376,533)	1,257,506
Net assets available for plan benefits:			
Beginning of period	11,029,069	(10,718,972)	310,097
End of period	$23,663,108	($22,095,505)	$1,567,603

See accompanying notes to financial statements.

Notes to Financial Statements

1. Plan Description

Armstrong World Industries, Inc. (the Company) established the Armstrong World Industries, Inc. Employee Stock Ownership Plan (the Plan) in 1989. The Plan, which is both a stock bonus plan with a cash or deferred arrangement and an employee stock ownership plan, is designed to attract and keep employees possessing the qualities required for future growth of the Company. The Plan intends to provide such employees with additional incentive for enhanced performance by permitting eligible employees to acquire a proprietary interest in the Company and to accumulate capital for future economic security.

All employees of the Company and of certain domestic subsidiaries, who are at least twenty-one years of age and have completed one year of service, are eligible to participate in the Plan except for foreign nationals, leased employees, and those employees in a collective bargaining unit unless the collective bargaining agent for that unit agrees to coverage under the Plan.

Under the Plan, participants receive interest in shares of Company preferred stock held by the trust established under the Plan. The shares of Company preferred stock held by the trust were purchased from the Company from the proceeds of the sale of the Guaranteed ESOP notes in a total principal amount of $270,000,000 in 1989. All shares of preferred stock acquired with the proceeds of the notes are held in a suspense account and released to members' accounts as the notes are repaid. The shares are released in proportion to the ratio of the proportion of principal and interest paid down by any debt payment to the total principal and interest to be paid over the life of the notes.

The Plan maintains three accounts for each member for contributions and allocations of shares from the suspense account. Participants who elect to reduce their before-tax compensation in amounts ranging from one percent to four percent (exchange contributions) will have such amounts credited to an exchange contribution account. Shares released from the suspense account will be first allocated to members' exchange contribution accounts with a value as of the allocation date equal to the amount of their exchange contributions.

Shares released from the suspense account not used for the purpose of exchange allocations will be allocated to members' equity accounts (equity allocations) based on an established shares released schedule. The equity account is intended to provide a source of funds to replace certain retiree medical benefits which were phased-out in conjunction with the adoption of this Plan. The allocation schedule, therefore, is designed to provide greater allocation of shares to older employees.

If any shares released from the suspense account remain unallocated after the exchange and equity allocations, such shares will be allocated to members' bonus accounts in proportion to the ratio of exchange contributions made by a member to the exchange contributions made by all members.

Participants have an immediate 100 percent vested interest with respect to their exchange contributions. Interest in the Equity and Bonus Accounts vest after five years of service.

2. Summary of Significant Accounting Policies

(a) Basis of Presentation

The accompanying financial statements have been prepared on an accrual basis.

(b) Investment in Armstrong World Industries, Inc., Preferred Stock

According to the terms of the trust agreement between Mellon Bank, N.A., the Trustee, and Armstrong World Industries, Inc., the Trustee manages a trust fund that has been created under the Plan and has been granted authority to purchase and sell stock of the Company as is necessary to administer the Plan in accordance with its terms.

The investment in Company preferred stock at September 30, 1993 and 1992, represents 5,529,371 and 5,578,265 shares, respectively, purchased at a cost per share of $47.75. Each share of preferred stock is convertible into one share of Company common stock. A dividend of $3.462 per share per annum is payable semi-annually on the preferred stock held in the trust. The preferred stock is redeemable at the option of the holder at a redemption price of $47.75 per share plus accrued but unpaid dividends.

(c) Expenses

All costs and expenses incurred in administering the Trust and the Plan are paid by the Company.

3. Benefits

Upon death or any other separation from service from the Company, participants are entitled to receive a distribution of their vested ESOP account. Distributions are in the form of a lump sum cash payment or, upon request, Company common stock. Participants entitled to a distribution can direct the Trustee to either sell their ESOP Preferred Shares to the Company at a per share price of $47.75 or convert the shares into shares of Company common stock on a one-for-one basis. Participants then may elect to receive their entire ESOP account balance in cash or Company common stock.

During the years ended September 30, 1993 and 1992, distributions were made to participants of $2,334,716, representing 48,894 shares, and $1,303,347 representing 27,296 shares, respectively.

4. Plan Termination

While it is intended to be permanent, the Plan may be terminated at anytime by the Company's Board of Directors. Upon Plan termination, all participants become fully vested in their entire ESOP account balance. Any unallocated shares held by the Trust will be either sold to the Company or converted to Company common stock and then sold to the Company or sold on the open market, whichever produces the greatest cash proceeds. The cash proceeds will be used to satisfy any outstanding Guaranteed ESOP notes, with the balance of any excess proceeds being allocated to individual ESOP account balances on a pro-rated basis.

5. Guaranteed ESOP Notes

The Company has guaranteed the payment of principal and interest on the notes. The notes must be repaid in semi-annual installments with interest per annum at 8.43% on the Series A Guaranteed Serial ESOP Notes due 1989- 2001 ($137,260,403 and $142,658,403 at September 30, 1993 and 1992, respectively) and 9.0% on the Series B Guaranteed Serial ESOP Notes due 2001-2004 ($120,043,000 at September 30, 1993 and 1992). The scheduled amortization of the notes for the next five fiscal years is as follows:
1994 - $7,349,000; 1995 - $9,549,000; 1996 - $12,023,000; 1997 - $14,801,000; 1998 - $17,908,000.

6. Company Contributions

The Company is obligated to make semi-annual contributions in cash or Company stock to the Plan, on June 15 and December 15 of each year, which when aggregated with all exchange contributions, dividends received by the Trustee on the preferred stock held by the Trust, and trust earnings, is at least equal to the amount necessary to enable the Trustee to pay currently maturing obligations under the Guaranteed ESOP notes.

