



American Bilrite Inc.



2012 Annual  
Report

## Financial Highlights

(dollars in thousands, except per share amounts)

Years ended December 31,	2012	2011	2010
Net sales	<b>\$213,659</b>	\$208,733	\$201,628
Income (loss) from operations	<b>184</b>	(1,131)	4,041
Net (loss) income from continuing operations	<b>(301)</b>	(1,654)	4,231
Net (loss) income per share from continuing operations, adjusted for reverse stock split			
Basic	<b>(8.76)</b>	(48.11)	122.94
Diluted	<b>(8.76)</b>	(48.11)	122.78

## Company Profile

The **TAPE/IDEAL** division of American Biltrite provides a global customer base with a wide variety of specialized pressure sensitive tapes, films, and protective sheeting. It manufactures these by coating various substrates (paper, film, foil, nylon, polyester films, glass cloth, and others) using adhesive systems formulated with water and solvent-based materials. These products are manufactured in Moorestown, New Jersey and Lowell, Massachusetts, and marketed worldwide with divisional converting facilities in Belgium, Italy and Singapore and sales offices in China and South Korea. Served markets include automotive and transportation; construction (HVAC, Insulation, Electrical); shoe/footwear; graphic arts, print and signage; and various other industrial and consumer applications. The division's products are sold by a dedicated sales organization, distributors, as well as select manufacturers' representatives in North America, Europe, and Asia.

**AMERICAN BILTRITE (CANADA) LTD.** manufactures and distributes commercial and residential flooring as well as Performance Sheet Rubber throughout North America. The commercial flooring business primarily serves the healthcare, educational and institutional sectors, offering resilient products with high aesthetics, great durability, low maintenance and excellent environmental qualities. The Performance Sheet Rubber business supplies companies with materials for a host of industrial applications, in a broad range of elastomers, widths, sizes and gauges. The division has strong capabilities in R&D, technical expertise and product innovation, with an extensive network of distribution centers across North America.

**K&M ASSOCIATES L.P.** is one of the United States' largest suppliers of costume jewelry. Its main office and distribution center are located in Providence, Rhode Island. K&M also has showrooms and offices in New York City and offices in two locations in China for logistics, quality control and product development support. K&M successfully serves all levels of retail trade in the U.S. and Canada from mass market to upper tier department stores. K&M's industry leading department store fashion brands are Guess® and T Tahari®. K&M's recognized marketplace strengths are its quality product and logistical capabilities supported by partnerships with its customers in technology, product development, analysis, and merchandising services.

American Bilrite Inc. and Subsidiaries

Consolidated Statements of Operations

(In thousands of dollars, except share and per share amounts)

	<b>Years Ended December 31</b>	
	<b>2012</b>	<b>2011</b>
<b>Net sales</b>	<b>\$213,659</b>	\$208,733
Cost of products sold	<b>162,232</b>	159,991
Selling, general & administrative expenses	<b>51,243</b>	49,873
<b>Income (loss) from operations</b>	<b>184</b>	(1,131)
Other income (expense)		
Interest expense	<b>(758)</b>	(835)
Other income	<b>646</b>	499
	<b>(112)</b>	(336)
Income (loss) before income taxes and other items	<b>72</b>	(1,467)
Provision for income taxes	<b>372</b>	186
Net loss	<b>(300)</b>	(1,653)
Noncontrolling interests	<b>(1)</b>	(1)
<b>Net loss attributable to controlling interest</b>	<b>\$ (301)</b>	<b>\$ (1,654)</b>
Net loss attributable to controlling interest per common share:		
Basic and diluted	<b>\$ (8.76)</b>	\$ (48.11)
Weighted average shares outstanding:		
Basic and diluted	<b>34,377</b>	34,377

American Bilrite Inc. and Subsidiaries

Consolidated Balance Sheets – Assets  
*(In thousands of dollars)*

	<b>December 31</b>	
	<b>2012</b>	<b>2011</b>
<b>Assets</b>		
Current assets:		
Cash and cash equivalents	\$ 1,604	\$ 979
Short-term investments	2,500	2,400
Accounts receivable, less allowances for doubtful accounts and discounts of \$2,141 in 2012 and \$1,842 in 2011	19,771	20,087
Inventories	35,539	39,460
Income taxes	1,209	217
Prepaid expense & other current assets	3,485	2,310
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<b>Total current assets</b>	<b>64,108</b>	<b>65,453</b>
Property, plant & equipment, net	28,005	28,502
<b>Other assets:</b>		
Insurance receivable for asbestos-related liabilities	31,921	17,646
Other assets	7,833	9,393
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	<b>39,754</b>	<b>27,039</b>
	<hr/>	<hr/>
<b>Total assets</b>	<b>\$131,867</b>	<b>\$120,994</b>

American Bilrite Inc. and Subsidiaries

Consolidated Balance Sheets – Liabilities and Stockholders' Equity  
(In thousands of dollars)

