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AMERICAN BILTRITE INC
Form 10-K
March 30, 2004

SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-K

ANNUAL REPORT PURSUANT TO SECTION 13 or 15(d) OF
THE SECURITIES EXCHANGE ACT OF 1934

For the fiscal year ended December 31, 2003

Commission File Number 1-4773

AMERICAN BILTRITE INC.
(Exact name of registrant as specified in its charter)

DELAWARE
(State or Other Jurisdiction of
Incorporation or organization)

04-1701350
(IRS Employer Identification No.)

57 River Street
Wellesley Hills, MA 02481-2097
(Address of Principal Executive Offices)
(781) 237-6655
(Registrant's telephone number, including area code)

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

Title of Each Class -----	Name of Exchange on Which Registered -----
Common Stock, \$.01 Par Value	American Stock Exchange

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 No

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (229.405 of this chapter) 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.

Indicate by check mark whether the registrant is an accelerated filer (as defined in Exchange Act Rule 12b-2). Yes No

The aggregate market value of the voting stock of the registrant held by non-affiliates as of June 30, 2003 was \$10.7 million.

The number of shares of the registrant's common stock, par value \$.01 per share, outstanding as of March 15, 2004 was 3,441,551.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the proxy statement for the annual meeting of stockholders to be

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held on May 10, 2004, which will be filed by the registrant within 120 days after December 31, 2003 are incorporated by reference into Part III of Form 10-K. A copy of this document can be obtained at no cost by calling the Company at (781) 237-6655.

Factors That May Affect Future Results

Some of the information presented in or incorporated by reference in this report constitutes "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995, that involve risks, uncertainties and assumptions. These forward-looking statements are based on the Registrant's expectations, as of the date of this report of future events, and the Registrant undertakes no obligation to update any of these forward-looking statements. Although the Registrant believes that its expectations are based on reasonable assumptions, within the bounds of its knowledge of its business and operations, there can be no assurance that actual results will not differ materially from its expectations. Readers are cautioned not to place undue reliance on any forward-looking statements. Factors that could cause or contribute to the Registrant's actual results differing from its expectations include those factors discussed elsewhere in this report, including in the section of this report entitled "Management's Discussion and Analysis of Financial Condition and Results of Operations -- Risk Factors That May Affect Future Results," and in the Registrant's other filings with the Securities and Exchange Commission.

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PART I

ITEM 1. BUSINESS

(a) General Development of Business. American Biltrite Inc. (together with, unless the context otherwise indicates, its wholly-owned subsidiaries and K&M Associates L.P., "ABI" or the "Company") was organized in 1908 and is a Delaware corporation. ABI's major operations include its Tape Division as well as a controlling interest in Congoleum Corporation, a Delaware corporation ("Congoleum"), a controlling interest in K&M Associates L.P., a Rhode Island limited partnership ("K&M"), and ownership of a Canadian subsidiary, American Biltrite (Canada) Ltd. ("AB Canada").

The Tape Division produces adhesive-coated, pressure-sensitive papers and films used to protect material during handling or storage or to serve as a carrier for transferring decals or die-cut lettering. The Tape Division also produces pressure sensitive tapes and adhesive products used for applications in the heating, ventilating and air conditioning (HVAC), footwear, automotive, electrical and electronic industries.

In 1995, ABI acquired a controlling interest in K&M, a national supplier, distributor and servicer of a wide variety of adult, children's and specialty items of fashion jewelry and related accessories. ABI, through wholly-owned subsidiaries, owns an aggregate 94.5% interest (7% as sole general partner and 87.5% in limited partner interests) in K&M. K&M wholesales its products to mass merchandisers and other major retailers. It also services certain retail merchandisers' in-store operations in fashion jewelry and related accessories departments by assisting retailers in managing inventory and maintaining displays.

Congoleum is a leading manufacturer of resilient sheet and tile flooring. In 1993, ABI acquired an ownership position in Congoleum in exchange for its U.S. tile business (the "Tile Division"). In 1995, ABI acquired voting control when Congoleum sold a new issue of shares of its Class A common stock to the public

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which had one vote per share and used the proceeds to redeem most of the two-vote-per-share Class B shares held by the then majority shareholder. ABI's interest has increased further since then as a result of Congoleum's repurchases of its common stock combined with open market purchases by ABI. As of December 31, 2003, ABI's ownership of 151,100 shares of Congoleum's Class A common stock and 4,395,605 shares of Class B common stock represented 69.5% of the voting control of Congoleum. Congoleum is a defendant in a large number of asbestos-related lawsuits. On December 31, 2003, Congoleum and two of its affiliates each filed their respective voluntary petitions commencing cases for reorganization relief under Chapter 11 of the United States Bankruptcy Code in order to resolve Congoleum's asbestos-related liabilities pursuant to a prepackaged Chapter 11 plan of reorganization filed in the Congoleum Chapter 11 cases.

Outside the United States, the Tape Division operates facilities in Belgium and Singapore, where bulk tape products are converted into various sizes, a sales and distribution facility in Italy, to quickly respond to customer demands in the European and Asian markets, and a sales representative office in Shanghai, China. Other international operations include: a wholly-owned Canadian subsidiary, AB Canada, which produces resilient floor tile, rubber tiles and rolled rubber flooring and industrial products (including conveyor belting, truck and trailer splash guards and sheet rubber material). ABI owns 50% of Compania Hulera Sula, S.A. de C.V. ("Hulera Sula"), a Honduran corporation, which produces soles, heels, sandals and other footwear products under license from ABI. Hulera Sula owns 100% of Hulera Sacatepequez, S.A., a Guatemalan corporation which manufactures products in Guatemala similar to those of

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Hulera Sula. Fomtex, S.A., a Guatemalan corporation 60% owned by Hulera Sula, manufactures foam mattresses, beds and other foam products. In October 2003, the Janus flooring operation, which manufactured pre-finished hardwood flooring, was closed. Results from Janus Flooring, including charges resulting from the shutdown, are being reported as a discontinued operation.

For financial reporting purposes, ABI operates in four industry segments: flooring products, tape products, jewelry and the Canadian division, which produces flooring and rubber products. See Note 15 of Notes to the Consolidated Financial Statements, set forth in Item 8 below.

(b) Financial Information about Industry Segments. Business segment information is in Note 15 of Notes to the Consolidated Financial Statements, set forth in Item 8 below.

(c) Narrative Description of Business.

Marketing, Distribution and Sales. The Tape Division's protective papers and films are sold domestically and throughout the world, principally through distributors, but also directly to certain manufacturers. Other tape products are marketed through the Tape Division's own sales force and by sales representatives and distributors throughout the world. ABI's Belgian, Italian and Singapore facilities sell these products throughout Europe and the Far East.

The products of K&M are sold domestically through its own direct sales force and, indirectly, through a wholly-owned subsidiary and through third-party sales representatives. K&M's business and operations experience seasonal variations. In general, fashion jewelry supply, distribution and service businesses respond to the seasonal demands of mass merchandisers and other major retailers, which typically peak in preparation for end-of-year holiday shopping. Accordingly, K&M's working capital needs tend to be greatest in the second and third fiscal

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quarters, while its revenues tend to be greater toward the end of each fiscal year, especially in the latter part of the third quarter and the first half of the fourth quarter.

AB Canada's floor tile, rubber products and industrial products are marketed principally through distributors. Seasonal variations in the sales and working capital requirements of this division are not significant.

Congoleum currently sells its products through approximately 17 distributors providing approximately 53 distribution points in the United States and Canada, as well as directly to a limited number of mass market retailers. Congoleum considers its distribution network to be very important to maintaining a competitive position. Although Congoleum has more than one distributor in some of its distribution territories and actively manages its credit exposure to its customers, the loss of a major customer could have a materially adverse impact on Congoleum's business, results of operations and financial condition. The sales pattern for Congoleum's products is seasonal, with peaks in retail sales typically occurring during March/April/May and September/October. Orders are generally shipped as soon as a truckload quantity has been accumulated, and backorders can be canceled without penalty.

Hulera Sula's footwear and foam products are marketed and distributed in certain Central American countries.

Financial information about products that contributed more than 10% of the Company's consolidated revenue during the last three fiscal years is included in Note 15 of Notes to the Consolidated Financial Statements, set forth in Item 8 below.

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Working Capital and Cash Flow. In general, ABI's working capital requirements are not affected by accelerated delivery requirements of major customers or by obtaining a continuous allotment of raw material from suppliers. ABI does not provide special rights for customers to return merchandise and does not provide special seasonal or extended terms to its customers. K&M does provide certain pre-approved allowances in the form of markdowns and return authorizations for end of season merchandise.

Congoleum produces goods for inventory and sells on credit to customers. Generally, Congoleum's distributors carry inventory as needed to meet local or rapid delivery requirements. Congoleum's typical credit terms generally require payment on invoices within 31 days, with a discount available for earlier payment. These practices are typical within the industry.

Congoleum anticipates spending at least \$9.8 million in 2004 in connection with its planned reorganization under Chapter 11 of the United States Bankruptcy Code, which will have a material impact on its liquidity and cash flow, although Congoleum anticipates that its existing cash and credit arrangements should be sufficient to fund these expenditures. ABI does not expect its contributions in connection with Congoleum's plan of reorganization would have a material adverse effect on ABI's working capital or cash flow. ABI is not otherwise liable for the separate obligations of Congoleum.

Raw Materials. ABI generally designs and engineers its own products. Most of the raw materials required by ABI for its manufacturing operations are available from multiple sources; however, ABI does purchase some of its raw materials from a single source or supplier. Any significant delay in or disruption of the supply of raw materials could substantially increase ABI's cost of materials, require product reformulation or require qualification of new suppliers, any one

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or more of which could materially adversely affect the business, operations or financial condition of ABI. ABI's subsidiary, Congoleum, does not have readily available alternative sources of supply for specific designs of transfer print paper, which are produced utilizing print cylinders engraved to Congoleum's specifications. Although no loss of this source of supply is anticipated, replacement could take a considerable period of time and interrupt production of certain products. Congoleum maintains a raw material inventory and has an ongoing program to develop new sources, which is designed to provide continuity of supply for its raw material requirements. Although the Company and Congoleum have generally not had difficulty in obtaining their requirement for these materials, they have occasionally experienced significant price increases for some of these materials.

Competition. All businesses in which ABI is engaged are highly competitive, principally based upon pricing of the product, the quality of the product and service to the customer. ABI's tape products compete with products of some of the largest fully integrated rubber and plastic companies, as well as those of smaller producers. Included among its competitors are 3M, Nitto Permacel, Venture Tape, Ivex and R-Tape. AB Canada's flooring products compete with those of other manufacturers of rubber and resilient floor tiles and with all other types of floor covering. AB Canada also competes with Armstrong World Industries, Inc., V.P.I. and Nora and with other manufacturers of alternate floor covering products. In the rubber products category, AB Canada has several competitors, principally among them being GRT Division of Enpro, The Biltrite Corporation and West America Rubber Company.

The market for Congoleum's products is highly competitive. Resilient sheet and tile compete for both residential and commercial customers primarily with carpeting, hardwood, melamine laminate and ceramic tile. In residential applications, both tile and sheet products are used primarily in kitchens, bathrooms, laundry rooms and foyers and, to a lesser extent, in playrooms

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and basements. Ceramic tile is used primarily in kitchens, bathrooms and foyers. Carpeting is used primarily in bedrooms, family rooms and living rooms. Hardwood flooring and melamine laminate are used primarily in family rooms, foyers and kitchens. Commercial grade resilient flooring faces substantial competition from carpeting, ceramic tile, rubber tile, hardwood flooring and stone in commercial applications. Congoleum believes, based upon its market research, that purchase decisions are influenced primarily by fashion elements such as design, color and style, durability, ease of maintenance, price and ease of installation. Both tile and sheet resilient flooring are easy to replace for repair and redecoration and, in Congoleum's view, have advantages over other floor covering products in terms of both price and ease of installation and maintenance.

Congoleum encounters competition from three other manufacturers in North America and, to a much lesser extent, foreign manufacturers. Certain of Congoleum's competitors, including Armstrong World Industries, Inc. in the resilient category, have substantially greater financial and other resources than Congoleum.

K&M competes with other companies making similar products on the basis of product pricing and the effectiveness of merchandising services offered. In assessing the effectiveness of K&M products and services, customers tend to focus on margin dollars realized from the sales of product and return on inventory investment needed to generate sales. In its business of supplying and servicing fashion jewelry and accessory products, K&M competes with a variety of competitors, among them are Liz Claiborne Inc., Jones Apparel Group and a number of other companies offering similar products and/or services. K&M also competes

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with numerous importers and overseas suppliers of similar items.

Patents and Trademarks. ABI and its subsidiaries own many trademarks, including the Congoleum brand name, the AB(R) logo, TransferRite(R) at the Tape Division and Amtico(R), which is used solely in the Canadian market. K&M also licenses the AK Anne Klein(R), Panama Jack(R), and Guess?(R) trademarks as well as certain others. These trademarks are important for the Company in maintaining its competitive position. The Company also believes that patents and know-how play an important role in maintaining competitive position. For example, Congoleum utilizes a proprietary transfer printing process for certain tile products that it believes produces visual effects that only one other competitor is presently able to duplicate.

Research and Development. Research and development efforts at the Company concentrate on new product development, increasing efficiencies of the various manufacturing processes, and improving the features and performance of existing products. Expenditures for research and development were \$4.8 million, \$5.1 million, and \$4.9 million, on a consolidated basis for the years ended December 31, 2003, 2002 and 2001, respectively.

Key Customers. For the year ended December 31, 2003, two customers of Congoleum and one customer of K&M each accounted for over 10% of ABI's consolidated net sales. The two Congoleum customers together accounted for 65% of Congoleum's net sales and the K&M customer accounted for 56% of K&M's net sales. The Congoleum customers are its distributor to the manufactured housing market, LaSalle-Bristol, and its largest retail distributor, Mohawk Industries, Inc. The K&M customer is Wal*Mart. No other customer accounted for more than 10% of ABI's consolidated sales. K&M's top three customers in terms of net sales in 2003 together accounted for 70% of K&M's net sales. The loss of the largest customer would have a material adverse effect on K&M.

Sales to five unaffiliated customers of the Tape Division together constitute approximately 22%

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of the net sales for the Division. The loss of the largest unaffiliated customer and/or two or more of the other unaffiliated customers could have a significant, adverse effect on the Tape Division's revenue. AB Canada's sales to Congoleum and to two unaffiliated companies accounted for approximately 34% of AB Canada's net sales. The loss of Congoleum and/or the two unaffiliated customers would have a significant, adverse affect on AB Canada's revenue. See Note 15 of Notes to Consolidated Financial Statements set forth in Item 8 below.

Backlog. The dollar amount of backlog of orders believed to be firm as of December 31, 2003 and 2002 was \$12.9 million and \$12.7 million, respectively. It is anticipated that all of the backlog as of December 31, 2003 will be filled within the current fiscal year. There are no seasonal or other significant aspects of the backlog. In the opinion of management, backlog is not significant to the business of ABI.