7. Federal Income Taxes

The Plan has received a letter of favorable determination for tax qualifications from the Internal Revenue Service on August 20, 1991. Accordingly, the Plan qualifies under the provisions of Sections 401(a),
401(k), and 4975(e)(7) of the Internal Revenue Code and is exempt from federal income taxes.

INDEPENDENT AUDITORS' REPORT

The Retirement Committee
Armstrong World Industries, Inc.:

We have audited the accompanying statements of net assets available for plan benefits of the Armstrong World Industries, Inc. Employee Stock Ownership Plan as of September 30, 1993 and 1992 and the related statements of changes in net assets available for plan benefits for each of the years in the three-year period ended September 30, 1993. These financial statements are the responsibility of the plan's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Armstrong World Industries, Inc. Employee Stock Ownership Plan as of September 30, 1993 and 1992 and the changes in its net assets available for plan benefits for each of the years in the three-year period ended September 30, 1993, in conformity with generally accepted accounting principles.

KPMG PEAT MARWICK

Philadelphia, Pennsylvania
February 25, 1994

EXHIBIT INDEX

24 Consent of Independent Auditors

Exhibit No. 24

Consent of Independent Auditors

The Retirement Committee
Armstrong World Industries, Inc.:

We consent to incorporation by reference in the Registration Statement No. 33- 29768 on Form S-8 of Armstrong World Industries, Inc. of our report dated February 25, 1994, relating to the statements of net assets available for plan benefits of the Armstrong World Industries, Inc. Employee Stock Ownership Plan as of September 30, 1993 and 1992 and the related statements of changes in net assets available for plan benefits for each of the years in the three-year period ended September 30, 1993, which report is included herein.

KPMG PEAT MARWICK

Philadelphia, Pennsylvania
March 22, 1994

Exhibit No. 28(ii)(e)

FORM 11-K

SECURITIES AND EXCHANGE COMMISSION
Washington, D. C. 20549

(Mark One)

[X] ANNUAL REPORT PURSUANT TO SECTION 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the fiscal year ended September 30, 1993

OR

[ ] TRANSITION REPORT PURSUANT TO SECTION 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from ____________________ to ________________________

Commission file number 1-2116

SAVINGS PLAN FOR PRODUCTION AND MAINTENANCE EMPLOYEES OF AMERICAN OLEAN TILE COMPANY, INC.
1000 Cannon Avenue
Lansdale, PA 19446
(Full title of the Plan)

ARMSTRONG WORLD INDUSTRIES, INC.
Liberty and Charlotte Streets
Lancaster, Pennsylvania 17604

(Name of issuer of the securities held pursuant to the Plan and the address of its principal executive office)

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September 30, 1993 and 1992

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(a) Year ended September 30, 1993
(b) Year ended September 30, 1992
(c) Year ended September 30, 1991

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SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, the members of the committee constituting the administrator which administers the plan have duly caused this annual report to be signed by the undersigned hereunto duly authorized.

AMERICAN OLEAN TILE COMPANY, INC.
SAVINGS PLAN FOR PRODUCTION &
MAINTENANCE EMPLOYEES

March 25, 1994

By: /s/ Michael J. Farley

Michael J. Farley
Chairperson, Employee Benefits Administrative Authority for the American Olean Tile Company, Inc., Savings Plan for Production & Maintenance Employees

SAVINGS PLAN FOR PRODUCTION AND MAINTENANCE EMPLOYEES
OF AMERICAN OLEAN TILE COMPANY
Statements of Net Assets
September 30, 1993 and 1992

	1993						
	Commingled Equity Fund	Specialized Equity Fund	Money Market Fund	Fixed Income Fund	Armstrong Stock Fund	"OTC" Portfolio Fd.	Total
Assets:							
Investments in master trust at fair value (note 3)	$257,638	$668,079	$86,435	$3,122,566	$10,111	$24,959	$4,169,788
Total assets	$257,638	$668,079	$86,435	$3,122,566	$10,111	$24,959	$4,169,788
Plan equity	$257,638	$668,079	$86,435	$3,122,566	$10,111	$24,959	$4,169,788

	1992						
	Commingled Equity Fund	Specialized Equity Fund	Money Market Fund	Fixed Income Fund	Armstrong Stock Fund	"OTC" Portfolio Fd.	Total
Assets:							
Investments in master trust at fair value (note 3)	$252,326	$459,743	$72,228	$3,104,287	$18,800	$ --	$3,907,384
Total assets	$252,326	$459,743	$72,228	$3,104,287	$18,800	$ --	$3,907,384
Plan equity	$252,326	$459,743	$72,228	$3,104,287	$18,800	$ --	$3,907,384

See accompanying notes to financial statements.

SAVINGS PLAN FOR PRODUCTION AND MAINTENANCE EMPLOYEES
OF AMERICAN OLEAN TILE COMPANY, INC.
Statements of Changes in Plan Equity

Years Ended September 30, 1993, 1992, and 1991

	1993						
	Commingled Equity Fund	Specialized Equity Fund	Money Market Fund	Fixed Income Fund	Armstrong Stock Fund	"OTC" Portfolio Fd.	Total
Plan equity at October 1, 1992	$252,326	$459,743	$72,228	$3,104,287	$ 18,800	$--	$3,907,384
Increases in plan equity:							
Contributions	17,894	60,637	16,039	261,081	1,290	1,769	358,710
Dividends	7,827	62,000	2,373	--	524	1,866	74,590
Interest	--	--	--	235,754	--	--	235,754
Realized gain (loss) on investments (note 3)	2,706	(1,609)	--	--	1,485	--	2,582
Unrealized appreciation (depreciation) of investments	18,395	90,417	--	--	2,946	(496)	111,262
	46,822	211,445	18,412	496,835	6,245	3,139	782,898
Decreases in plan equity:							
Benefits paid	(30,004)	(26,158)	(9,669)	(454,479)	(184)	--	(520,494)
Interfund transfers	(11,506)	23,049	5,464	(24,077)	(14,750)	21,820	--
	(41,510)	(3,109)	(4,205)	(478,556)	(14,934)	21,820	(520,494)
Plan equity at September 30, 1993	$257,638	$668,079	$86,435	$3,122,566	$10,111	$24,959	$4,169,788

See accompanying notes to financial statements.