	<b>December 31</b>	
	<b>2012</b>	<b>2011</b>
<b>Liabilities</b>		
Current liabilities:		
Accounts payable	\$ 10,135	\$ 9,154
Accrued expenses	15,466	14,330
Notes payable	4,778	8,995
Current portion of long-term debt	1,472	1,458
<b>Total current liabilities</b>	<b>31,851</b>	<b>33,937</b>
Long-term debt, less current portion	2,880	4,299
Asbestos-related liabilities	31,990	17,700
Other liabilities	21,848	21,151
<b>Total liabilities</b>	<b>88,569</b>	<b>77,087</b>
<b>Stockholders' equity</b>		
Common stock and additional paid in capital (common stock par value \$.01, authorized 150,000 shares, issued 45,985 shares, and 34,377 shares outstanding at December 31, 2012 and 2011)	20,282	20,162
Less cost of common stock in treasury (11,608 shares at December 31, 2012 and 2011)	(14,959)	(14,958)
Retained earnings	44,814	45,115
Accumulated other comprehensive loss	(7,783)	(7,355)
Total stockholders' equity of controlling interests	42,354	42,964
Noncontrolling interests	944	943
Total stockholders' equity	43,298	43,907
<b>Total liabilities and stockholders' equity</b>	<b>\$131,867</b>	<b>\$120,994</b>

American Bilrite Inc. and Subsidiaries

Consolidated Statements of Cash Flows  
(In thousands of dollars)

	<b>Years Ended December 31</b>	
	<b>2012</b>	<b>2011</b>
<b>Operating activities</b>		
Net loss	\$ (300)	\$ (1,653)
Adjustments to reconcile net loss to net cash provided (used) by operating activities:		
Depreciation and amortization	3,885	4,343
Provision for doubtful accounts and discounts	3,113	2,447
Stock compensation expense	164	164
Deferred taxes	257	643
Change in operating assets and liabilities:		
Accounts and notes receivable	(2,630)	(917)
Inventories	4,334	(1,352)
Prepaid expenses and other assets	(1,161)	181
Accounts payable and accrued expenses	1,779	(1,300)
Income taxes	(51)	(1,095)
Other	652	(1,998)
<b>Net cash provided (used) by operating activities</b>	<b>10,042</b>	<b>(537)</b>
<b>Investing activities</b>		
Investments in property, plant and equipment	(2,606)	(2,569)
Purchase of short-term investments	(2,500)	(4,800)
Proceeds from sale of short-term investments	2,400	4,800
<b>Net cash used in investing activities</b>	<b>(2,706)</b>	<b>(2,569)</b>
<b>Financing activities</b>		
Net short-term (payments) borrowings	(4,255)	4,402
Payments on long-term debt	(1,412)	(1,581)
Proceeds from exercise of stock options	-	2
Purchase of stock	(45)	-
<b>Net cash (used) provided in financing activities</b>	<b>(5,712)</b>	<b>2,823</b>
Effect of foreign exchange rate changes on cash	(999)	395
<b>Net increase in cash</b>	<b>625</b>	<b>112</b>
Cash and cash equivalents at beginning of year	979	867
<b>Cash and cash equivalents at end of year</b>	<b>\$ 1,604</b>	<b>\$ 979</b>

## Board of Directors

**Leo R. Breitman**  
Former Chairman and  
Chief Executive Officer  
Fleet Bank—Massachusetts

**John C. Garrels III**  
Former Director, Global Banking  
The First National Bank of Boston

**Mark N. Kaplan**  
Of Counsel  
Skadden, Arps, Slate, Meagher & Flom LLP

**Richard G. Marcus**  
President and Chief Operating Officer

**Roger S. Marcus**  
Chairman of the Board and  
Chief Executive Officer

**William M. Marcus**  
Executive Vice President and Treasurer

**Mark S. Newman**  
Former Chairman of the Board,  
President and Chief Executive Officer  
DRS Technologies, Inc.

**Kenneth I. Watchmaker**  
Former Executive Vice President and  
Chief Financial Officer  
Reebok International Ltd.

## Corporate Officers

**Roger S. Marcus**  
Chairman of the Board and  
Chief Executive Officer

**Richard G. Marcus**  
President and Chief Operating Officer

**William M. Marcus**  
Executive Vice President and Treasurer

**Howard N. Feist III**  
Vice President—Finance and  
Chief Financial Officer

**Roch Leblanc**  
Vice President and General Manager  
American Biltrite (Canada) Ltd.

**Michael J. Merx**  
Vice President and General Manager  
Tape Division

**Diana Lew**  
Controller

**Adele Muller**  
Assistant Treasurer

## Corporate Information

### TRANSFER AGENT AND REGISTRAR

Registrar and Transfer Company  
10 Commerce Drive  
Cranford, New Jersey 07016-3572  
(800) 368-5948

### COUNSEL

Skadden, Arps, Slate, Meagher & Flom LLP  
Boston, Massachusetts

### AUDITORS

Ernst & Young LLP  
Boston, Massachusetts

### STOCK MARKET LISTING

OTC Pink Market  
Symbol—ABLT.PK



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