Environmental Compliance. Because of the nature of the operations conducted by ABI, ABI's facilities are subject to a broad range of federal, state, local and foreign legal and regulatory provisions relating to the environment, including those regulating the discharge of materials into the environment, the handling and disposal of solid and hazardous substances and wastes and the remediation of contamination associated with releases of hazardous substances at ABI facilities and off-site disposal locations. ABI believes that compliance with existing federal, state, local and foreign provisions will not have a material adverse effect upon its capital expenditures, earnings and competitive position.

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Congoleum, pursuant to administrative consent orders signed in 1986 and in connection with a prior restructuring, is in the process of implementing cleanup measures at its Trenton sheet facility under New Jersey's Environmental Clean-up Responsibility Act, as amended by the New Jersey Industrial Site Recovery Act. Congoleum does not anticipate that the additional costs of these measures will be material. In connection with the acquisition of the Tile Division, ABI signed a similar consent order with respect to the Trenton tile facility, and Congoleum agreed to be financially responsible for any cleanup measures required. Congoleum is named, together with a large number (in most cases, hundreds) of other companies, as a potentially responsible party ("PRP") in pending proceedings under the federal Comprehensive Environmental Response, Compensation and Liability Act ("CERCLA"), as amended, and similar state laws. In four instances, although not named as a PRP, Congoleum has received a request for information. These pending proceedings currently relate to four disposal sites in New Jersey, Pennsylvania, Maryland and Connecticut in which recovery from generators of hazardous substances is sought for the cost of cleaning up the contaminated waste sites. Congoleum's ultimate liability and funding exposure in connection with those sites depends on many factors, including the volume of material contributed to the site, the number of other PRPs and their financial viability, the remediation methods and technology to be used and the extent to which costs may be recoverable from insurance. However, under CERCLA, and certain other laws, as a PRP, Congoleum can be held jointly and severally liable for all environmental costs associated with a site.

The most significant exposure to which Congoleum has been named a PRP relates to a recycling facility site in Elkton, Maryland. The PRP group at this site is made up of 81 companies, substantially all of which are large financially solvent entities. Two removal actions were substantially complete as of December 31, 1998; however, the groundwater remediation phase has not begun and the remedial investigation/feasibility study related to the groundwater remediation has not been approved. The PRP group estimated that future costs of groundwater remediation, based on engineering and consultant studies conducted, would be approximately

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\$26 million. Congoleum's proportionate share, based on waste disposed at the site, is estimated to be approximately 5.8%.

ABI and its subsidiaries, including Congoleum, have historically expended substantial amounts for compliance with existing environmental laws and regulations, including those matters described above. ABI will continue to be required to expend amounts in the future, due to the nature of past activities at its facilities, to comply with existing environmental laws, and those amounts may be substantial. Because environmental requirements have grown increasingly strict, however, ABI is unable to determine the ultimate cost of compliance with environmental laws and enforcement policies.

See Item 3 below for certain additional information regarding environmental matters.

Employees. As of December 31, 2003, ABI and its subsidiaries employed approximately 2,700 people.

(d) Financial information about foreign and domestic operations and export sales. Financial information concerning foreign and domestic operations is in Note 15 of Notes to the Consolidated Financial Statements, set forth in Item 8 below. Export sales from the United States were \$23.7 million in 2003, \$24.4 million in 2002 and \$24.1 million in 2001.

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ITEM 2. PROPERTIES

At December 31, 2003, ABI and its subsidiaries owned ten manufacturing plants and a jewelry distribution center and leased additional office and warehousing space as follows:

Location	Square Feet	Owned Or Leased	Industry Segment For Which Properties Used
Trenton, NJ	1,050,000	Owned	Flooring products
Marcus Hook, PA	1,000,000	Owned	Flooring products
Trenton, NJ	282,000	Owned	Flooring products
Finksburg, MD	107,000	Owned	Flooring products
Trenton, NJ	111,000	Leased	Flooring products
Mercerville, NJ	55,000	Leased	Flooring products
Sherbrooke, Quebec	379,000	Owned	Canadian division
Moorestown, NJ	226,000	Owned	Tape products
Lowell, MA	57,000	Owned	Tape products
Tyngsboro, MA	36,000	Leased	Tape products
Renaix, Belgium	84,000	Owned	Tape products
Singapore	32,000	Owned	Tape products
Providence, RI	103,000	Owned	Jewelry products
New York, Qingdao, China and Bentonville, Arkansas	10,800	Leased	Jewelry products
Toronto, Ontario	152,000	Owned	Discontinued oper

ABI knows of no material defect in the titles to any such properties or material encumbrances thereon other than the owned properties in Renaix, Belgium, and Singapore which have mortgages securing outstanding debt in amounts equal to approximately 45% and 60% of the original cost of the property, respectively, and under the terms of the Company's principal credit agreements and facilities, pursuant to which the Company has granted a security interest in the properties in Moorestown, NJ, Lowell, MA and Providence, RI. ABI considers and understands that all of its and its subsidiaries' properties are in good condition and have been well maintained.

It is estimated that during 2003, ABI's and its subsidiaries' plants for the manufacture of floor covering products operated at approximately 95% of aggregate capacity, its plants for the manufacture of tape products operated at approximately 75% of aggregate capacity and the Canadian division operated at approximately 80% of aggregate capacity. All estimates of aggregate capacity have been made on the basis of a five-day, three-shift operation.

ITEM 3. LEGAL PROCEEDINGS

ABI has been named by the Environmental Protection Agency (the "EPA") as a Potentially Responsible Party ("PRP") within the meaning of the federal Comprehensive Environmental Response, Compensation and Liability Act, as amended ("CERCLA"), as to four sites in three separate states. See Note 9 of Notes to the Consolidated Financial Statements included in Item 8 for detailed information about these matters.

In addition, ABI has entered into a settlement agreement that resolved one environmental lawsuit. The details are set forth in Note 9 of Notes to the Consolidated Financial Statements included in Item 8.

The present owner of a site in Maine formerly owned by ABI has notified ABI that it believes ABI is potentially responsible for response and remediation costs. ABI also is potentially responsible for response and remediation costs as to three state supervised sites, two sites in Massachusetts, and one in New York. See Note 9 of Notes to the Consolidated Financial Statements included in Item 8 for information about ABI's potential liability at these four sites.

As of December 31, 2003, ABI has accrued \$3.6 million representing the estimable and probable amounts for contingencies described above, net of expected recoveries.

As of December 31, 2003, ABI's subsidiary Congoleum was named as a defendant, together in most cases with numerous other defendants, in approximately 22 thousand pending lawsuits (including workers' compensation cases) involving approximately 106 thousand individuals alleging personal injury or death from exposure to asbestos or asbestos-containing products. On December 31, 2003 Congoleum and two of its subsidiaries each filed their respective voluntary petitions commencing cases for reorganization relief under Chapter 11 of the United States Bankruptcy Code with the United States Bankruptcy Court for the District of New Jersey. These Chapter 11 cases are being jointly administered as Case No. 03-51524 (KCF), styled In re Congoleum Corporation, et al., and were commenced in order to resolve Congoleum's asbestos-related liabilities and any future asbestos-related liability that might be asserted against Congoleum. During 2003, Congoleum obtained the asbestos personal injury claimant votes necessary for approval of a proposed pre-packaged Chapter 11 plan of reorganization and in January 2004, filed its pre-packaged plan of reorganization and disclosure statement with the bankruptcy court. The bankruptcy court has not yet scheduled a hearing to consider approval of the proposed plan. See Notes 1, 9 and 10 of Notes to the Consolidated Financial Statements included in Item 8 for information about Congoleum's potential liabilities in connection with these lawsuits.

ABI is a co-defendant with many other manufacturers and distributors of asbestos-containing products in approximately 1,954 pending claims involving approximately 3,462 individuals as of December 31, 2003. The claimants allege personal injury from exposure to asbestos or asbestos-containing products. See Notes 1, 9 and 10 of Notes to the Consolidated Financial Statements included in Item 8 for detailed information about these claims. These claims relate to products of the Tile Division, which was acquired by Congoleum.

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Together with a large number (in most cases, hundreds) of other companies, Congoleum is named as a PRP in pending proceedings under CERCLA and similar state laws. See Note 9 of Notes to the Consolidated Financial Statements included in Item 8 for detailed information about these matters.

Congoleum also accrues remediation costs for certain of its owned facilities on an undiscounted basis. Estimated total cleanup costs, including capital outlays and future maintenance costs for soil and groundwater remediation are primarily based on engineering studies. In the ordinary course of its business, ABI and its consolidated entities become involved in lawsuits, administrative proceedings, product liability and other matters. In some of these proceedings, plaintiffs may seek to recover large and sometimes unspecified amounts and the matters may remain unresolved for several years.

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

Not applicable.

PART II

ITEM 5. MARKET FOR THE REGISTRANT'S COMMON STOCK AND RELATED SECURITY HOLDER MATTERS

The registrant's Common Stock, par value \$.01 per share, is traded on the American Stock Exchange (ticker symbol: ABL). At the close of business on March 15, 2004, the closing price of ABI's Common Stock was \$10.85 per share and the approximate number of record holders was 340.

High and low stock prices and dividends for the last two years were:

Quarter Ended	Sale Prices of Common Shares			
	2003		2002	
	High	Low	High	Low
March 31	\$9.85	\$7.00	\$14.37	\$11.20
June 30	7.55	6.35	15.10	12.20
September 30	9.16	6.60	13.95	11.65
December 31	7.70	6.32	11.87	7.00

Quarter Ended	Cash Dividends Per Common Share	
	2003	2002
March 31	\$.1250	\$.125
June 30	.0625	.125
September 30	--	.125
December 31	--	.125
	\$.1875	\$.500

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EQUITY COMPENSATION PLAN INFORMATION

The following table sets forth information regarding the Company's equity compensation plans as of December 31, 2003.

Plan Category	Number of Securities to be Issued Upon Exercise of Outstanding Options, Warrants and Rights.	Weighted- Average Exercise Price of Outstanding Options, Warrants and Rights.	Number of Securities Remaining Available for Future Issuance Under Equity Compensation Plans (excluding Securities reflected in Column (a))
-----	-----	-----	-----
	(a)	(b)	(c)
Equity Compensation Plans Approved			
By Security Holders	210,000	\$22.74	323,020
Equity Compensation Plans Not Submitted To Security Holders For Approval	19,000	\$14.25	31,000
Total	229,000	\$22.04	354,020 (1)

(1) Includes 323,020 shares of Common Stock available for issuance under the Company's 1993 Stock Award and Incentive Plan, as amended. In addition to stock options, awards under the Company's 1993 Stock Award and Incentive Plan, as amended, may take the form of stock appreciation rights (SARs), limited SARs, restricted stock units and other stock awards specified in the Plan. If such awards are granted, they will reduce the number of shares of Common Stock available for issuance pursuant to future stock option awards.

On July 1, 1999 the Company established its 1999 Stock Option Plan for Non-Employee Directors, (the "1999 Plan"), under which non-employee directors may be granted non-qualified options (the "Options") to purchase up to 50,000 shares of the Company's common stock. The 1999 Plan was not submitted to stockholders for approval. The options granted under the 1999 Plan have ten-year terms and vest 6 months from the grant date. The exercise price for each Option is 100% of the fair market value on the date of the grant. As of December 31, 2003 an aggregate of 19,000 shares of common stock were issuable upon the exercise of outstanding Options.

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ITEM 6. SELECTED FINANCIAL DATA

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	2003	2002	Years Ended December 2001

	(Dollars in thousands, except per		
 Financial Position			
Total assets	\$ 319,396	\$ 361,870	\$ 423,918
Long-term debt	124,915	125,271	126,161
Total stockholders' equity	32,979	47,538	77,248
 Summary of Operations			
Net sales	\$ 416,569	\$ 434,495	\$ 403,509
(Loss) income before income taxes other items	(9,946)	(11,813)	5,961
Provision (credit) for income taxes	(3,323)	1,248	2,345
Noncontrolling interests	(174)	6,221	435
Net (loss) income from continuing operations	(6,797)	(6,840)	4,051
Discontinued operation (1)	(7,361)	(2,073)	(1,235)
Cumulative effect of accounting change (2)		(7,742)	
Net (loss) income	(14,158)	(16,655)	2,816
Basic (loss) income per share	\$ (4.11)	\$ (4.84)	\$ 0.82
Diluted (loss) income per share	(4.11)	(4.84)	0.82
Cash dividends per common share	0.1875	0.50	0.50
 Number of shares used in computing:			
Basic income per share	3,441,551	3,441,562	3,455,134
Diluted income per share	3,441,572	3,441,648	3,455,148

- (1) Historical financial results have been restated to reflect the classification of Janus as a discontinued operation in accordance with the Financial Accounting Standards Board's Statement of Financial Accounting Standards (SFAS) No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets."
- (2) Effective January 1, 2002, the Company adopted SFAS No. 142, "Goodwill and Other Intangible Assets" (SFAS No. 142). In accordance with the provisions of SFAS No. 142, the Company recorded a transitional goodwill impairment charge of \$7.7 million.

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION
AND RESULTS OF OPERATIONS

On December 31, 2003 the Company's subsidiary Congoleum and two of its subsidiaries each filed their respective voluntary petitions commencing cases for reorganization relief under Chapter 11 of the United States Bankruptcy Code in the United States Bankruptcy Court for the District of New Jersey. These Chapter 11 cases are being jointly administered as Case No. 03-51524 (KCF),

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styled In re Congoleum Corporation, et al., to resolve claims that have been or might in the future be asserted against Congoleum related to the use of asbestos in its products decades ago. During 2003, Congoleum obtained the asbestos personal injury claimant votes necessary for approval of a proposed pre-packaged Chapter 11 plan of reorganization and in January 2004, filed its pre-packaged plan of reorganization and disclosure statement with the Bankruptcy Court. Based on its pre-packaged bankruptcy strategy, which included Congoleum settling certain asbestos claims prior to commencing its Chapter 11 case, Congoleum has made provision in its financial statements for the minimum amount of the range of estimates for its contribution and costs to effect its plan to settle asbestos liabilities through a plan trust established under Section 524(g) of the Bankruptcy Code. Congoleum recorded charges of \$17.3 million in the fourth quarter of 2002, and an additional charge of \$3.7 million in the fourth quarter of 2003, to increase its recorded liability to the estimated minimum cost to complete its reorganization. Actual amounts that will be contributed to the plan trust and costs for obtaining confirmation of and implementing the plan of reorganization could be materially higher, which could have a material effect on ABI's consolidated results of operations.

In addition, the Company is also a defendant in a number of asbestos-related lawsuits. See Note 10 of the Notes to Consolidated Financial Statements, which is incorporated herein by reference. These matters may have a material adverse impact on the Company's or Congoleum's financial position and results of operations.

During 2003, the Company decided to discontinue the operations of its Janus Flooring Corporation subsidiary, a manufacturer of pre-finished hardwood flooring, and sell the related assets. Results of Janus Flooring, including charges resulting from the shutdown, are being reported as a discontinued operation.

Due to Congoleum's bankruptcy and separate capital structure, the Company believes that presenting ABI and its non-debtor subsidiaries separately from Congoleum is the most meaningful way to discuss and analyze its financial condition and results of operations.