(Continued)

SAVINGS PLAN FOR PRODUCTION AND MAINTENANCE EMPLOYEES
OF AMERICAN OLEAN TILE COMPANY, INC.
Statements of Changes in Plan Equity, Continued

	1992					
	Commingled Equity Fund	Specialized Equity Fund	Money Market Fund	Fixed Income Fund	Armstrong Stock Fund	Total
Plan equity at October 1, 1991	$221,922	$415,299	$ 72,626	$2,818,105	--	$3,527,952
Increases in plan equity:						
Contributions	20,322	60,042	18,321	306,690	263	405,638
Dividends	8,967	58,102	2,931	--	357	70,357
Interest	271	3,026	45	257,703	--	261,045
	29,560	121,170	21,297	564,393	620	737,040
Decreases in plan equity:						
Benefits paid	(16,534)	(44,845)	(9,228)	(225,615)	--	(296,222)
Fees	--	--	(6)	(14)	--	(20)
Realized gain (loss) on investments (note 3)	1,004	(1,094)	--	--	--	(90)
Unrealized appreciation (depreciation) of investments	13,178	(18,940)	--	--	(220)	(5,982)
Transfers from (to) other employee benefit plans of Armstrong World Industries, Inc.	(4,122)	(16,970)	(1,683)	(32,519)	--	(55,294)
Interfund transfers	7,318	5,123	(10,778)	(20,063)	18,400	--
	844	(76,726)	(21,695)	(278,211)	18,180	(357,608)
Plan equity at September 30, 1992	$252,326	$459,743	$ 72,228	$3,104,287	$18,800	$3,907,384

See accompanying notes to financial statements

(Continued)

SAVINGS PLAN FOR PRODUCTION AND MAINTENANCE EMPLOYEES OF AMERICAN OLEAN TILE COMPANY, INC.
Statements of Changes in Plan Equity, Continued

	1991				
	Commingled Equity Fund	Specialized Equity Fund	Money Market Fund	Fixed Income Fund	Total
Plan equity at October 1, 1990	$233,836	$296,652	$85,295	$2,619,739	$3,235,522
Increases in plan equity:					
Contributions	19,837	34,596	10,483	322,350	387,266
Dividends	17,445	2,529	--	--	19,974
Interest	16	27	5,504	256,787	262,334
Unrealized appreciation of investments	50,134	90,978	--	--	141,112
	87,432	128,130	15,987	579,137	810,686
Decreases in plan equity:					
Benefits paid	(36,289)	(27,457)	(20,046)	(425,973)	(509,765)
Fees	--	--	(72)	--	(72)
Realized gain (loss) on investments (note 3)	(10,771)	2,352	--	--	(8,419)
Interfund transfers	(52,286)	15,622	(8,538)	45,202	--
	(99,346)	(9,483)	(28,656)	(380,771)	(518,256)
Plan equity at September 30, 1991	$221,922	$415,299	$72,626	$2,818,105	$3,527,952

See accompanying notes to financial statements.

Notes to Financial Statements

(1) Summary of Significant Accounting Policies

(a) Basis of Presentation

The accompanying financial statements have been prepared on the accrual basis.

(b) Investments in Master Trust

The fair value of the commingled equity, specialized equity, over- the-counter portfolio, and Asset Manager funds is based on the underlying market value of the investments. The money market fund is stated at cost which approximates fair value. The fixed income fund is stated at contract value which represents contributions plus interest at the contract rate, less benefits paid. The value of the Armstrong stock fund is based on quoted market price. The value of the loan portfolio fund represents the unpaid principal of employee loans.

Securities transactions are recognized on the settlement date (the date on which payment for a buy or sell order is made or received), since adjustment to a trade-date basis would not be material. Dividend income is recorded on the ex-dividend date.

Realized gains and losses on investments are determined by the average cost method.

(c) Expenses

All legal, accounting and administrative expenses associated with Plan operations are paid by the Company.

(2) Plan Description

The Plan is a defined contribution plan, the purpose of which is to provide a means for long-term savings intended for the accumulation of retirement income in addition to that provided under other retirement plans maintained for the benefit of employees of American Olean Tile Company, Inc. (the Company), a wholly-owned subsidiary of Armstrong World Industries, Inc. (Armstrong). The Plan is subject to the provisions of the Employee Retirement Income Security Act of 1974 (ERISA).

Participants may contribute to the Plan by electing an amount up to 10%, but not less than 2% of their compensation.

Until December 31, 1989, the Company made a matching contribution to the Plan in an amount equal to 50% of a participant's contribution, up to $400 per calendar year. Effective January 1, 1990, the matching Company contribution feature was discontinued.

In the event of a withdrawal during employment, a participant will not be permitted to resume making contributions until the first day of the following January, April, July, or October.

Separate accounts are maintained for contributions made by or on behalf of a participant. The accounts in each fund reflect the participants' and Company-matching contributions together with allocated dividends, interest, realized gains (losses) on investments, and unrealized appreciation (depreciation) of investments.

Participants have an immediate 100 percent vested interest with respect to their contributions and are fully vested with regard to matching company contributions made through January 1, 1990, the date of discontinuance of the matching feature.

(3) Investments in Master Trust

Through the Plan year ended September 30, 1991, assets of the Plan were held in a Master Trust administered by Wachovia Bank and Trust Co., N.A., as Trustee. Effective October 1, 1991, the Company appointed the Fidelity Management Trust Co. as the new Trustee of the Plan. The investment options offered to Plan participants by Fidelity are comparable to those which were made available by Wachovia, except that the Plan permitted an investment option in Armstrong common stock effective October 1, 1991.

Assets in the Master Trust, administered by Fidelity, are segregated into nine investment options: a commingled equity mutual fund (Fidelity U.S. Equity Index Portfolio), a specialized equity mutual fund (Fidelity Magellan), a money market mutual fund (Fidelity Return Money Market Portfolio), three Asset Manager mutual funds, an over-the-counter mutual fund (OTC Portfolio Fund), a fixed income fund, and an Armstrong stock fund. The Plan utilizes the Trustee and associated investment managers to direct investment activity. At September 30, 1993, Plan participants had funds invested in six of the investment alternatives.

The following is a description of the investment funds to which Plan participants can elect to allocate their contributions.

1. Commingled Equity Fund - This fund is principally a portfolio of common stocks constructed and maintained with the objective of providing investment results which approximate the overall performance of the common stocks included in the Standard & Poor's Composite Index of 500 stocks. At September 30, 1993, there were 105 active participants in this investment fund.

2. Specialized Equity Fund - This fund invests in common stocks of companies having substantial growth prospects as determined by independent investment managers. At September 30, 1993, there were 167 active participants in this investment fund.

3. Money Market Fund - This fund invests in short-term (less than one year maturity) fixed income instruments such as U.S. Treasury Bills, bank certificates of deposit, and high grade commercial paper. At September 30, 1993, there were 63 active participants in this investment fund.

4. Fixed Income Fund - Contributions to this fund are invested in the general accounts of insurance companies and are credited at contracted interest rates. At September 30, 1993, the interest rates ranged between 5.69% and 16.00%. Invested principal and accumulated interest amounts are guaranteed against loss by the insurance company. At September 30,1993, there were 519 active participants in this investment fund.

5. Asset Manager Fund - An asset allocation fund which invests in a portfolio of stocks, bonds, and short-term instruments. The fund has a balanced investment strategy with a goal of high total return with reduced risk over the long term. At September 30, 1993, there were no active participants in this investment fund.

6. Asset Manager Growth Fund - An asset allocation fund invested in a diversified mix of stocks, bonds, and short-term instruments. The fund's investment strategy is an aggressive one emphasizing stocks with the goal of maximum total return over the long term. At September 30, 1993, there were no active participants in this investment fund.

7. Asset Manager Income Fund - An asset allocation fund which invests in a diversified portfolio of stocks, bonds, and short-term instruments. The fund has a conservative investment strategy focusing on bonds and short- term instruments to achieve a high level of current income and capital preservation. At September 30, 1993, there were no active participants in this investment fund.

8. OTC Portfolio Fund - This fund invests in securities traded in the over- the-counter securities market with the objective of maximizing capital appreciation. Over-the counter securities include common and preferred stocks, securities convertible into common stock, warrants, and debt instruments. At September 30, 1993, there were 7 active participants in the investment fund.

SAVINGS PLAN FOR PRODUCTION AND MAINTENANCE EMPLOYEES OF AMERICAN OLEAN TILE COMPANY

Notes to Financial Statements, (Continued)

9. Armstrong Stock Fund - Amounts invested in this fund, along with dividend earnings thereon, are invested in Armstrong common stock. At September 30, 1993, there were 8 active participants in this investment fund. Common stock shares held by the fund at September 30, 1993 and 1992 were 243 and 635, respectively.

The following table presents the cost and fair values of the investments in securities of the Master Trust at September 30, 1993 and 1992:

	September 30, 1993		September 30, 1992	
Investment	Cost	Fair Value	Cost	Fair Value
Commingled equity	$ 226,065	$ 257,638	$ 239,148	$ 252,326
Specialized equity	596,602	668,079	478,683	459,743
Money market	86,435	86,435	72,228	72,228
Fixed income	3,122,566	3,122,566	3,104,287	3,104,287
Armstrong stock	7,385	10,111	19,020	18,800
OTC portfolio	25,455	24,959	--	--
	$4,064,508	$4,169,788	$3,913,366	$3,907,384

The amounts of realized gain (loss) on investments in securities of the Master Trust for the years ended September 30, 1993, 1992, and 1991 are presented below:

	Aggregate Proceeds	Aggregate Cost	Realized Gain (Loss)
1993			
Commingled equity	$ 42,010	$ 39,304	$ 2,706
Specialized equity	65,167	66,776	(1,609)
Armstrong stock	14,934	13,449	1,485
	$122,111	$119,529	$ 2,582
1992			
Commingled equity	$ 18,838	$ 17,834	$ 1,004
Specialized equity	65,798	66,892	(1,094)
	$ 84,636	$ 84,726	$ (90)
1991			
Commingled equity	$116,477	$127,248	$(10,771)
Specialized equity	86,317	83,965	2,352
	$202,794	$211,213	$ (8,419)

(4) Benefits

Under terms of the Plan, a participant (or a beneficiary) is eligible for benefits upon retirement, termination of employment, or death before retirement. Disbursement of the total amount credited to a participant's account is payable (i) in a lump sum or (ii) in the case of retirement, in such other manner as requested by the participant and approved by the Plan Administrator. In addition, a participant may elect to withdraw all or any part of his account attributable to his contributions.