Results of Operations

Year Ended December 31, 2003 Compared to Year Ended December 31, 2002

ABI and non-debtor subsidiaries

Net sales for the year ended December 31, 2003 were \$195.9 million, a decrease of \$1.6 million or 0.8% from sales of \$197.5 million in 2002. Jewelry segment sales decreased \$2.8 million or 3.6% from 2002 due to lower sales to a major mass merchandiser, partly offset by increases in sales to other customers. Tape and Canadian segment sales increased slightly as a result of foreign currency translation; absent the weaker dollar, these segments would have reported decreases due to the continued weak economic environment in several of their end use markets.

Cost of products sold was 67.5% of net sales in 2003 compared with 66.2% in 2002. Gross margins in the Tape segment, as a percentage of its sales, improved 0.7 percentage points due to a more profitable product mix, the weaker dollar, and manufacturing cost improvements. Canadian margins declined 2.6 percentage points principally due to lower volume. Margins in the jewelry business were the same in 2003 as in 2002.

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Selling, general and administrative expenses for the year ended December 31, 2003 were \$62.6 million, or 31.9% of net sales, up from \$58.6 million or 29.6% of net sales in 2002. Selling, general and administrative expenses increased due to higher costs for insurance, employee medical benefits and professional fees as well as the impact of the weaker dollar on expenses of foreign operations.

Interest expense increased from \$2.4 million in 2002 to \$2.7 million in 2003 due to slightly higher average borrowings and higher interest rates under certain of the Company's debt agreements.

The effective tax rate in 2003 was 79.9%. The high effective tax rate in 2003 (relative to statutory rates) was primarily the result of the fact that the Canadian division recorded a valuation allowance against deferred tax assets arising from its losses. Future effective tax rates are expected to be closer to statutory rates, but could fluctuate depending on the results of the Canadian division and the magnitude of those results relative to those of other segments.

The net loss from continuing operations was \$ 35 thousand in 2003, compared with income from continuing operations of \$5.9 million in 2002, as a result of the lower profitability of the jewelry business and the loss at the Canadian division. The net loss was \$7.4 million in 2003 compared with a net income of \$1.9 million in 2002, or net income of \$3.8 million before a required accounting change. The lower net income before the required accounting change versus income the previous year was due to the increased loss from discontinued operations in 2003 when the charges related to closure of Janus were incurred.

Congoleum

Congoleum's net sales for the year ended December 31, 2003 were \$220.7 million as compared to \$237.2 million for the year ended December 31, 2002, a decrease of \$16.5 million or 7%. The decrease resulted primarily from lower sales in the do-it-yourself tile category coupled with continued weakness in the Manufactured Housing market. Improved resilient sheet volume, particularly in base-grade and trade-up builder products, coupled with a price increase and lower sales allowances, helped to partially mitigate the sales decline.

Congoleum's gross profit for the year ended December 31, 2003 totaled \$53.8 million, or 24.4% of sales, compared to \$57.5 million, or 24.2% of sales, for the year ended December 31, 2002. Gross margins improved slightly as improved pricing, manufacturing efficiencies and cost reduction programs helped offset raw material cost increases.

Congoleum's selling, general and administrative expenses were \$56.9 million for the year ended December 31, 2003 as compared to \$70.1 million for the year ended December 31, 2002, a decrease of \$13.2 million. Selling, general and administrative expenses for 2003 and 2002 included \$3.7 million and \$17.3 million of cost associated with asbestos-related claims, respectively. As a percent of net sales, selling, general and administrative expenses were 25.8% and 29.6% for the years ended December 31, 2003 and 2002 respectively. During 2003, cost savings initiatives were implemented that helped offset increases in pension, medical and other related costs.

Congoleum recorded a charge of \$3.7 million during the fourth quarter of 2003, included in selling, general, and administrative expenses, to increase its recorded liability for resolving asbestos-related claims. The recorded liability at December 31, 2003 represents the minimum estimated cost that Congoleum will incur to resolve its asbestos-related liability through the execution of Congoleum's proposed plan of reorganization. If Congoleum is not successful in

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obtaining confirmation of its proposed plan of reorganization in a timely manner, actual costs could be significantly higher. The proposed plan also would require Congoleum to make an additional contribution to the plan trust one year after confirmation of the plan equal to 51% of any increase in the market value of Congoleum's shares at that time over their value on June 6, 2003. No provision has been made for the cost of this possible additional contribution, which could be material. Congoleum will adjust its recorded liability should its estimates change.

The loss from continuing operations was \$6.8 million for the year ended December 31, 2003 compared to a loss of \$19.3 million for the year ended December 31, 2002, an improvement of \$12.5 million. This smaller loss from operations was primarily due to the lower asbestos-related charge, offset by lower gross margin dollars.

Interest income declined from \$0.3 million in 2002 to \$0.1 million in 2003 due to lower average cash equivalent and short-term investment balances. Interest expense increased from \$8.4 million in 2002 to \$8.9 million in 2003, reflecting increased borrowings under the revolver. Congoleum recorded a tax benefit of \$3.9 million on a loss before income taxes of \$10.6 million in 2003 as a result of utilizing certain loss carry forwards that had previously been fully reserved.

Year Ended December 31, 2002 Compared to Year Ended December 31, 2001

ABI and Non-Debtor Subsidiaries

Net sales for the year ended December 31, 2002 were \$197.5 million, an increase of \$12.5 million or 6.8% from sales of \$185.0 million in 2001. The increase in sales was due to higher jewelry segment sales. Jewelry sales increased as a result of sales of a line of licensed products acquired in July 2001, as well as continued growth with a major mass merchandiser. Tape and Canadian segment sales declined due to the poor economic environment in several of their end use markets.

Cost of products sold was 66.2% of net sales in 2002, down slightly from 66.6% in 2001. Within segments, gross margins improved at Tape, were level in Canada, and declined in jewelry (due to costs for the acquired line of licensed products).

Selling, general and administrative expenses for the year ended December 31, 2002 were \$58.6 million, or 29.6% of net sales, up from \$52.5 million or 28.4% of net sales in 2001. The increase was primarily due higher selling expenses at K&M related to increased sales. In addition, all operations experienced cost increases for insurance and employee benefits.

Other income increased from \$0.8 million in 2001 to \$1.5 million in 2002 primarily as a result of gains on foreign exchange.

Income from continuing operations was \$5.9 million in 2002 compared with \$4.9 million in 2001. Results in the jewelry segment improved from 2001 to 2002, while income declined at the Tape and Canadian businesses. Net income after a \$2.0 million charge for a required accounting change in 2002 was \$1.9 million, compared to \$3.6 million in 2001. The Company recorded a non-cash transitional charge of \$2.0 million in the first quarter of 2002 for impairment of goodwill that resulted from the adoption of Statement of Financial Accounting Standards ("SFAS") No. 142, Goodwill and Other Intangible Assets.

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Congoleum

Congoleum's net sales for the year ended December 31, 2002 were \$237.2 million as compared to \$218.8 million for the year ended December 31, 2001, an increase of \$18.4 million or 8.4%. The increase resulted primarily from strong sales of the DuraStone product line, which was introduced in August 2001, and improved resilient sheet sales in both the base grade and trade up builder segment, partially offset by lower luxury and contract tile sales.

Congoleum's gross profit for the year ended December 31, 2002 was \$57.5 million, or 24.2% of sales, compared to \$53.1 million in 2001, or 24.3% of sales, an increase of \$4.4 million over the year ended December 31, 2001. Gross profit margins declined slightly as costs of expanding sales and the product mix impact of increased base grade builder product sales offset improved manufacturing efficiencies and cost reduction programs.

Congoleum's selling, general and administrative expenses were \$70.1 million for the year ended December 31, 2002, which includes asbestos-related costs of \$17.3 million, as compared to \$49.0 million for the year ended December 31, 2001, an increase of \$21.2 million or 43.2%. As a percent of net sales, selling, general and administrative expenses were 29.6% and 22.4% for the years ended December 31, 2002 and 2001, respectively. In addition to the asbestos-related charge, significant investments in additional displays and samples to support the DuraStone product line and higher promotional support contributed to the increase.

Congoleum recorded a charge of \$17.3 million, in the fourth quarter of 2002, included in selling, general and administrative expenses, to adjust its recorded liability for resolving asbestos-related claims against it. The recorded liability at December 31, 2002 represented the then-minimum estimated cost that Congoleum would incur to resolve its asbestos-related liability through a plan of reorganization.

Loss from operations was \$12.6 million for the year ended December 31, 2002, compared to income of \$4.1 million for the year ended December 31, 2001, a decrease of \$16.7 million. This change was primarily due to the asbestos charge.

Interest income declined from \$0.7 million in 2001 to \$0.3 million in 2002 due to a combination of lower average cash equivalent and short-term investment balances and lower interest rates. Interest expense increased from \$8.3 million in 2001 to \$8.4 million in 2002, due to lower capitalized interest in 2002 compared to 2001.

Congoleum recorded a tax provision of \$92 thousand on a loss before income taxes and the cumulative effect of accounting change of \$19.2 million in 2002. The tax provision included a benefit from the reduction of \$529 thousand for a tax valuation allowance as a result of utilizing certain loss carry forwards that had previously been fully reserved. This benefit was offset by an additional provision for valuation allowance. For 2001, the effective tax rate was 23.6% resulting in a tax benefit of \$506 thousand which included a reduction for a tax valuation allowance of \$273 thousand.

In July 2001, the Financial Accounting Standards Board ("FASB") issued Statement of Financial Accounting Standards No. 142, "Goodwill and Other Intangible Assets" ("SFAS No. 142"). SFAS No. 142 provides that goodwill and intangible assets with indefinite lives will not

be amortized, but rather will be tested for impairment on an annual basis. SFAS

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No. 142 was effective for Congoleum as of January 1, 2002. During the first quarter of 2002, Congoleum performed a transitional impairment test of goodwill in accordance with SFAS No. 142 and concluded that there was impairment. Congoleum compared the implied fair value of goodwill to the carrying value of goodwill and it was determined that based on the fair value of Congoleum's assets and liabilities, there should be no goodwill recorded. Accordingly, Congoleum recorded an impairment loss of \$10.5 million during the first quarter of 2002, which has been recorded as the cumulative effect of a change in accounting principle as of January 1, 2002.

During the fourth quarter of 2002, Congoleum recorded other comprehensive expense of \$11.3 million relating to the recognition of a minimum pension liability. Congoleum reduced its assumed long-term rate of return on pension plan assets from 9% to 7% and its discount rate from 7.25% to 6.75%.

Liquidity and Capital Resources - ABI and non-debtor subsidiaries

At December 31, 2003, consolidated working capital was \$13.4 million, the ratio of current assets to current liabilities was 1.2 to 1, and the debt to equity ratio was 1.45 to 1. Net cash provided by operations during 2003 was \$11.0 million. As discussed below, because the majority of the Company's debt agreements must be amended or extended prior to December 31, 2004, the related liabilities are classified as current. The Company anticipates that it will obtain the necessary amendments or extensions, or otherwise refinance the related debt. If the Company were unable to do so, it would have a material adverse effect on liquidity.

Although the Company currently has no material commitments for capital expenditures, it plans to make expenditures during 2004 of approximately \$3 million to \$4 million. Capital expenditures generally cover normal replacement of machinery and equipment and process improvements.

In 2001, ABI entered into a Note Purchase and Private Shelf Agreement with Prudential Insurance Company (the "Prudential Agreement"). Under the terms of this agreement, ABI borrowed \$20 million and used the proceeds to retire existing long-term and revolving debt.

The Prudential Agreement was amended in October 2003 and January 2004 to revise certain financial covenants to afford the Company with greater flexibility to comply with those covenants and requires the Company to comply with additional covenants consistent with those included in the Fleet Agreement (as discussed below). In connection with the amendment, the Company and certain of its domestic subsidiaries granted Prudential a security interest in most of the Company's and its domestic subsidiaries' assets. The security interest granted to Prudential does not include the assets or shares of capital stock of Congoleum. Certain domestic subsidiaries of the Company have agreed to guaranty the Company's obligations under the amended Prudential Agreement. The security interests granted under the Prudential Agreement are on parity with security interests granted under the Fleet Agreement. The notes issued under the Prudential Agreement bear interest at 7.91% plus an additional fee on each interest payment date if the Company's and certain of its subsidiaries' ratio of debt to EBITDA, as defined under the amended Fleet Agreement, exceeds certain levels. The amount of those fees that may be payable by the Company varies depending on the extent the Company's and certain of its subsidiaries' debt exceeds EBITDA and is capped at 2% of the outstanding principal amount of the Series A Notes. Principal is repayable in five annual \$4.0 million installments beginning August 28, 2006. Because the Prudential Agreement, as amended, requires the Fleet Agreement to be replaced or refinanced effective no later than December 31, 2004

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(and the related commitment to be in place no later than November 14, 2004), amounts outstanding under the Prudential Agreement are classified as current liabilities.

In October 2003, the Company and K&M entered into a new credit agreement (the "Fleet Agreement") which was further amended on January 29, 2004. The January amendment eliminated a participating lender under the agreement and reduced the maximum borrowings under the agreement from \$25 million to \$20 million. The Company expects to further amend the agreement to permit the Company's Canadian subsidiary to grant a security interest under that subsidiary's credit agreement (the "CIBC Agreement"). The Fleet Agreement, as amended, replaces a previous revolving credit agreement. In connection with the Fleet Agreement, the Company and certain of its domestic subsidiaries granted the lender a security interest in most of the Company's and its domestic subsidiaries' assets. The security interests granted are on parity with security interests granted under the Prudential Agreement. The security interest granted to the Lenders does not include the assets or shares of capital stock of Congoleum. Under the Fleet Agreement as amended, the Company and K&M are subject to various financial and other covenants. The amount of borrowings that may be outstanding at any time under the Fleet Agreement are determined by a borrowing base formula applied to inventory, receivables and fixed assets of the Company and certain of its subsidiaries, reduced by amounts outstanding under the Prudential Agreement, subject to a maximum of \$20 million. Interest is payable on amounts borrowed under the Fleet Agreement at rates which generally range from a LIBOR based rate plus 1.0% to a LIBOR based rate plus 2.75% depending on the Company's leverage ratio, as determined under the Fleet Agreement. Certain domestic subsidiaries of the Company have agreed to guaranty the Company's obligations under the Fleet Agreement. The Fleet Agreement expires on December 31, 2004.

The Company's Canadian subsidiary is financed under the CIBC Agreement that provided a \$7.5 million Canadian dollar (US \$5.8 million) capital loan and provides an operating loan facility of \$11 million Canadian dollars (US \$8.5 million). Proceeds of the capital loan were used to fund acquisitions of property and equipment in Canada. The capital loan is payable in 20 equal quarterly installments which began on February 28, 2002 and bears interest at 6.03%. The operating loan is payable on demand and bears interest at a floating rate which was 4.5% at December 31, 2003. The Company has agreed, subject to consent of lenders under the Fleet and Prudential Agreement, to permit borrowings under the CIBC Agreement to be secured by the Canadian division's inventory, receivables, and equipment.