If the amount of a withdrawal exceeds the amount of contributions made by the participant and not previously withdrawn, the participant shall be ineligible to make contributions for a specified period, except that a participant may elect to withdraw all or any portion of his account attributable to tax deductible contributions.

(5) Obligation for Benefits

All the funds of the Plan are held by investing institutions appointed by the Company under a trust agreement or insurance contract. Benefits under the Plan are payable only out of these funds. The Company has no legal obligation to make any direct payment of benefits accrued under the Plan.

Except as may be provided in an insurance contract, neither the Company nor any investing institution guarantees the funds of the Plan against any loss or depreciation or guarantees the payment of any benefit hereunder. Although the Company has not expressed any intent to terminate the Plan, it may do so at any time. In case of termination or partial termination, the total amount in each employee's account will be distributed as the Plan Administrator directs.

(6) Federal Income Taxes

The Internal Revenue Service has made a determination that the Plan has complied with the requirements of ERISA and, therefore, is qualified under the provisions of Section 401(a) of the Internal Revenue Code and is exempt from federal income tax.

Independent Auditors' Report

The Executive Committee
American Olean Tile Company, Inc.:

We have audited the accompanying statements of net assets of the Savings Plan for Production and Maintenance Employees of American Olean Tile Company, Inc. (the Plan) as of September 30, 1993 and 1992, and the related statements of changes in plan equity for each of the years in the three-year period ended September 30, 1993. These financial statements are the responsibility of the Plan's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Plan as of September 30, 1993 and 1992, and the changes in plan equity for each of the years in the three-year period ended September 30, 1993, in conformity with generally accepted accounting principles.

Philadelphia, Pennsylvania
March 16, 1994

EXHIBIT INDEX

24 Consent of Independent Auditors

Exhibit No. 24 Consent of Independent Auditors

The Executive Committee
American Olean Tile Company, Inc.:

We consent to incorporation by reference in the Registration Statement No. 33- 60070 on Form S-8 of Armstrong World Industries, Inc. of our report dated March 16, 1994 relating to the statements of net assets of the Savings Plan for Production and Maintenance Employees of American Olean Tile Company, Inc. as of September 30, 1993 and 1992 and the related statements of changes in plan equity for each of the years in the three-year period ended September 30, 1993, which report is included herein.

KPMG PEAT MARWICK

Philadelphia, Pennsylvania
March 22, 1994

Exhibit 28(ii)(f)

FORM 11-K

SECURITIES AND EXCHANGE COMMISSION
Washington, D. C. 20549

(Mark One)

[X] ANNUAL REPORT PURSUANT TO SECTION 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the fiscal year ended September 30, 1993

OR

[ ] TRANSITION REPORT PURSUANT TO SECTION 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from ____________________ to ________________________

Commission file number 1-2116

SAVINGS PLAN FOR SALARIED EMPLOYEES OF
AMERICAN OLEAN TILE COMPANY, INC.
1000 Cannon Avenue
Lansdale, PA 19446
(Full title of the Plan)

ARMSTRONG WORLD INDUSTRIES, INC.
Liberty and Charlotte Streets
Lancaster, Pennsylvania 17604

(Name of issuer of the securities held pursuant to the Plan and the address of its principal executive office)

Page No.

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September 30, 1993 and 1992

Item 2. Statements of Changes in Plan Equity 5-7

(a) Year ended September 30, 1993
(b) Year ended September 30, 1992
(c) Year ended September 30, 1991

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24. Consent of Independent Auditors 14

SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, the members of the committee constituting the administrator which administers the plan have duly caused this annual report to be signed by the undersigned hereunto duly authorized.

AMERICAN OLEAN TILE COMPANY, INC.
SAVINGS PLAN FOR SALARIED EMPLOYEES

March 25, 1994

By: /s/ Michael J. Farley

Michael J. Farley
Chairperson, Employee Benefits Administrative Authority for the American Olean Tile Company, Inc., Savings Plan for Salaried Employees

SAVINGS PLAN FOR SALARIED EMPLOYEES
OF AMERICAN OLEAN TILE COMPANY
Statements of Net Assets
September 30, 1993 and 1992

1993

	Commingled Equity Fund	Specialized Equity Fund	Money Market Fund	Fixed Income Fund	Armstrong Stock Fund	"OTC" Portfolio Fd.
Assets:						
Investments in master trust at fair value (note 3)	$1,344,427	$2,250,245	$379,911	$10,423,771	$47,845	$175,265
Total assets	$1,344,427	$2,250,245	$379,911	$10,423,771	$47,845	$175,265
Plan equity	$1,344,427	$2,250,245	$379,911	$10,423,771	$47,845	$175,265

	Asset Manager Fund	Asset Mgr. Growth Fund	Loan Portfolio Fund	Total
Assets:				
Investments in master trust at fair value (note 3)	$80	$17,153	$423,830	$15,062,527
Total assets	$80	$17,153	$423,830	$15,062,527
Plan equity	$80	$17,153	$423,830	$15,062,527

1992

	Commingled Equity Fund	Specialized Equity Fund	Money Market Fund	Fixed Income Fund	Armstrong Stock Fund	"OTC" Portfolio Fd.
Assets:						
Investments in master trust at fair value (note 3)	$1,205,383	$ 1,397,522	$461,412	$10,144,449	$21,271	$--
Total assets	$1,205,383	$ 1,397,522	$461,412	$10,144,449	$21,271	$--
Plan equity	$1,205,383	$ 1,397,522	$461,412	$10,144,449	$21,271	$--

	Asset Manager Fund	Asset Mgr. Growth Fund	Loan Portfolio Fund	Total
Assets:				
Investments in master trust at fair value (note 3)	$--	$--	$275,100	$13,505,137
Total assets	$--	$--	$275,100	$13,505,137
Plan equity	$--	$--	$275,100	$13,505,137

See accompanying notes to financial statements.

SAVINGS PLAN FOR SALARIED EMPLOYEES
OF AMERICAN OLEAN TILE COMPANY, INC.
Statements of Changes in Plan Equity

Years Ended September 30, 1993, 1992, and 1991

	1993					
	Commingled Equity Fund	Specialized Equity Fund	Money Market Fund	Fixed Income Fund	Armstrong Stock Fund	"OTC" Portfolio Fd.
Plan equity at October 1, 1992	$1,205,383	$1,397,522	$ 461,412	$10,144,449	$21,271	$ --
Increases in plan equity:						
Contributions	157,397	268,666	76,458	623,188	12,670	27,550
Dividends	39,894	194,534	12,385	--	1,054	13,252
Interest	4,374	8,879	2,992	828,198	21	915
Realized gain(loss) on investments (note 3)	20,198	919	--	--	(52)	162
Unrealized appreciation (depreciation) of investments	90,326	296,726	--	--	12,140	(3,087)
Loan (advances) and repayments, net	(26,357)	(18,752)	(25,237)	(71,144)	311	2,548
Transfers (to) from other employee benefit plans of Armstrong World Industries, Inc.	1,478	76,216	--	8,930	2,576	11,638
	287,310	827,188	66,598	1,389,172	28,720	52,978
Decreases in plan equity:						
Benefits paid	(114,149)	(124,922)	(72,439)	(924,027)	(1,051)	(7,670)
Interfund transfers	(34,117)	150,457	(75,660)	(185,823)	(1,095)	129,957
	(148,266)	25,535	(148,099)	(1,109,850)	(2,146)	122,287
Plan equity at September 30, 1993	$1,344,427	$2,250,245	$ 379,911	$10,423,771	$47,845	$175,265

	Asset Manager Fund	Asset Mgr. Growth Fund	Loan Portfolio Fund	Total
Plan equity at October 1, 1992	$--	$ --	$275,100	$13,505,137
Increases in plan equity:				
Contributions	80	591	--	1,166,600
Dividends	--	--	--	261,119
Interest	--	46	--	845,425
Realized gain(loss) on investments (note 3)	--	--	--	21,227
Unrealized appreciation (depreciation) of investments	--	164	--	369,269
Loan (advances) and repayments, net	--	71	138,560	--
Transfers (to) from other employee benefit plans of Armstrong World Industries, Inc.	--	--	10,170	111,008
	80	872	148,730	2,801,648
Decreases in plan equity:				
Benefits paid	--	--	--	(1,244,258)
Interfund transfers	--	16,281	--	--
	--	16,281	--	(1,244,258)
Plan equity at September 30, 1993	$80	$17,153	$423,830	$15,062,527

See accompanying notes to financial statements.

(Continued)

SAVINGS PLAN FOR SALARIED EMPLOYEES OF AMERICAN OLEAN TILE COMPANY, INC.
Statements of Changes in Plan Equity, Continued

	1992						
	Commingled Equity Fund	Specialized Equity Fund	Money Market Fund	Fixed Income Fund	Armstrong Stock Fund	Loan Portfolio Fund	Total
Plan equity at October 1, 1991	$897,517	$1,079,119	$437,425	$9,247,970	$--	$230,494	$11,892,525
Increases in plan equity:							
Contributions	144,238	205,304	82,848	708,363	5,387	--	1,146,140
Dividends	39,528	160,851	17,977	--	436	--	218,792
Interest	780	8,144	--	851,354	--	42,349	902,627
Realized gain (loss) on investments (note 3)	6,188	(319)	--	--	(3)	--	5,866
Unrealized appreciation (depreciation) of investments	60,139	(50,625)	--	--	(3,582)	--	5,932
Transfers from (to) other employee benefit plans of Armstrong World Industries, Inc.	78,421	20,620	27,440	58,510	18,779	6,380	210,150
	329,294	343,975	128,265	1,618,227	21,017	48,729	2,489,507
Decreases in plan equity:							
Benefits paid	(76,406)	(72,564)	(11,693)	(716,136)	(41)	--	(876,840)
Fees	--	--	(35)	(20)	--	--	(55)
Interfund transfers	54,978	46,992	(92,550)	(5,592)	295	(4,123)	--
	(21,428)	(25,572)	(104,278)	(721,748)	254	(4,123)	(876,895)
Plan equity at September 30, 1992	$1,205,383	$1,397,522	$ 461,412	$10,144,449	$21,271	$275,100	$13,505,137

See accompanying notes to financial statements.

(Continued)

SAVINGS PLAN FOR SALARIED EMPLOYEES
OF AMERICAN OLEAN TILE COMPANY, INC.
Statements of Changes in Plan Equity, Continued

	1991					
	Commingled Equity Fund	Specialized Equity Fund	Money Market Fund	Fixed Income Fund	Loan Portfolio Fund	Total
Plan equity at October 1, 1990	$859,037	$691,650	$339,210	$8,211,379	$206,563	$10,307,839
Increases in plan equity:						
Contributions	106,910	87,527	78,574	883,023	--	1,156,034
Dividends	66,715	6,042	--	--	--	72,757
Interest	65	63	26,733	807,835	25,720	860,416
Unrealized appreciation (depreciation) of investments	200,622	230,098	--	--	--	430,720
	374,312	323,730	105,307	1,690,858	25,720	2,519,927
Decreases in plan equity:						
Benefits paid	(113,710)	(73,137)	(40,429)	(660,526)	(6,061)	(893,863)
Fees	--	--	(358)	--	--	(358)
Realized gain (loss) on investments (note 3)	(42,262)	6,082	--	--	--	(36,180)
Transfers from (to) other employee benefit plans of Armstrong World Industries, Inc.	(5,665)	(13,142)	(1,673)	7,114	8,526	(4,840)
Interfund transfers	(174,195)	143,936	35,368	(855)	(4,254)	--
	(335,832)	63,739	(7,092)	(654,267)	(1,789)	(935,241)
Plan equity at September 30, 1991	$ 897,517	$1,079,119	$437,425	$9,247,970	$230,494	$11,892,525

See accompanying notes to financial statements.