Certain borrowing agreements of the Company or its subsidiaries restrict the ability of the Company or the borrowing subsidiary to incur additional indebtedness, pay dividends, or make capital expenditures in excess of a specified aggregate, and require the maintenance of certain financial ratios and minimum net worth levels. The covenants and conditions under those borrowing agreements must be met in order for the Company to borrow under those agreements. In addition, borrowings under the Fleet agreement are based upon the amount of domestic inventory, accounts receivable and fixed assets available as collateral. These considerations could limit the Company's ability to fully utilize the \$28.5 million available under its existing lines of credit. At December 31, 2003, \$7.9 million was outstanding under these lines and \$0.5 million secured outstanding letters of credit, and \$14.9 million was available for borrowing based on collateral levels.

Cash requirements for capital expenditures, working capital, debt service, and any dividends or share repurchases are expected to be financed from operating activities and borrowings under existing lines of credit. Existing resources, together with the cash generated from operations, is

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expected to be sufficient to meet the capital requirements of the current operations for the foreseeable future.

The following table summarizes the Company's obligations at December 31, 2003 for future principal payments on its long-term debt (assuming any necessary amendments or waivers are obtained from its lenders) and future minimum rental payments on its non-cancelable operating leases.

	Payments due by Period (amounts in thousands)					4 Ye
	Total	Less than 1 Year	1-2 Years	2-3 Years	3-4 Years	
Long-term debt	\$25,142	\$21,289	\$1,293	\$1,297	\$144	\$
Operating leases	4,703	1,555	1,045	831	703	
	\$29,845	\$22,844	\$2,338	\$2,128	\$847	\$

On December 31, 2003 the Company's subsidiary Congoleum and two of its subsidiaries each filed voluntary petitions with the United States Bankruptcy Court for the District of New Jersey (Case No. 03-51524) seeking relief under Chapter 11 of the United States Bankruptcy Code. As part of Congoleum's plan of reorganization, ABI expects that Congoleum's indemnification obligations to ABI with respect to current and future asbestos claims related to its former Tile Division operations not covered by ABI insurance will be channeled to the trust established in connection with Congoleum's Chapter 11 plan of reorganization. ABI expects to contribute \$250 thousand in cash and a pledge of its Congoleum shares as collateral for Congoleum's obligations to the trust that would be established in connection with Congoleum's Chapter 11 reorganization. ABI does not expect its cash contribution or pledge would have a material adverse effect on its liquidity or capital resources. In addition, the Company is a defendant in a number of asbestos-related lawsuits as well, and is a party to Congoleum's litigation with its insurance carriers. See Note 10 of the Notes to the Consolidated Financial Statements, which is included at Item 8. These matters may have a material adverse impact on the Company's liquidity and capital resources.

Liquidity and Capital Resources - Congoleum

Congoleum's financial statements have been prepared on a going concern basis, which contemplates the realization of assets and the satisfaction of liabilities in the normal course of business, and do not include any adjustments that might be necessary should Congoleum be unable to continue as a going concern. As described more fully in the Notes to the Consolidated Financial Statements contained in Item 8 of this Annual Report on Form 10-K, there is substantial doubt about Congoleum's ability to continue as a going concern unless it obtains relief from its substantial asbestos liabilities through a successful

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reorganization under Chapter 11 of the Bankruptcy Code.

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Congoleum is a defendant in a large number of asbestos-related lawsuits and on December 31, 2003 filed a pre-packaged plan of reorganization under Chapter 11 of the United States Bankruptcy Code as part of its strategy to resolve this liability. See Notes to Consolidated Financial Statements, which are contained in Item 8 of this Annual Report on Form 10-K. These matters will have a material adverse impact on Congoleum's liquidity and capital resources. During 2003, Congoleum paid \$5.3 million in defense and indemnity costs related to asbestos-related claims and \$13.5 million in fees and expenses related to implementation of its planned reorganization under Chapter 11 and litigation with certain insurance companies. Congoleum expects to spend a further \$9.8 million at a minimum in fees, expenses, and trust contributions in connection with obtaining confirmation of its plan. Congoleum also expects to recover \$3.6 million from the Collateral Trust or its successor pursuant to terms of the Claimant Agreement and related documents which provide for the trust to reimburse certain expenses of Congoleum. Timing of such recovery will depend on when the trust receives funds from insurance settlements or other sources.

Unrestricted cash and cash equivalents, including short-term investments at December 31, 2003, were \$2.2 million, a decrease of \$16.1 million from December 31, 2002. Under the terms of its revolving credit agreement, payments on Congoleum's accounts receivable are deposited in an account assigned by Congoleum to its lender and the funds in that account are used by the lender to pay down any loan balance. Restricted cash represents funds deposited in this account but not immediately applied to the loan balance. Working capital was \$27.1 million at December 31, 2003, down from \$28.8 million one year earlier. The ratio of current assets to current liabilities at December 31, 2003 was 1.5 to one, compared to 1.4 to one a year earlier. The ratio of debt to total capital at December 31, 2003 was .57 compared to .49 in 2002. Net cash used by operations during the year ended December 31, 2003 was \$20.0 million, as compared to cash provided by operations of \$10.0 million in 2002. Cash from operations decreased from 2002 to 2003 as funds were used to reduce accounts payable and accrued expenses offset by lower inventories and accounts receivables. Expenditures related to asbestos liabilities and Congoleum's reorganization plan were \$18.8 million, in 2003, compared to \$3.4 million in 2002, accounting for slightly more than half the decrease. The remainder of the decrease was primarily due to a low level of manufacturing and shipment activity at the end of 2003, combined with creditors managing their pre-petition credit exposure, and Congoleum prepaying certain expenses, prior to its December 31, 2003 Chapter 11 filing. These accounts are not expected to remain at the unusually low levels experienced at the end of 2003. Capital expenditures in 2003 totaled \$4.6 million. Congoleum is currently planning capital expenditures of approximately \$6 million in 2004 and between \$5 and \$8 million in 2005.

In January 2004, the Bankruptcy Court authorized entry of a final order approving Congoleum's debtor-in-possession financing, which replaced its pre-petition credit facility on substantially similar terms. The debtor-in-possession financing provides a one year revolving credit facility with borrowings up to \$30.0 million. Interest is based on .75% above the prime rate. This financing agreement contains certain covenants which include the maintenance of a minimum tangible net worth and EBITDA. It also includes restrictions on the incurrence of additional debt and limitations on capital expenditures. The covenants and conditions under this financial agreement must be met in order for Congoleum to borrow from the facility. Congoleum was in compliance with these covenants at December 31, 2003. Borrowings under this facility are collateralized by inventory and receivables. At December 31, 2003, based on the level of receivables and inventory, Congoleum had base borrowing

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availability of \$22.4 million, of which \$4.1 million was utilized for outstanding letters of credit and \$10.2 million was utilized by the revolving loan. Congoleum anticipates that its debtor-in-possession financing facility will be

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replaced with a revolving credit facility on substantially similar terms upon confirmation of its plan of reorganization. While Congoleum expects the facilities discussed above will provide it with sufficient liquidity, there can be no assurances that it will continue to be in compliance with the required covenants, that Congoleum will be able to obtain a similar or sufficient facility upon exit from bankruptcy, or that the debtor-in-possession facility would be renewed if Congoleum's plan of reorganization is not confirmed by that facility's expiration on December 31, 2004.

In addition to the provision for asbestos litigation discussed previously, Congoleum has also recorded what it believes are adequate provisions for environmental remediation and product-related liabilities (other than asbestos-related claims), including provisions for testing for potential remediation of conditions at its own facilities. Congoleum is subject to federal, state and local environmental laws and regulations and certain legal and administrative claims are pending or have been asserted against Congoleum. Among these claims, Congoleum is a named party in several actions associated with waste disposal sites (more fully discussed in "Legal Proceedings" in Part I, Item 3 and "Environmental Regulation" in Part I, Item 1). These actions include possible obligations to remove or mitigate the effects on the environment of wastes deposited at various sites, including Superfund sites and certain of Congoleum's owned and previously owned facilities. The contingencies also include claims for personal injury and/or property damage. The exact amount of such future cost and timing of payments are indeterminable due to such unknown factors as the magnitude of cleanup costs, the timing and extent of the remedial actions that may be required, the determination of Congoleum's liability in proportion to other potentially responsible parties, and the extent to which costs may be recoverable from insurance. Congoleum has recorded provisions in its financial statements for the estimated probable loss associated with all known general and environmental contingencies. While Congoleum believes its estimate of the future amount of these liabilities is reasonable, and that they will be paid over a period of five to ten years, the timing and amount of such payments may differ significantly from Congoleum's assumptions. Although the effect of future government regulation could have a significant effect on Congoleum's costs, Congoleum is not aware of any pending legislation which would reasonably have such an effect. There can be no assurances that the costs of any future government regulations could be passed along to its customers. Estimated insurance recoveries related to these liabilities are reflected in other non-current assets.

The outcome of these environmental matters could result in significant expenses incurred by or judgments assessed against Congoleum.

Congoleum's principal sources of capital are net cash provided by operating activities and borrowings under its financing agreement. Although Congoleum did not generate cash from operations in 2003 (as more fully discussed above), Congoleum anticipates that it will generate cash from operations in 2004. Congoleum believes these sources will be adequate to fund working capital requirements, debt service payments, planned capital expenditures for the foreseeable future, and its current estimates for costs to settle and resolve its asbestos liabilities through its pre-packaged Chapter 11 plan of reorganization. Congoleum's inability to obtain confirmation of the proposed plan in a timely manner would have a material adverse effect on Congoleum's

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ability to fund its operating, investing and financing requirements.

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The following table summarizes Congoleum's contractual obligations for future principal payments on its debt and future minimum rental payments on its non-cancelable operating leases at December 31, 2003. Congoleum does not have payment obligations under capital leases or long term purchase contracts.

	Payments Due by Period (amounts in thousands)			
	Total	Less than 1 year	1 - 3 years	4 - 5 years
Long-term debt	\$100,000			\$100,000
Operating leases	11,644	\$2,762	\$4,091	3,158
Total	\$111,644	\$2,762	\$4,091	\$103,158

Contingencies

The Company's subsidiary Congoleum is seeking confirmation of a pre-packaged plan of reorganization under Chapter 11 of the United States Bankruptcy Code as part of its strategy to resolve liabilities related to the use of asbestos in its products decades ago.

ABI has recorded what it believes are adequate provisions for environmental remediation and product-related liabilities, including provisions for testing for potential remediation of conditions at its own facilities. While ABI believes its estimate of the future amount of these liabilities is reasonable and that they will be paid for the most part over a period of one to seven years, the timing and amount of such payments may differ significantly from ABI's assumptions. Although the effect of future government regulation could have a significant effect on ABI's costs, ABI is not aware of any pending legislation which could significantly affect the liabilities ABI has established for these matters. There can be no assurances that the costs of any future government regulations could be passed along by ABI to its customers.

Certain legal and administrative claims are pending or have been asserted against ABI. Among these claims, ABI is a named party in several actions associated with waste disposal sites and asbestos-related claims. These actions include possible obligations to remove or mitigate the effects on the environment of wastes deposited at various sites, including Superfund sites. The exact amount of such future costs to ABI is indeterminable due to such unknown factors as the magnitude of cleanup costs, the timing and extent of the remedial actions that may be required, the determination of ABI's liability in proportion to other potentially responsible parties and the extent to which costs may be recoverable from insurance. ABI has recorded provisions in its consolidated financial statements for the estimated probable loss associated with all known environmental and asbestos-related contingencies. The contingencies also include claims for personal injury and/or property damage. (See Notes 1, 9 and 10 of

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Notes to Consolidated Financial Statements.)

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During 2003 the Company decided to cease operations at its Janus division and recorded a charge of \$8.5 million in the second quarter 2003 consisting primarily of \$3.0 million to reduce inventories to net realizable value, \$0.5 million in accounts receivable allowances, a \$2.5 million asset impairment charge related to machinery and equipment and a \$1.9 million income tax provision to write off deferred tax assets deemed not probable of recovery. The Company disposed of substantially all of the assets of Janus, other than the real estate, during 2003. Future expenditures related to this discontinued operation are not expected to be material, and the Company expects to realize approximately \$4 million in net future cash proceeds from the sale of the real estate. Pursuant to a debt agreement the Company has with one of its lenders, the net sales proceeds from any sale or disposition of Janus' building must be first applied to repay amounts owed by the Company's wholly owned subsidiary AB Canada under its credit agreement with any remaining net sales proceeds to be applied to repaying amounts outstanding under the Company's credit facilities. If the Company is unable to timely sell or otherwise dispose of the assets of Janus on terms acceptable to ABI and in accordance with applicable regulatory or other legal requirements, including Canadian regulations and laws, such inability could have a material adverse effect on the Company's business, results of operations and financial condition.

Application of Critical Accounting Policies and Estimates

The discussion and analysis of the Company's financial condition and results of operations are based upon its consolidated financial statements, which have been prepared in accordance with accounting principles generally accepted in the United States. The preparation of these financial statements requires estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results may differ from these estimates under different assumptions or conditions.

Critical accounting policies are defined as those that entail significant judgments and uncertainties, and could potentially result in materially different results under different assumptions and conditions. The Company believes that its most critical accounting policies upon which its financial condition depends, and which involve the most complex or subjective decisions or assessments, are those described below. For a discussion on the application of these and other accounting policies, see Note 1 in the Notes to Consolidated Financial Statements.

Asbestos Liabilities - As discussed previously, the Company and its subsidiary Congoleum are parties to a significant number of lawsuits stemming from their previous manufacture of asbestos-containing products. ABI has recorded in its consolidated balance sheet a liability and corresponding insurance receivable based on its estimates of the future costs and related insurance recoveries to settle asbestos litigation and pay for related legal and loss handling costs. These estimates are based on a number of subjective assumptions, including the anticipated costs to settle claims, the cost to litigate claims, the number of claims expected to be received, and the applicability and allocation of insurance coverage to these costs. Due to the numerous uncertainties related to future asbestos litigation trends and costs, the Company does not believe reasonable estimates can be developed beyond a five year horizon. Accordingly, the Company's estimated liability is based on claims currently filed as well as claims anticipated to be filed over the next five years. Due to the highly

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subjective nature of these assumptions, the Company has estimated a wide range of potential future costs and insurance recoveries and, because management believes that no amount within the range is more likely than any other, has recorded a liability and insurance receivable based on the low end of the range in accordance with accounting principles generally accepted in the United States. As such, the selection of a different amount within the

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range could have a material effect on the Company's consolidated financial statements, as could future developments, which may differ from the assumptions used in developing the Company's estimates.

The Company's subsidiary Congoleum is a party to a significant number of lawsuits stemming from its manufacture of asbestos-containing products and is seeking confirmation of a pre-packaged plan of reorganization under Chapter 11 of the United States Bankruptcy Code as part of its strategy to resolve this liability. Congoleum's liability for settlements of asbestos claims is at least \$491 million, not including the cost to defend and litigate unsettled or future cases, which is substantially in excess of both the total assets of Congoleum as well as Congoleum's previous estimates made in prior periods of the maximum liability for both known and unasserted claims. While Congoleum purchased insurance coverage it believes applies to these claims, some of the insurance carriers are presently insolvent and the remaining solvent insurance carriers have disputed their coverage obligations. Congoleum believes the ultimate amount of its liability, and the amount of recoverable insurance, will be determined through some combination of negotiation, litigation, and bankruptcy court order, but that these amounts can no longer be reasonably estimated given all the uncertainties that presently exist.

Congoleum expects that insurance will provide the vast majority of the recovery available to claimants, due to the amount of insurance coverage it purchased and the comparatively limited resources and value of Congoleum itself. Congoleum believes that it does not have the necessary financial resources to litigate and/or settle asbestos claims in the ordinary course of business, and filed for bankruptcy protection on December 31, 2003.

In light of its bankruptcy filing and pre-packaged plan of reorganization, Congoleum believes the most meaningful measure of its probable loss due to asbestos litigation is the amount it will have to contribute to the plan trust plus the costs to effect the reorganization. Congoleum estimates the minimum remaining costs to complete this plan to be \$9.8 million, which it has recorded as a current liability. The maximum amount of asbestos losses is limited to the going concern or liquidation value of Congoleum, an amount which Congoleum believes is substantially less than the minimum estimated liability for the known claims against it. The Company also expects to recover \$3.6 million from the Collateral Trust or its successor pursuant to terms of the Claimant Agreement and related documents which provide for the trust to reimburse certain expenses of the Company. Timing of such recovery will depend on when the trust receives funds from insurance settlements or other sources.

Congoleum will update its estimates as additional information becomes available during the reorganization process, resulting in potentially material adjustments to Congoleum's earnings in future periods.

Environmental Contingencies - As discussed previously, the Company has incurred liabilities related to environmental remediation costs at both third party sites and Company owned sites. Management has recorded both liabilities and insurance receivables in its consolidated financial statements for its estimate of future remediation activities. These estimates are based on certain assumptions such as

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the extent of clean-up activities to be performed, the methods employed in the clean-up activities, the Company's relative share in costs at sites where other parties are involved, and the ultimate insurance coverage available. These projects tend to be long-term in nature, and these assumptions are subject to refinement as facts change. As such, it is possible that the Company may need to revise its recorded liabilities and receivables for environmental costs in future periods resulting in potentially material adjustments to the Company's earnings in future periods.

Valuation of Deferred Tax Assets - The Company will provide for valuation reserves against its deferred tax assets in accordance with the requirements of SFAS 109. In evaluating the recovery of deferred tax assets, management makes certain assumptions as to future events such as the ability to

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generate future taxable income. It is possible that the facts underlying these assumptions may not materialize in future periods, which may require the Company to record additional deferred tax valuation allowances, or to reduce previously recorded valuation allowances. Pension Plans and Postretirement Benefits - The Company accounts for its defined benefit pension plans in accordance with SFAS No. 87, Employers' Accounting for Pensions, which requires that amounts recognized in financial statements be determined on an actuarial basis. As permitted by SFAS No. 87, the Company uses a calculated value of plan assets (which is further described below). SFAS No. 87 requires that the effects of the performance of the pension plans' assets and changes in pension liability discount rates on the Company's computation of pension income (expense) be amortized over future periods.

The most significant element in determining the Company's pension expense in accordance with SFAS No. 87 is the expected return on plan assets. In 2003, the Company has assumed that the expected long-term rate of return on plan assets will be 7.0%-7.5%. The assumed long-term rate of return on assets is applied to a calculated value of plan assets, which recognizes changes in the fair value of plan assets in a systematic manner over four years. This produces the expected return on plan assets that is included in pension expense. The difference between this expected return and the actual return on plan assets is deferred. The net deferral of past asset gains or losses affects the calculated value of plan assets and, ultimately, future pension expense.

At the end of each year, the Company determines the discount rate to be used to calculate the present value of plan liabilities. The discount rate is an estimate of the current interest rate at which the pension liabilities could be effectively settled at the end of the year. In estimating this rate, the Company looks to rates of return on high-quality, fixed-income investments that receive one of the two highest ratings given by a recognized ratings agency. At December 31, 2003, the Company determined this rate to be 6.25%.

Risk Factors That May Affect Future Results

The Company and its majority-owned subsidiary Congoleum have significant asbestos liability and funding exposure, and the Company's and Congoleum's strategies for resolving this exposure may not be successful.

As more fully set forth in Notes 1, 9 and 10 of Notes to Consolidated Financial Statements, which is included in this report, the Company and its majority-owned subsidiary Congoleum have significant liability and funding exposure for asbestos personal injury claims. Congoleum has entered into settlement agreements with various asbestos claimants totaling \$491 million. Settlement of this obligation pursuant to the terms of Congoleum's proposed pre-packaged plan

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is dependent on Bankruptcy Court confirmation of the plan, including determinations by the Bankruptcy Court that the plan has satisfied certain criteria under the Bankruptcy Code, among other things.

There can be no assurance that Congoleum will be successful in obtaining confirmation of Congoleum's pre-packaged plan in a timely manner or at all. Any alternative plan of reorganization pursued by Congoleum or confirmed by the Bankruptcy Court could vary significantly from the description in this report (including descriptions incorporated by reference in this report). Furthermore, the estimated costs and contributions required to confirm and to effect the proposed pre-packaged plan of reorganization or an alternative plan could be significantly greater than currently estimated. Any plan of reorganization pursued by Congoleum will be subject to numerous conditions, approvals and other requirements, including Bankruptcy Court approvals, and

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there can be no assurance that such conditions, approvals and other requirements will be satisfied or obtained.

Some additional factors that could cause actual results to differ from Congoleum's and the Company's objectives for resolving asbestos liability include: (i) the future cost and timing of estimated asbestos liabilities and payments and availability of insurance coverage and reimbursement from insurance companies, which underwrote the applicable insurance policies for Congoleum and the Company, for asbestos-related claims, (ii) costs relating to the execution and implementation of any plan of reorganization pursued by Congoleum, (iii) timely reaching an agreement with other creditors, or classes of creditors, that exist or may emerge, (iv) the Company's and Congoleum's satisfaction of the conditions and obligations under their respective outstanding debt instruments and the proposed pre-packaged plan, (v) the response from time-to-time of the Company's and Congoleum's lenders, customers, suppliers and other constituencies to the pre-packaged Chapter 11 process and related developments arising from the strategy to settle asbestos liability, (vi) Congoleum's ability to maintain debtor-in-possession financing sufficient to provide it with funding that may be needed during the pendency of its Chapter 11 case and to obtain exit financing sufficient to provide it with funding that may be needed for its operations after emerging from the bankruptcy process, in each case, on reasonable terms, (vii) timely obtaining sufficient creditor and court approval of any reorganization plan, (viii) developments in and the outcome of insurance coverage litigation pending in New Jersey State Court involving Congoleum, ABI, and certain insurers, and (ix) compliance with the Bankruptcy Code, including section 524(g). In addition, in view of American Biltrite's relationships with Congoleum, American Biltrite could be affected by Congoleum's negotiations, and there can be no assurance as to what that impact, positive or negative, might be. In any event, the failure of Congoleum to obtain confirmation of its anticipated pre-packaged plan of reorganization would have a material adverse effect on Congoleum's business, results of operations or financial condition and could have a material adverse effect on American Biltrite's business, results of operations or financial condition.

In addition, there has been federal legislation proposed that, if adopted, would establish a national trust to provide compensation to victims of asbestos-related injuries and channel all current and future asbestos-related personal injury claims to that trust. Due to the uncertainties involved with the pending legislation, the Company does not know what effects any such legislation, if adopted, may have upon its or Congoleum's businesses, results of operations or financial conditions, or upon any plan of reorganization Congoleum may decide to pursue. To date, Congoleum has expended significant amounts pursuant to resolving its asbestos liability relating to its proposed

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prepackaged Chapter 11 plan of reorganization. To the extent any federal legislation is enacted which does not credit Congoleum for amounts paid by Congoleum pursuant to its plan of reorganization or requires the Company or Congoleum to pay significant amounts to any national trust or otherwise, such legislation could have a material adverse effect on the Company or Congoleum's businesses, results of operations and financial conditions.

As a result of Congoleum's significant liability and funding exposure for asbestos claims, there can be no assurance that if Congoleum were to incur any unforecasted or unexpected liability or disruption to its business or operations it would be able to withstand that liability or disruption and continue as an operating company. Any significant increase of the Company's asbestos liability and funding exposure would likely have a material adverse effect on the Company's business, operations and financial condition and possibly its ability to continue as a going concern.

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For further information regarding the Company's and Congoleum's asbestos liability, insurance coverage and strategies to resolve that asbestos liability, please see Notes 1, 9 and 10 of Notes to the Consolidated Financial Statements, which are included in this report.

The Company and its majority-owned subsidiary Congoleum may incur substantial liability for environmental claims and compliance matters.

Due to the nature of the Company's and its majority-owned subsidiary Congoleum's businesses and certain of the substances which are or have been used, produced or discharged by them, the Company's and Congoleum's operations and facilities are subject to a broad range of federal, state, local and foreign legal and regulatory provisions relating to the environment, including those regulating the discharge of materials into the environment, the handling and disposal of solid and hazardous substances and wastes and the remediation of contamination associated with releases of hazardous substances at Company and Congoleum facilities and off-site disposal locations. The Company and Congoleum have historically expended substantial amounts for compliance with existing environmental laws or regulations, including environmental remediation costs at both third-party sites and Company and Congoleum-owned sites. The Company and Congoleum will continue to be required to expend amounts in the future because of the nature of their prior activities at their facilities, to comply with existing environmental laws, and those amounts may be substantial. Although the Company and Congoleum believe that those amounts should not have a material adverse effect on their respective financial position, there is no certainty that these amounts will not have a material adverse effect on their respective financial positions because, as a result of environmental requirements becoming increasingly strict, neither the Company nor Congoleum is able to determine the ultimate cost of compliance with environmental laws and enforcement policies. Moreover, in addition to potentially having to pay substantial amounts for compliance, future environmental laws or regulations may require or cause the Company or Congoleum to modify or curtail their operations, which could have a material adverse effect on the Company's business, results of operations and financial condition.

The Company and its majority-owned subsidiary Congoleum, may incur substantial liability for other product and general liability claims.

In the ordinary course of their businesses, the Company and its majority-owned subsidiary Congoleum become involved in lawsuits, administrative proceedings, product liability claims and other matters. In some of these proceedings, plaintiffs may seek to recover large and sometimes unspecified amounts and the

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matters may remain unresolved for several years. These matters could have a material adverse effect on the Company's business, results of operations and financial condition if the Company or Congoleum, as applicable, is unable to successfully defend against or settle these matters and its insurance coverage is insufficient to satisfy any judgments against it or settlements relating to these matters or the Company or Congoleum, as applicable, is unable to collect insurance proceeds relating to these matters.

The Company and its majority-owned subsidiary Congoleum are dependent upon a continuous supply of raw materials from third party suppliers and would be harmed if there were a significant, prolonged disruption in supply or increase in its raw material costs.

The Company and its majority-owned subsidiary Congoleum generally design and engineer their own products. Most of the raw materials required by the Company for its manufacturing operations are available from multiple sources; however, the Company does purchase some of its raw materials from a single source or supplier. Any significant delay in or disruption of the supply of

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raw materials could substantially increase the Company's cost of materials, require product reformulation or require qualification of new suppliers, any one or more of which could materially adversely affect the Company's business, results of operations or financial condition. The Company's majority-owned subsidiary Congoleum, does not have readily available alternative sources of supply for specific designs of transfer print paper, which are produced utilizing print cylinders engraved to Congoleum's specifications. Although Congoleum does not anticipate any loss of this source of supply, replacement could take a considerable period of time and interrupt production of certain products, which could have a material adverse affect on the Company's business, results of operations or financial condition.

The Company and its majority-owned subsidiary Congoleum operate in highly competitive markets and some of their competitors have greater resources, and in order to be successful, the Company and Congoleum must keep pace with and anticipate changing customer preferences.

The market for the Company's and its majority-owned subsidiary Congoleum's products and services is highly competitive. Some of their respective competitors have greater financial and other resources and access to capital. Furthermore, to the extent any of the Company's or Congoleum's competitors make a filing under Chapter 11 of the United States Bankruptcy Code and emerge from bankruptcy as a continuing operating company that has shed much of their pre-filing liabilities, those competitors could have a cost competitive advantage over Congoleum. In addition, in order to maintain their competitive positions, the Company and Congoleum may need to make substantial investments in their businesses, including, as applicable, product development, manufacturing facilities, distribution network and sales and marketing activities. Competitive pressures may also result in decreased demand for their products and in the loss of market share for their products. Moreover, due to the competitive nature of their industries, they may be commercially restricted from raising or even maintaining the sales prices of their products, which could result in the incurrence of significant operating losses if their expenses were to increase or otherwise represent an increased percentage of sales.

The markets in which the Company and Congoleum compete are characterized by frequent new product introductions and changing customer preferences. There can be no assurance that the Company's and Congoleum's existing products and services will be properly positioned in the market or that the Company and

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Congoleum will be able to introduce new or enhanced products or services into their respective markets on a timely basis, or at all, or that those new or enhanced products or services will receive customer acceptance. The Company's and Congoleum's failure to introduce new or enhanced products or services on a timely basis, keep pace with industry or market changes or effectively manage the transitions to new products, technologies or services could have a material adverse effect on the Company's business, results of operations or financial condition.

The Company and its majority-owned subsidiary Congoleum are subject to general economic conditions and conditions specific to their respective industries.

The Company and its majority-owned subsidiary Congoleum are subject to the effects of general economic conditions. A sustained general economic slowdown could have serious negative consequences for the Company's business, results of operations and financial condition. Moreover, their businesses are affected by the economic factors that affect their respective industries.

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The Company and its majority-owned subsidiary Congoleum could realize shipment delays, depletion of inventory and increased production costs resulting from unexpected disruptions of operations at any of the Company's or Congoleum's facilities.

The Company's and its majority-owned subsidiary Congoleum's businesses depend upon their ability to timely manufacture and deliver products that meet the needs of their customers and the end users of their products. If the Company or Congoleum were to realize an unexpected, significant and prolonged disruption of its operations at any of its facilities, including disruptions in its manufacturing operations, it could result in shipment delays of its products, depletion of its inventory as a result of reduced production and increased production costs as a result of taking actions in an attempt to cure the disruption or carry on its business while the disruption remains. Any resulting delay, depletion or increased production cost could result in increased costs, lower revenues and damaged customer and product end user relations, which could have a material adverse effect on the Company's business, results of operations or financial condition.

The Company and its majority-owned subsidiary Congoleum offer limited warranties on their products which could result in the Company or Congoleum incurring significant costs as a result of warranty claims.

The Company and its majority-owned subsidiary Congoleum offer a limited warranty on many of their products against manufacturing defects. In addition, as a part of its efforts to differentiate mid- and high-end products through color, design and other attributes, Congoleum offers enhanced warranties with respect to wear, moisture discoloration and other performance characteristics which generally increase with the price of such products. If the Company or Congoleum were to incur a significant number of warranty claims, the resulting warranty costs could be substantial.

The Company and its majority-owned subsidiary Congoleum rely on a small number of customers and distributors for a significant portion of their sales or to sell their products.

The Company's tape division principally sells its products through distributors. Sales to five unaffiliated customers accounted for approximately 22% of the Company's tape division's net sales for the year ended December 31, 2003 and 25% of its net sales for the year ended December 31, 2002. The loss of the largest

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unaffiliated customer and/or two or more of the other unaffiliated customers could have a material adverse effect on the Company's business, results of operations or financial condition.