SAVINGS PLAN FOR SALARIED EMPLOYEES OF AMERICAN OLEAN TILE COMPANY

Notes to Financial Statements

(1) Summary of Significant Accounting Policies

(a) Basis of Presentation

The accompanying financial statements have been prepared on the accrual basis.

(b) Investments in Master Trust

The fair value of the commingled equity, specialized equity, over- the-counter portfolio, and Asset Manager funds is based on the underlying market value of the investments. The money market fund is stated at cost which approximates fair value. The fixed income fund is stated at contract value which represents contributions plus interest at the contract rate, less benefits paid. The value of the Armstrong stock fund is based on quoted market price. The value of the loan portfolio fund represents the unpaid principal of employee loans.

Securities transactions are recognized on the settlement date (the date on which payment for a buy or sell order is made or received), since adjustment to a trade-date basis would not be material. Dividend income is recorded on the ex-dividend date.

Realized gains and losses on investments are determined by the average cost method.

(c) Expenses

All legal, accounting and administrative expenses associated with Plan operations are paid by the Company.

(2) Plan Description

The Plan is a defined contribution plan, the purpose of which is to provide a means for long-term savings intended for the accumulation of retirement income in addition to that provided under other retirement plans maintained for the benefit of employees of American Olean Tile Company, Inc. (the Company), a wholly-owned subsidiary of Armstrong World Industries, Inc. (Armstrong). The Plan is subject to the provisions of the Employee Retirement Income Security Act of 1974 (ERISA).

Participants may contribute to the Plan in each of the following methods:

1. Up to 15%, but not less than 2%, of their compensation as deferred compensation as permitted under Section 401(k) of the Internal Revenue Code.

2. Up to 10%, but not less than 2%, of their compensation.

Until December 31, 1989, the Company made a matching contribution to the Plan in an amount equal to 50% of a participant's contribution, up to $400 per calendar year. Effective January 1, 1990, the matching Company contribution feature was discontinued.

In the event of a withdrawal during employment of amounts attributable to before-tax contributions, a participant will not be permitted to resume making contributions until the first day of January, April, July, or October which follows twelve months from the date of the withdrawal.

In the event of a withdrawal during employment of amounts attributable to after-tax contributions, a participant will not be permitted to resume making contributions until the first day of the following January, April, July, or October.

Separate accounts are maintained for contributions made by or on behalf of a participant. The accounts in each fund reflect the participants' and Company-matching contributions together with allocated dividends, interest, realized gains (losses) on investments, and unrealized appreciation (depreciation) of investments.

Participants have an immediate 100 percent vested interest with respect to their contributions and are fully vested with regard to matching company contributions made through January 1, 1990, the date of discontinuance of the matching feature.

Under the rules of the Plan, a participant may borrow up to 50% of his or her account other than amounts attributable to after-tax contributions or amounts invested in the Armstrong Stock Fund attributable to Company- matching contributions, subject to a $50,000 maximum, with the approval of the Plan Administrator. The amount of the loan is transferred to a loan portfolio fund pledged as security for the loan and is evidenced by a promissory note payable to the Plan. Interest rates are determined periodically by the Company in accordance with prevailing interest rates. Loan repayments are made by payroll deductions or in a manner agreed to by the participant and the Plan Administrator.

(3) Investments in Master Trust

Through the Plan year ended September 30, 1991, assets of the Plan were held in a Master Trust administered by Wachovia Bank and Trust Co., N.A., as Trustee. Effective October 1, 1991, the Company appointed the Fidelity Management Trust Co. as the new Trustee of the Plan. The investment options offered to Plan participants by Fidelity are comparable to those which were made available by Wachovia, except that the Plan permitted an investment option in Armstrong common stock effective October 1, 1991.

Assets in the Master Trust, administered by Fidelity, are segregated into nine investment options: a commingled equity mutual fund (Fidelity U.S. Equity Index Portfolio), a specialized equity mutual fund (Fidelity Magellan), a money market mutual fund (Fidelity Return Money Market Portfolio), three Asset Manager mutual funds, an over-the-counter mutual fund (OTC Portfolio Fund), a fixed income fund, and an Armstrong stock fund. The Plan utilizes the Trustee and associated investment managers to direct investment activity. At September 30, 1993, Plan participants had funds invested in eight of the investment alternatives.

The following is a description of the investment funds to which Plan participants can elect to allocate their contributions.

1. Commingled Equity Fund - This fund is principally a portfolio of common stocks constructed and maintained with the objective of providing investment results which approximate the overall performance of the common stocks included in the Standard & Poor's Composite Index of 500 stocks. At September 30, 1993, there were 236 active participants in this investment fund.

2. Specialized Equity Fund - This fund invests in common stocks of companies having substantial growth prospects as determined by independent investment managers. At September 30, 1993, there were 290 active participants in this investment fund.

3. Money Market Fund - This fund invests in short-term (less than one year maturity) fixed income instruments such as U.S. Treasury Bills, bank certificates of deposit, and high grade commercial paper. At September 30, 1993, there were 140 active participants in this investment fund.