The Company's majority-owned subsidiary Congoleum principally sells its products through distributors. Although Congoleum has more than one distributor in some of its distribution territories and actively manages its credit exposure to its distributors, the loss of a major distributor could have a materially adverse impact on the Company's business, results of operations, or financial condition. Congoleum derives a significant percentage of its sales from two of its distributors. These two distributors accounted for approximately 65% of Congoleum's net sales for the year ended December 31, 2003 and 59% of Congoleum's net sales for the year ended December 31, 2002.

The Company's subsidiary K&M Associates L.P. sells its products through its own direct sales force and, indirectly, through a wholly owned subsidiary and through third-party sales representatives. Three of K&M Associates L.P.'s customers accounted for approximately 70% of its net sales for the year ended December 31, 2003 and 75% of its net sales for the year ended December 31, 2002. The loss of K&M Associates L.P.'s largest customer would likely have a material adverse effect on the Company's business, results of operations or financial condition.

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A portion of the Company's debt must be amended or refinanced prior to December 31, 2004

The Company's revolving credit agreement expires on December 31, 2004. In addition, terms of the Company's Prudential Agreement require the Company to have a commitment to extend or replace the Fleet agreement no later than November 14, 2004, with such financing effective no later than December 31, 2004. Although the Company expects to extend the Fleet agreement, there can be no assurances that it will be able to do so, and such failure could have a material adverse effect on liquidity.

The Company and its majority-owned subsidiary Congoleum depend on key executives to run their businesses, and the loss of any of these executives would likely harm the Company's business.

The Company and its majority-owned subsidiary Congoleum depend on key executives to run their businesses. In particular, the same persons that serve as key executives at the Company also serve as key executives at Congoleum. The Company's future success will depend largely upon the continued service of these key executives, all of whom have no employment contract with the Company or Congoleum, as applicable, and may terminate their employment at any time without notice. Although certain key executives of the Company and Congoleum are, directly or indirectly, large shareholders of the Company or Congoleum, and thus are less likely to terminate their employment, the loss of any key executive, or the failure by the key executive to perform in his current position, could have a material adverse effect on the Company's business, results of operations or financial condition.

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK MARKET RISK

The Company is exposed to changes in prevailing market interest rates affecting the return on its investments but does not consider this interest rate market risk exposure to be material to its consolidated financial condition or results of operations. The Company invests primarily in highly liquid debt instruments

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with strong credit ratings and short-term (less than one year) maturities. The carrying amount of these investments approximates fair value due to the short-term maturities. Substantially all of the Company's outstanding long-term debt as of December 31, 2003 consisted of indebtedness with a fixed rate of interest, which is not subject to change based upon changes in prevailing market interest rates.

The Company operates internationally, principally in Canada, Europe and the Far East, giving rise to exposure to market risks from changes in foreign exchange rates. To a certain extent, foreign currency exchange rate movements also affect the Company's competitive position, as exchange rate changes may affect business practices and/or pricing strategies of non-U.S. based competitors. For foreign currency exposures existing at December 31, 2003, a 10% unfavorable movement in currency exchange rates in the near term would not materially affect ABI's consolidated operating results, financial position or cash flows.

Under its current policies, the Company does not use derivative financial instruments, derivative commodity instruments or other financial instruments to manage its exposure to changes in interest rates, foreign currency exchange rates, commodity prices or equity prices and does not hold any instruments for trading purposes.

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ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

American Biltrite Inc. and Subsidiaries

Consolidated Balance Sheets with Consolidating Details (In thousands of dollars)

	December 31	
	2003	2002
Assets		
Current assets:		
Cash and cash equivalents	\$ 3,959	\$ 20,16
Restricted cash	1,757	-
Accounts and notes receivable, less allowances of \$2,615 in 2003 and \$2,764 in 2002 for doubtful accounts and discounts	36,010	41,14
Inventories	81,480	89,42
Assets of discontinued operation	2,902	13,94
Deferred income taxes	11,033	9,45
Prepaid expenses and other current assets	12,530	11,13
	149,671	185,27
Total current assets		
Property, plant and equipment, net	134,285	141,51
Other assets:		
Insurance receivable - asbestos-related liabilities	10,700	8,50
Goodwill, net	11,300	11,30
Other assets	13,440	15,27
	35,440	35,07

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Total assets

\$319,396

\$361,87

See accompanying notes.

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Eliminations		Congoleum		American Biltrite	
2003	2002	2003	2002	2003	2002
		\$ 2,169	\$ 18,277	\$ 1,790	\$ 1,883
		1,757			
\$ (280)	\$ (94)	13,560	17,034	22,730	24,208
		44,995	50,725	36,485	38,703
				2,902	13,942
		8,752	7,901	2,281	1,558
(186)	(1,068)	9,672	7,868	3,044	4,339
(466)	(1,162)	80,905	101,805	69,232	84,633
		87,035	93,556	47,250	47,961
				10,700	8,500
				11,300	11,300
		7,959	8,630	5,481	6,647
		7,959	8,630	27,481	26,447
\$ (466)	\$ (1,162)	\$175,899	\$203,991	\$143,963	\$159,041

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American Biltrite Inc. and Subsidiaries

Consolidated Balance Sheets with Consolidating Details (continued)
(In thousands of dollars)

December 31
2003 2002

Liabilities and stockholders' equity

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Current liabilities:		
Accounts payable	\$ 13,327	\$ 24,657
Accrued expenses	55,873	77,401
Liabilities of discontinued operation	688	1,298
Notes payable	18,125	15,276
Current portion of long-term debt	21,289	21,061

Total current liabilities	109,302	139,693
Long-term debt, less current portion	103,626	104,210
Asbestos-related liabilities	10,700	8,500
Other liabilities	62,126	61,121
Noncontrolling interests	663	808
Stockholders' equity:		
Common stock, par value \$.01, authorized 15,000,000 shares, issued 4,607,902 shares	46	46
Additional paid-in capital	19,548	19,548
Retained earnings	47,573	62,376
Accumulated other comprehensive loss	(19,056)	(19,300)

	48,111	62,670
Less cost of 1,166,351 shares of common stock in treasury	15,132	15,132

Total stockholders' equity	32,979	47,538

Total liabilities and stockholders' equity	\$ 319,396	\$ 361,870
	=====	

See accompanying notes.

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Eliminations		Congoleum		American Biltrit
2003	2002	2003	2002	2003

\$ (280)	\$ (1,163)	\$ 4,544	\$ 14,647	\$ 9,063
		38,980	58,329	16,893
		10,232		688
				7,893
				21,289

(280)	(1,163)	53,756	72,976	55,826
		99,773	99,724	3,853
				10,700
(186)		48,147	47,369	14,165
				663

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(93)	(93)	93	93	46
(49,105)	(49,105)	49,105	49,105	19,548
35,275	35,275	(46,778)	(40,016)	59,076
6,110	6,111	(20,384)	(17,447)	(4,782)
(7,813)	(7,812)	(17,964)	(8,265)	73,888
(7,813)	(7,813)	7,813	7,813	15,132
--	1	(25,777)	(16,078)	58,756
\$ (466)	\$ (1,162)	\$ 175,899	\$ 203,991	\$ 143,963

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American Biltrite Inc. and Subsidiaries

Consolidated Statements of Operations with Consolidating Details
(In thousands of dollars, except per share amounts)

	Years ended December 31	
	2003	2002
Revenues:		
Net sales	\$ 416,569	\$ 434,495
Interest	191	330
Other	3,359	3,058
	420,119	437,883
Costs and expenses:		
Cost of products sold	299,017	310,260
Selling, general and administrative expenses	119,472	128,673
Interest	11,576	10,763
	430,065	449,696
Income (loss) before income taxes and other items	(9,946)	(11,813)
Provision (credit) for income taxes	(3,323)	1,248
Noncontrolling interests	(174)	6,221
Net (loss) income from continuing operations	(6,797)	(6,840)
Discontinued operation (2003 includes loss on disposal of \$6,466 and tax benefit of \$2,178; 2002 and 2001 include tax benefits of \$888 and \$531, respectively)	(7,361)	(2,073)
Cumulative effect of accounting change		(7,742)
Net (loss) income	\$ (14,158)	\$ (16,655)
Income (loss) per common share from continuing operations, basic and diluted	\$ (1.97)	\$ (1.99)

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Discontinued operation	(2.14)	(0.60)
Cumulative effect of accounting change		(2.25)

Net (loss) income per common share, basic and diluted	\$ (4.11)	\$ (4.84)
=====		

See accompanying notes.

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2003	Eliminations 2002	2001	2003	Congoleum 2002	2001	2003	American Bi 2002
\$ (56)	\$ (198)	\$ (214)	\$ 220,706	\$ 237,206	\$ 218,760	\$ 195,919	\$ 197,4
			63	263	708	128	
			1,276	1,543	1,320	2,083	1,5

(56)	(198)	(214)	222,045	239,012	220,788	198,130	199,0
(56)	(198)	(214)	166,864	179,699	165,683	132,209	130,7
			56,911	70,119	48,952	62,561	58,5
			8,906	8,375	8,299	2,670	2,3

(56)	(198)	(214)	232,681	258,193	222,934	197,440	191,7
			(10,636)	(19,181)	(2,146)	690	7,3
		(90)	(3,874)	92	(506)	551	1,1
	6,534	737				(174)	(3

--	6,534	827	(6,762)	(19,273)	(1,640)	(35)	5,8
	4,731			(10,523)		(7,361)	(2,0

\$ --	\$ 11,265	\$ 827	\$ (6,762)	\$ (29,796)	\$ (1,640)	\$ (7,396)	\$ 1,8
=====							

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American Biltrite Inc. and Subsidiaries

Consolidated Statements of Cash Flows with Consolidating Details
(In thousands of dollars)

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	Years ended	
	2003	2002
Operating activities		
Net (loss) income	\$(14,158)	\$(16,200)
Net loss from discontinued operation	7,361	2,000
Net (loss) income from continuing operations	(6,797)	(14,200)
Adjustments to reconcile net (loss) income to net cash provided (used) by operating activities:		
Depreciation and amortization	18,026	17,000
Provision for doubtful accounts and discounts	2,691	2,000
Deferred income taxes	(2,243)	2,000
Cumulative effect of accounting change		7,000
Gain on sale of property, plant and equipment		
Changes in certain operating assets and liabilities, exclusive of those arising from acquisitions:		
Accounts and notes receivable	3,471	(4,000)
Inventories	10,722	2,000
Prepaid expenses and other current assets	3,908	1,000
Accounts payable and accrued expenses	(37,849)	15,000
Noncontrolling interests	174	(6,000)
Other	(1,050)	(4,000)
Net cash provided (used) by operating activities	(8,947)	20,000
Investing activities		
Investments in property, plant and equipment	(7,445)	(12,000)
Purchases of short-term investments		
Proceeds from sales of short-term investments		1,000
Proceeds from sale of property, plant and equipment		
Acquisition of certain Swank assets		
Purchase of additional partnership interests in K&M		
Net cash used in investing activities	(7,445)	(10,000)
Financing activities		
Net short-term borrowings (payments)	2,586	3,000
Long-term borrowings		
Payments on long-term debt	(1,203)	(1,000)
Net change in restricted cash	(1,757)	
Purchase of treasury shares		
Dividends paid	(645)	(1,000)
Proceeds from exercise of stock options		
Net cash provided (used) by financing activities	(1,019)	
Effect of foreign exchange rate changes on cash	(1,859)	(1,000)
Net cash (used in) provided by continuing operations	(19,270)	9,000
Net cash provided (used) by discontinued operation	3,069	(6,000)
Cash and cash equivalents at beginning of year	20,160	16,000
Cash and cash equivalents at end of year	\$ 3,959	\$ 20,000

See accompanying notes

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Eliminations				Congoleum		American Biltrite			
2003	2002	2001	2003	2002	2001	2003	2002	2003	2002
\$ --	\$ 11,265	\$ 827	\$ (6,762)	\$ (29,796)	\$ (1,640)	\$ (7,396)	\$ 1,876	\$ 7,361	\$ 2,073
	11,265	827	(6,762)	(29,796)	(1,640)	(35)	3,949		
			11,761	11,273	12,181	6,265	5,794		
			(882)	4,112	(652)	2,691	2,863		
	(4,731)			10,523		(1,361)	(1,477)		
							1,950		
			3,474	898	7,595	(3)	(5,501)		
			5,730	5,057	(2,875)	4,992	(2,604)		
			(1,667)	602	(4,870)	5,575	1,078		
			(29,945)	11,326	(10,508)	(7,904)	4,510		
	(6,534)	(827)				174	313		
			(1,664)	(4,025)	566	614	(157)		
			(19,955)	9,970	(203)	11,008	10,718		
			(4,628)	(8,366)	(7,858)	(2,817)	(3,761)		
				1,416	(4,175)				
					14,856				
			(4,628)	(6,950)	2,823	(2,817)	(3,761)		
			10,232			(7,646)	3,630		
			(1,757)			(1,203)	(1,032)		
						(645)	(1,721)		
			8,475			(9,494)	877		
						(1,859)	(1,170)		
			(16,108)	3,020	2,620	(3,162)	6,664		
			18,277	15,257	12,637	3,069	(6,327)		
						1,883	1,546		
\$ --	\$ --	\$ --	\$ 2,169	\$ 18,277	\$ 15,257	\$ 1,790	\$ 1,883	\$ 1,790	\$ 1,883

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American Biltrite Inc. and Subsidiaries
 Consolidated Statements of Stockholders' Equity
 (In thousands of dollars)

	Common Stock	Additional Paid-in Capital	Retained Earnings	Accumulate Other Comprehensi Loss
Balance at December 31, 2000	\$ 46	\$ 19,521	\$ 79,663	\$ (5,514)
Comprehensive income:				
Net income for 2001			2,816	
Other comprehensive loss				(2,452)
Total comprehensive income				
Tax benefit on exercise of options		27		
Dividends declared (\$.50 per share)			(1,727)	
Exercise of stock options				
Purchase of treasury stock				
Balance at December 31, 2001	46	19,548	80,752	(7,966)
Comprehensive loss:				
Net loss for 2002			(16,655)	
Other comprehensive loss				(11,334)
Total comprehensive loss				
Dividends declared (\$.50 per share)			(1,721)	
Balance at December 31, 2002	46	19,548	62,376	(19,300)
Comprehensive loss:				
Net loss for 2003			(14,158)	
Other comprehensive income				244
Total comprehensive loss				
Dividends declared (\$.1875 per share)				
Balance at December 31, 2003	\$ 46	\$ 19,548	\$ 47,573	\$ (19,056)

See accompanying notes.

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American Biltrite Inc. and Subsidiaries

Notes to Consolidated Financial Statements
(In thousands of dollars)

December 31, 2003

1. Significant Accounting Policies

Principles of Consolidation

The consolidated financial statements include the accounts of American Biltrite Inc. and its wholly-owned subsidiaries (referred to as "ABI" or the "Company"), as well as entities over which it has voting control. In 1995, ABI gained voting control over Congoleum Corporation ("Congoleum") and K&M Associates L.P. ("K&M"). Upon consolidation intercompany accounts and transactions, including transactions with associated companies that result in intercompany profit, are eliminated.

As discussed more fully below and elsewhere in these footnotes, the Company's Congoleum subsidiary filed for bankruptcy protection on December 31, 2003. The accompanying consolidated financial statements include the results for Congoleum for all periods presented. ABI continues to own a majority of the voting stock of Congoleum. As a result, the Company expects to continue to control Congoleum while it is in bankruptcy. Additionally, Congoleum's proposed reorganization plan, which remains subject to Bankruptcy Court approval, anticipates no changes in the equity ownership upon emergence from bankruptcy. Congoleum believes that its pre-packaged bankruptcy proceeding could be concluded in a relatively short period of time, possibly by December 31, 2004. Accordingly, the Company has elected to continue to consolidate the financial statements of Congoleum in its consolidated results because it believes that is the appropriate presentation given its anticipated continuing control of Congoleum. However, the accompanying financial statements also present the details of consolidation to separately show the financial condition, operating results and cash flows of ABI (including its non-debtor subsidiaries) and Congoleum, which may be more meaningful for certain analyses.

As more fully discussed in Notes 9 and 10 of Notes to Consolidated Financial Statements, the Company's subsidiary Congoleum is a party to a significant number of lawsuits stemming from its manufacture of asbestos-containing products and is seeking confirmation of a pre-packaged plan of reorganization under Chapter 11 of the United States Bankruptcy Code as part of its strategy to resolve this liability. The plan contemplated by Congoleum would permit shareholders, including ABI, to retain their existing equity interests in Congoleum. As part of Congoleum's plan of reorganization, ABI expects that Congoleum's indemnification obligations to ABI with respect to current and future asbestos personal injury claims related to ABI's former Tile Division operations not covered by ABI insurance will be channeled to the plan trust established under section 524(g) of the Bankruptcy Code pursuant to Congoleum's Chapter 11 plan of reorganization. ABI and Congoleum expect to contribute, among other things, to the plan trust that would be established pursuant to Congoleum's Chapter 11 reorganization \$250 thousand in cash from ABI and a note from Congoleum in an aggregate principal amount equal to at least 51% of the equity value of Congoleum, with payment of such contribution secured by a pledge by ABI of both the common stock of Congoleum that it owns as well as certain of its rights to receive certain indemnity payments from Congoleum. ABI does not expect that Congoleum's note contribution to the plan trust would have a material adverse effect on ABI's liquidity or capital resources. The value of

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1. Significant Accounting Policies (continued)

the note that Congoleum will contribute to the trust under the proposed plan is \$2.7 million but is subject to increase based upon the equity value of Congoleum as of the last trading day of the 90 consecutive trading day period commencing on the first anniversary of the effective date of Congoleum's confirmed Chapter 11 plan of reorganization, which could be materially higher. The proposed pre-packaged plan calls for a possible additional contribution by ABI to the plan trust in the event ABI sells its interest in Congoleum before the fifth anniversary of confirmation of Congoleum's plan.

Because it maintains a controlling interest, ABI has continued to consolidate Congoleum's results, which included losses of (including other comprehensive losses) of \$25.8 million in excess of the value of its investment in Congoleum at December 31, 2003. For more information regarding Congoleum's and ABI's asbestos liabilities and plans for resolving those liabilities, please refer to Notes 9 and 10 of Notes to Consolidated Financial Statements. In addition, please refer to "Management's Discussion and Analysis of Financial Condition and Results of Operations - Risk Factors that May Affect Future Results - The Company and its majority-owned subsidiary have significant asbestos liability and funding exposure, and the Company's and Congoleum's strategies for resolving this exposure may not be successful" for factors that could cause actual results to differ from Congoleum's and ABI's goals for resolving their asbestos liabilities.

AICPA Statement of Position 90-7, "Financial Reporting by Entities in Reorganization under the Bankruptcy Code" ("SOP 90-7") provides financial reporting guidance for entities that are reorganizing under the Bankruptcy Code. The Company will implement this guidance in consolidated financial statements for periods after December 31, 2003.

Pursuant to SOP 90-7, companies are required to segregate pre-petition liabilities that are subject to compromise and report them separately on the balance sheet. Liabilities that may be affected by a plan of reorganization are recorded at the amount of the expected allowed claims, even if they may be settled for lesser amounts. Substantially all of the Company's liabilities at December 31, 2003 will be reclassified as liabilities subject to compromise. Obligations arising post petition, and pre-petition obligations that are secured or that the Bankruptcy Court authorizes the Company to pay, will not be classified as liabilities subject to compromise.

Additional pre-petition claims (liabilities subject to compromise) may arise due to the rejection of executory contracts or unexpired leases, or as a result of the allowance of contingent or disputed claims.

Included in other assets on the accompanying balance sheets is ABI's investment in Compania Hulera Sula, S.A., a 50%-owned venture. The investment is accounted for on the cost method due to the uncertainty of the political climate and currency restrictions in Honduras.

Use of Estimates and Critical Accounting Policies

The preparation of consolidated financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, and disclosure of contingent liabilities, at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period.

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1. Significant Accounting Policies (continued)

Critical accounting policies are defined as those that entail significant judgments and estimates, and could potentially result in materially different results under different assumptions and conditions. The Company believes that the most critical accounting policies upon which its financial condition depends, and which involve the most complex or subjective decisions or assessments, concern asbestos liabilities, environmental contingencies, valuation of deferred tax assets, and pension plan and post-retirement benefits. A discussion on the application of these and other accounting policies is detailed throughout Note 1.

Although the Company makes every effort to ensure the accuracy of the estimates and assumptions used in the preparation of its financial statements or in the application of accounting policies, if business conditions were different, or if the Company used different estimates and assumptions, it is possible that materially different amounts could be reported in the Company's financial statements.

Concentration of Credit Risk

The Company performs periodic credit evaluations of its customers' financial condition and generally does not require collateral. Credit losses in previous years have generally been within management's expectations. For the years ended December 31, 2003, 2002 and 2001, the Company had two customers that accounted for 35%, 32%, and 26% of net sales, respectively. At December 31, 2003, 2002 and 2001, one customer accounted for 16%, 19% and 14% of trade receivables outstanding, respectively.

Cash

Cash equivalents represent highly liquid debt instruments with maturities of three months or less at the date of purchase. The carrying value of cash equivalents approximates fair value.

Under the terms of Congoleum's revolving credit agreement, payments on their accounts receivable are deposited in an account assigned by Congoleum to its lender and the funds in that account are used by the lender to pay down any loan balance. Restricted cash represents funds deposited in this account but not immediately applied to the loan balance.

Inventories

Inventories are stated at the lower of cost or market. Cost is determined by the last-in, first-out (LIFO) method for most of the Company's domestic inventories and the first-in, first-out (FIFO) method for the Company's foreign inventories. The Company records as a charge to cost of products sold any amounts required to reduce the carrying value of inventories to net realizable value.

Property, Plant and Equipment

Property, plant and equipment is stated at cost. Expenditures for maintenance, repairs and renewals are charged to expense as incurred; major improvements are capitalized. Depreciation, which is determined using the straight-line method, is provided over the estimated useful lives (thirty to forty years for buildings and building improvements, ten to fifteen years for production equipment and heavy-duty vehicles, and three to ten years for light-duty vehicles and office furnishings and equipment).

1. Significant Accounting Policies (continued)

Debt Issue Costs

Costs incurred in connection with the issuance of debt have been capitalized and are being amortized over the life of the related debt agreements. Debt issue costs at December 31, 2003 and 2002 amounted to \$1,649 and \$2,159, respectively, net of accumulated amortization of \$2,167 and \$1,657, respectively, and are included in other noncurrent assets.

Goodwill

Goodwill represents the excess of acquisition costs over the estimated fair value of the net assets acquired and was amortized through year-end 2001 using the straight-line method principally over 40 years. The Company evaluates the recoverability of goodwill and other intangible assets annually in the fourth quarter, or more frequently if events or changes in circumstances, such as a decline in sales, earnings, or cash flows, or material adverse changes in the business climate, indicate that the carrying value of an asset might be impaired. The Company completed its annual impairment test in the fourth quarter of 2003 and concluded that no adjustment was required to the carrying value of our goodwill based on the analysis performed.

Goodwill is considered to be impaired when the net book value of a reporting unit exceeds its estimated fair value. During the first quarter of 2002, the Company performed a transitional impairment test and concluded that the goodwill related to both Congoleum and Janus was impaired and recorded a goodwill impairment charge for the cumulative effect of change in accounting principle of \$7.7 million. Congoleum recorded an impairment loss of \$10.5 million. ABI's share, 55%, in this impairment loss resulted in a charge of \$5.8 million plus a charge of \$1.9 million for an impairment loss related to Janus goodwill for a total charge of \$7.7 million.

The following table reflects consolidated results adjusted as though the Company's adoption of SFAS 142 occurred as of January 1, 2001:

	Years Ended December 31		
	2003	2002	2001
	-----	-----	-----
	(In thousands, except per share amounts)		
Net (loss) income from continuing operations:			
As reported	\$ (6,797)	\$ (6,840)	\$ 4,051
Goodwill amortization			1,402
	-----	-----	-----
As adjusted	\$ (6,797)	\$ (6,840)	\$ 5,453
	=====	=====	=====
Basic (loss) income per share from continuing operations:			
As reported	\$ (1.97)	\$ (1.99)	\$ 1.17
Goodwill amortization			.41
	-----	-----	-----
As adjusted	\$ (1.97)	\$ (1.99)	\$ 1.58
	=====	=====	=====

Impairment of Long-Lived Assets

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The Company assesses its long-lived assets other than goodwill for impairment whenever facts and circumstances indicate that the carrying amount may not be fully recoverable. To analyze

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1. Significant Accounting Policies (continued)

recoverability, it projects undiscounted net future cash flows over the remaining life of such assets. If these projected cash flows are less than the carrying amount, an impairment would be recognized, resulting in a write-down of the assets with a corresponding charge to earnings. The impairment loss is measured based upon the difference between the carrying amount and the fair value of the assets.

Environmental Remediation and Product Liabilities

The Company is subject to federal, state, and local environmental laws and regulations. The Company records a liability for environmental remediation claims when a clean-up program or claim payment becomes probable and the costs can be reasonably estimated. The Company also records an insurance receivable based on its estimate of insurance recoveries for these costs. The recorded liabilities, and related assets, are not discounted for delays in future payments (see Notes 5, 7 and 9.).

Asbestos Liabilities and Congoleum Plan of Reorganization

The Company is a party to a number of lawsuits stemming from its manufacture of asbestos-containing products. The Company records a liability for these cases based on its estimate of costs to resolve both open and incurred but not reported claims. The Company also records an insurance receivable based on its estimate of insurance recoveries for these costs. In estimating the Company's asbestos-related exposures, the Company analyzes and considers the possibility of any uncertainties regarding the legal sufficiency of insurance claims or solvency of insurance carriers.

The Company's subsidiary Congoleum is a defendant in a large number of asbestos-related lawsuits and is seeking confirmation of a pre-packaged plan of reorganization under Chapter 11 of the United States Bankruptcy Code as part of its strategy to resolve this liability (See Notes 9 and 10). The recorded liability for Congoleum's asbestos-related exposures is based on the minimum estimated cost to resolve these liabilities through the proposed plan of reorganization.

Accounting for asbestos-related costs includes significant assumptions and estimates, and actual results could differ materially from the estimates recorded.

Revenue Recognition

Revenue is recognized when products are shipped and title has passed to the customer. Net sales are comprised of the total sales billed during the period less the sales value of estimated returns, trade discounts and customers' allowances. The Company defers recognition of revenue for its estimate of potential sales returns under right-of-return agreements with its customers until the right-of-return period lapses.

Shipping and Handling Costs

Shipping and handling costs for the years ended December 31, 2003, 2002 and 2001

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were \$6,525, \$6,448 and \$8,301, respectively, and are included in selling, general and administrative expenses.

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1. Significant Accounting Policies (continued)

Income Taxes

The Company provides for income taxes based upon earnings reported for financial statement purposes. Deferred tax assets and liabilities are determined based upon temporary differences between the financial reporting and tax bases of assets and liabilities. A valuation allowance is recorded, when necessary, to reduce the Company's deferred tax assets to amounts deemed realizable.

Stock-Based Compensation

SFAS No. 123, Accounting for Stock-Based Compensation, requires the recognition of, or disclosure of, compensation expense for grants of stock options or other equity instruments issued to employees based on their fair value at the date of grant. As permitted by SFAS No. 123, the Company follows the disclosure requirements instead of recognition of compensation expense and therefore continues to apply existing accounting rules under APB Opinion No. 25 (APB 25) and related interpretations for its employee stock options. Under APB 25, when the exercise price of the Company's employee stock options equals or exceeds the market price of the underlying stock on the date of grant, no compensation expense is recognized.

The fair value for the ABI options was estimated at the date of grant using a Black-Scholes option pricing model with the following weighted-average assumptions for 2003 and 2002, respectively: risk-free interest rate of 4.31% and 4.37%, expected dividend yield of 3.00% and 4.00%, volatility factor of the expected market price of the Company's common stock of .286 and .285, and a weighted-average expected life of the options of seven and one-half years.

The weighted-average fair value of options granted under ABI's 1999 Stock Award and Incentive Plan for Directors during 2003 and 2002 was \$1.90 and \$2.68, respectively. The weighted-average fair value of options granted under ABI's 1993 Stock Award and Incentive Plan during 2001 was \$3.95.

For purposes of pro forma disclosures, the estimated fair value of the ABI options is amortized to expense over the options' vesting period. The impact on pro forma net income may not be representative of compensation expense in future years, when the effect of the amortization of multiple awards would be reflected in the pro forma disclosures.

The Company's pro forma information follows:

	Years ended December 31		
	2003	2002	2001
	(In thousands, except per share amounts)		
Net (loss) income	\$(14,158)	\$(16,655)	\$ 2,816
Estimated pro forma compensation expense from stock options	(14)	(20)	(21)
Pro forma net (loss) income	\$(14,172)	\$(16,675)	\$ 2,795

Pro forma (loss) income per share:

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Basic	\$ (4.12)	\$ (4.85)	\$.81
Diluted	(4.12)	(4.85)	.81

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1. Significant Accounting Policies (continued)

Research and Development Costs

Expenditures relating to the development of new products are charged to operations as incurred and amounted to \$4,765, \$5,105 and \$4,940 for the years ended December 31, 2003, 2002 and 2001, respectively.

Foreign Currency Translation

The functional currency for the Company's foreign operations is the applicable local currency. Balance sheet accounts of foreign subsidiaries are translated at the current exchange rate, and income statement items are translated at the average exchange rate for the period; resulting translation adjustments are made directly to accumulated other comprehensive income (loss) in stockholders' equity. Realized exchange gains and losses (immaterial in amount) are included in current operations.

Issuances of Stock by Subsidiaries

The Company accounts for issuances of stock by its subsidiaries as capital transactions.

Earnings Per Share

Basic earnings per share have been computed based on the weighted-average number of common shares outstanding during the period. Diluted earnings per share have been computed based upon the weighted-average number of common shares outstanding during the year, adjusted for the dilutive effect of shares issuable upon the exercise of stock options (common stock equivalent) unless their inclusion would be antidilutive. In calculating diluted earnings per share, the dilutive effect of a stock option is computed using the average market price for the period.