4. Fixed Income Fund - Contributions to this fund are invested in the general accounts of insurance companies and are credited at contracted interest rates. At September 30, 1993, the interest rates ranged between 5.69% and 16.00%. Invested principal and accumulated interest amounts are guaranteed against loss by the insurance company. At September 30, 1993, there were 569 active participants in this investment fund.

5. Asset Manager Fund - An asset allocation fund which invests in a portfolio of stocks, bonds, and short-term instruments. The fund has a balanced investment strategy with a goal of high total return with reduced risk over the long term. At September 30, 1993, there was one active participant in this investment fund.

6. Asset Manager Growth Fund - An asset allocation fund invested in a diversified mix of stocks, bonds, and short-term instruments. The fund's investment strategy is an aggressive one emphasizing stocks with the goal of maximum total return over the long term. At September 30, 1993, there were 7 active participants in this investment fund.

7. Asset Manager Income Fund - An asset allocation fund which invests in a diversified portfolio of stocks, bonds, and short-term instruments. The fund has a conservative investment strategy focusing on bonds and short- term instruments to achieve a high level of current income and capital preservation. At September 30, 1993, there were no active participants in this investment fund.

8. OTC Portfolio Fund - This fund invests in securities traded in the over- the-counter securities market with the objective of maximizing capital appreciation. Over-the counter securities include common and preferred stocks, securities convertible into common stock, warrants, and debt instruments. At September 30, 1993, there were 37 active participants in the investment fund.

9. Armstrong Stock Fund - Amounts invested in this fund, along with dividend earnings thereon, are invested in Armstrong common stock. At September 30, 1993, there were 49 active participants in this investment fund. Common stock shares held by the fund at September 30, 1993 and 1992 were 1,149 and 718, respectively.

10. Loan Portfolio Fund - The amount in this fund represents the unpaid principal balances of loans made by Plan participants in accordance with established loan provision guidelines. At September 30, 1993, there were 105 loans outstanding.

The following table presents the cost and fair values of the investments in securities of the Master Trust at September 30, 1993 and 1992:

	September 30, 1993		September 30, 1992	
Investment	Cost	Fair Value	Cost	Fair Value
Commingled equity	$ 1,193,962	$ 1,344,427	$ 1,145,244	$ 1,205,383
Specialized equity	2,004,144	2,250,245	1,448,147	1,397,522
Money market	379,911	379,911	461,412	461,412
Fixed income	10,423,771	10,423,771	10,144,449	10,144,449
Armstrong stock	39,287	47,845	24,853	21,271
OTC portfolio	178,352	175,265	--	--
Asset manager	80	80	--	--
Asset manager growth	16,989	17,153	--	--
Loan portfolio	423,830	423,830	275,100	275,100
	$14,660,326	$15,062,527	$13,499,205	$13,505,137

The amounts of realized gain (loss) on investments in securities of the Master Trust for the years ended September 30, 1993, 1992, and 1991 are presented below:

1993	Aggregate Proceeds	Aggregate Cost	Realized Gain (Loss)
Commingled equity	$233,149	$212,951	$ 20,198
Specialized equity	252,641	251,722	919
Armstrong stock	2,396	2,448	(52)
OTC portfolio	16,404	16,242	162
	$504,590	$483,363	$ 21,227

	Aggregate Proceeds	Aggregate Cost	Realized Gain (Loss)
1992			
Commingled equity	$ 93,842	$ 87,654	$ 6,188
Specialized equity	77,944	78,263	(319)
Armstrong stock	41	44	(3)
	$171,827	$165,961	$ 5,866
1991			
Commingled equity	$457,017	$499,279	$(42,262)
Specialized equity	223,206	217,124	6,082
	$680,223	$716,403	$(36,180)

(4) Benefits

Under terms of the Plan, a participant (or a beneficiary) is eligible for benefits upon retirement, termination of employment, or death before retirement. Disbursement of the total amount credited to a participant's account is payable (i) in a lump sum or (ii) in the case of retirement, in such other manner as requested by the participant and approved by the Plan Administrator. In addition, a participant may elect to withdraw all or any part of his account attributable to his contributions.

If the amount of a withdrawal exceeds the amount of contributions made by the participant and not previously withdrawn, the participant shall be ineligible to make contributions for a specified period, except that a participant may elect to withdraw all or any portion of his account attributable to tax deductible contributions.

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Except as may be provided in an insurance contract, neither the Company nor any investing institution guarantees the funds of the Plan against any loss or depreciation or guarantees the payment of any benefit hereunder. Although the Company has not expressed any intent to terminate the Plan, it may do so at any time. In case of termination or partial termination, the total amount in each employee's account will be distributed as the Plan Administrator directs.

(6) Federal Income Taxes

The Internal Revenue Service has made a determination that the Plan has complied with the requirements of ERISA and, therefore, is qualified under the provisions of Section 401(a) of the Internal Revenue Code and is exempt from federal income tax.

Independent Auditors' Report

The Executive Committee
American Olean Tile Company, Inc.:

We have audited the accompanying statements of net assets of the Savings Plan for Salaried Employees of American Olean Tile Company, Inc. (the Plan) as of September 30, 1993 and 1992, and the related statements of changes in plan equity for each of the years in the three-year period ended September 30, 1993. These financial statements are the responsibility of the Plan's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Plan as of September 30, 1993 and 1992, and the changes in its plan equity for each of the years in the three-year period ended September 30, 1993, in conformity with generally accepted accounting principles

KPMG PEAT MARWICK

Philadelphia, Pennsylvania
March 16, 1994

EXHIBIT INDEX

24 Consent of Independent Auditors

Exhibit No. 24

Consent of Independent Auditors

The Executive Committee
American Olean Tile Company, Inc.:

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KPMG PEAT MARWICK

Philadelphia, Pennsylvania
March 22, 1994

End of Filing

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