Recently Issued Accounting Principles

In November 2002, the FASB issued FASB Interpretation (FIN) No. 45, Guarantor's Accounting and Disclosure Requirements for Guarantees, Including Indirect Guarantees of Indebtedness of Others. FIN No. 45 clarifies that a guarantor is required to recognize, at the inception of a guarantee, a liability for the fair value of the obligation undertaken in issuing the guarantee. The initial recognition and initial measurement provisions of FIN No. 45 are applicable on a prospective basis to guarantees issued or modified after December 31, 2002. Adoption of this standard did not have an effect on the Company's consolidated financial statements.

In January 2003, the FASB released Interpretation No. 46, Consolidation of Variable Interest Entities (FIN 46). FIN 46 requires that all primary beneficiaries of Variable Interest Entities (VIE) consolidate such entities. FIN 46 is effective immediately for VIEs created after January 31, 2003 and for VIEs in which an enterprise obtains an interest after that date. It applies in the first fiscal year or interim period beginning after June 15, 2003, to VIEs in which an enterprise holds a variable interest it acquired before February 1, 2003. In December 2003, the FASB published a revision to FIN 46 (FIN 46R) to clarify some of the provisions of the interpretation and to defer the effective

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date of implementation for certain entities. Under the guidance of FIN 46R, entities that do not have interests in structures that are commonly referred to as special purpose entities are required to apply the provisions of the interpretation in financial statements

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1. Significant Accounting Policies (continued)

for periods ending after March 14, 2004. The Company does not have interests in special purpose entities and will apply the provisions of FIN 46R with its first quarter 2004 financial statements.

In November 2001, Emerging Issues Task Force (EITF) issue 01-9, Accounting for Consideration Given by Vendor to Customer or Reseller of the Vendor's Products, was issued. The Company adopted EITF 01-9 effective January 1, 2002 as required. This issue addresses the manner in which companies account for sales incentives to their customers. The Company's current accounting policies for the recognition of costs related to these programs, which is to accrue for costs as benefits are earned by the Company's customers, are in accordance with the consensus reached in this issue. The Company has reclassified amounts previously recorded in selling, general and administrative expense as a reduction in net sales. The impact for the twelve month's ending December 31, 2002 and 2001 was a reduction of net sales and of selling, general and administrative expenses \$4.1 million and \$4.5 million respectively.

Reclassifications

Certain amounts in prior years have been reclassified to permit comparison with 2003 classifications.

2. Inventories

Inventories at December 31 consisted of the following:

	2003	2002
Finished goods	\$62,072	\$64,741
Work-in-process	7,953	9,857
Raw materials and supplies	11,455	14,830
	\$81,480	\$89,428

At December 31, 2003, domestic inventories determined by the LIFO inventory method amounted to \$54,874 (\$61,000 at December 31, 2002). If the FIFO inventory method, which approximates replacement cost, had been used for these inventories, they would have been \$2,080 and \$1,158 lower at December 31, 2003 and 2002, respectively.

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3. Property, Plant and Equipment

A summary of the major components of property, plant and equipment at December 31 is as follows:

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	2003	2002

Land and improvements	\$ 5,526	\$ 5,536
Buildings	73,535	70,381
Machinery and equipment	258,367	246,593
Construction-in-progress	6,350	6,032

	343,778	328,542
Less accumulated depreciation	209,493	187,025

	\$134,285	\$141,517
	=====	

Interest is capitalized in connection with the construction of major facilities. Capitalized interest is recorded as part of the asset to which it relates and is amortized over the asset's estimated useful life. Capitalized interest cost was \$311 and \$250 for 2003 and 2002, respectively.

Depreciation expense amounted to \$17,414, \$16,508 and \$16,634 in 2003, 2002 and 2001, respectively.

4. Acquisitions and Purchase of Additional Partnership Interests

K&M Transactions

During 1995, ABI acquired additional partnership interests in K&M, giving ABI majority ownership and control. In conjunction with the acquisition, ABI also entered into agreements with the remaining limited partners of K&M, providing ABI the option to buy, and providing the limited partners of K&M the option to require ABI to purchase, the remaining partnership interests in K&M. During 2001, ABI acquired an additional 10% interest from the limited partners for total consideration of \$2,066. ABI owns a 94.5% partnership interest in K&M at December 31, 2003.

Acquisition of Certain Swank Assets

In July 2001, K&M acquired certain inventories and receivables of Swank's Ladies Jewelry division in exchange for \$4,646, and entered into related licensing agreements with Anne Klein(R) and Guess?(R). The acquisition was accounted for using purchase accounting, with the purchase price allocated to the assets acquired based on their fair market value at the date of acquisition. The purchase price was allocated to accounts receivable (\$1,532) and inventories (\$3,114). The acquisition's operating results are included in the Company's consolidated statement of income from the date of acquisition.

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5. Accrued Expenses

Accrued expenses at December 31 consisted of the following:

	2003	2002

Accrued advertising and sales promotions	\$21,771	\$31,289
Asbestos-related matters	9,819	21,295

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Employee compensation and related benefits	7,018	7,329
Interest	3,879	3,803
Environmental liabilities	1,559	1,434
Royalties	1,205	1,292
Deferred income taxes	4,376	3,954
Income taxes		1,632
Other	6,246	5,373

	\$55,873	\$77,401
	=====	

6. Financing Arrangements

Long-term debt at December 31 consisted of the following:

	2003	2002
	-----	-----
8 5/8% Senior Notes, due 2008	\$ 99,773	\$ 99,724
Note Purchase Agreement	20,000	20,000
Other notes	5,142	5,547
	-----	-----
	124,915	125,271
Less current portion	21,289	21,061
	-----	-----
	\$103,626	\$104,210
	=====	=====

8 5/8% Senior Notes due 2008

In August 1998, Congoleum issued \$100,000 of 8 5/8% Senior Notes, maturing August 1, 2008, priced at 99.505 to yield 8.70%. The Senior Notes are redeemable at the option of Congoleum, in whole or in part, at any time on or after August 1, 2003, at predetermined redemption prices (ranging from 104% to 100%), plus accrued and unpaid interest to date of redemption. During 2003, the indenture governing the Senior Notes was amended to permit transactions contemplated under Congoleum's proposed plan of reorganization and related agreements. The holders of the Senior Notes have no recourse to the assets of ABI or its other subsidiaries.

The fair value of Congoleum's long-term debt is based on the quoted market prices for publicly traded issues. The estimated fair value of the 8 5/8% Senior Notes was approximately \$65,000 and \$45,000 at December 31, 2003 and 2002, respectively.

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6. Financing Arrangements (continued)

Note Purchase Agreement

During the third quarter of 2001, ABI entered into a Note Purchase and Private Shelf Agreement with Prudential Insurance Company (the "Prudential Agreement"). Under the terms of this agreement, ABI borrowed \$20,000 and used the proceeds to retire existing long-term and revolving debt. The terms of the Prudential Agreement were modified during 2003 and in January 2004 to revise covenants and certain other terms to conform with revisions to the Company's revolving credit agreement, and to require, among other things, that the Company obtain a

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commitment to extend or replace its revolving credit agreement no later than November 15, 2004. These amendments also granted the lender a security interest, shared with the revolving credit lender, in certain domestic receivables, inventory, and fixed assets. The notes under the Prudential Agreement bear interest at 9.91% (reducing to 7.91% if a lower ratio of debt to EBITDA, as defined in the Prudential Agreement, is attained). Principal is repayable in five annual \$4,000 installments beginning August 28, 2006.

Other Notes

In 1998, the Company obtained loans from local banks in connection with the acquisition of buildings in Belgium and Singapore. The loans were for 25,000 Belgian francs (US \$681) and 2,700 Singapore dollars (US \$1,534). The loans are payable in equal installments through 2008 and 2018, respectively. The interest rates on the loans are 5.6% for the Belgian loan and 1.5% above the local bank's prime rate (5.0% at December 31, 2003) for the Singapore loan. The loans are secured by the property acquired.

The Company, through a Canadian subsidiary, is party to a credit agreement providing a \$7,500 Canadian dollar (US \$4,770) capital loan and increasing an existing operating loan facility to \$12,000 Canadian dollars (US \$7,632). Proceeds of the capital loan were used to fund acquisitions of property and equipment in Canada. The capital loan is payable in 20 equal quarterly installments beginning February 28, 2002 and bears interest at 6.03%. The operating loan is payable on demand and bears interest at a floating rate which averaged 4.5% at December 31, 2003.

Revolving Credit Agreements

ABI is party to a revolving credit agreement that provides for borrowings of up to \$20,000 (depending on levels of domestic inventory, receivables, and fixed assets) through December 31, 2004, with interest varying based upon the Company's leverage ratio (as defined in that agreement). This agreement was amended during 2003 and in January 2004 to modify certain terms, including making financial covenants less restrictive. This agreement as amended provides for a commitment fee based on the average daily unused portion of the commitment, which varies depending on the leverage ratio. Borrowings under the revolving credit agreement and the note purchase agreement are secured by certain of the assets of certain of the Company's domestic subsidiaries. At December 31, 2003, the Company had \$3,950 outstanding under this agreement with an interest rate of 3.75%. Unused borrowing availability under this agreement at December 31, 2003 was \$10,333.

Congoleum has a revolving credit facility, which expires December 31, 2004 that provides for borrowings up to \$30,000 depending on levels of inventory and receivables. This agreement, which converted to a debtor-in-possession facility upon Congoleum's bankruptcy filing, provides for a commitment fee based on the average daily unused portion of the commitment equal to three-eighths of one percent and a monthly servicing fee of \$3. Borrowings under this

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facility are collateralized by inventory and receivables. There was \$10,232 in borrowings outstanding under this facility at December 31, 2003 and no borrowings outstanding at December 31, 2002. The facility provides for standby letters of credit, the outstanding amount of which was \$4,100 at December 31, 2003. Unused borrowing availability under this agreement at December 31, 2003 was \$8,100.

The terms of certain of the Company's loan agreements include restrictions on

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incurring additional indebtedness, restrictions on some types of payments including dividends, and limitations on capital expenditures. Certain agreements also have covenants requiring maintenance of minimum net worth levels, current ratios, and fixed charge coverage ratios and maximum debt levels and debt to EBITDA ratios. Retained earnings, which were unrestricted as to such distributions, amounted to \$1,937 at December 31, 2003.

Interest paid on all outstanding debt amounted to \$11,500 in 2003, \$10,796 in 2002 and \$10,645 in 2001.

Principal payments on the Company's long-term obligations due in each of the next five years are as follows:

2004	\$21,289
2005	1,293
2006	1,297
2007	144
2008	99,884

7. Other Liabilities

Other liabilities at December 31 consisted of the following:

	2003	2002
	-----	-----
Pension benefit obligations	\$26,278	\$24,808
Environmental remediation and product related liabilities	9,301	8,745
Other postretirement benefits	8,517	8,708
Deferred income taxes	10,355	10,703
Accrued workers' compensation	5,130	5,499
Accrued compensation	370	318
Other	2,175	2,340
	-----	-----
	\$62,126	\$61,121
	=====	=====

8. Pension Plans

The Company sponsors several noncontributory defined benefit pension plans covering most of the Company's employees. Benefits under the plan are based on years of service and employee compensation. Amounts funded annually by the Company are actuarially determined using the projected unit credit and unit credit methods and are equal to or exceed the minimum required by government regulations. The Company also maintains health and life insurance programs for retirees (reflected in the table below in "Other Benefits").

8. Pension Plans (continued)

The following summarizes the change in the benefit obligation; the change in plan assets; the funded status; and reconciliation to the amounts recognized in the balance sheets for the pension benefits and other benefits plans. The measurement date for all items set forth below is the last day of the fiscal year presented.

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(In thousands)	Pension Benefits		Oth
	2003	2002	200
<hr/>			
Change in Benefit Obligation:			
Benefit obligation at beginning of year	\$ 81,106	\$ 75,390	\$ 8,3
Service cost	1,854	1,587	1
Interest cost	5,440	5,314	5
Plan participants contributions	162	153	
Amendments	305	14	
Actuarial (gain) loss	9,351	4,101	6
Foreign currency exchange rate changes	1,427	88	
Benefits paid	(5,608)	(5,541)	(5
	<hr/>		
Benefit obligation at end of year	\$ 94,037	\$ 81,106	\$ 9,1
	<hr/>		
Change in Plan Assets:			
Fair value of plan assets at beginning of year	\$ 56,577	\$ 63,102	
Actual return on plan assets	10,504	(5,950)	
Employer contribution	4,752	4,689	
Plan participants contribution	162	153	
Foreign currency exchange rate changes	1,788	124	
Benefits paid	(5,608)	(5,541)	
	<hr/>		
Fair value of plan assets at end of year	\$ 68,175	\$ 56,577	
	<hr/>		
Funded (unfunded) status	\$ (25,862)	\$ (24,529)	\$ (9,1
Unrecognized net actuarial loss	22,504	22,090	8
Unrecognized transition obligations	(301)	(377)	(6
Unamortized prior service cost	401	(335)	
	<hr/>		
Accrued benefit cost	\$ (3,258)	\$ (3,151)	\$ (8,9
	<hr/>		
Amounts recognized in the balance sheets consist of:			
Accrued benefit liability	\$ (26,278)	\$ (24,808)	\$ (8,5
Accrued expenses			(4
Prepaid benefit obligation	111	259	
Intangible asset	328	436	
Deferred tax asset	2,197	3,515	
Accumulated other comprehensive income	20,384	17,447	
	<hr/>		
Net amount recognized	\$ (3,258)	\$ (3,151)	\$ (8,9
	<hr/>		
Accumulated Benefit Obligation as of year-end	\$ 87,766	\$ 76,010	
	<hr/>		

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(In thousands)	Pension Benefits			O
	2003	2002	2001	2003
Components of Net Periodic Benefit Cost:				
Service cost	\$ 1,854	\$ 1,587	\$ 1,514	\$ 189
Interest cost	5,440	5,314	5,183	546
Expected return on plan assets	(4,052)	(5,513)	(5,739)	
Recognized net actuarial loss (gain)	1,499	442	(19)	34
Amortization of transition obligation	(111)	71	275	
Amortization of prior service cost	(206)	(195)	(195)	(462)
Net periodic benefit cost	\$ 4,424	\$ 1,706	\$ 1,019	\$ 307

The weighted-average assumptions used to determine benefit obligation for the Pension Benefits as of year-end were as follows:

	2003	2002
Discount rate	6.25%	6.75%
Rate of compensation increase	4.00%-5.00%	4.25%-5.00%

The weighted-average assumptions used to determine benefit obligation for the Other Benefits as of year-end were as follows:

	2003	2002
Discount rate	6.75%	6.75%

The weighted-average assumptions used to determine net periodic benefit cost related to the Pension Benefits were as follows:

	2003	2002	2001
Discount rate	6.25%-6.75%	6.75%	6.75%-7.25%
Expected long-term return on plan assets	7.00%-7.50%	7.00%-9.00%	7.50%-9.00%
Rate of compensation increase	4.00%-5.50%	4.25%-5.00%	4.25%-5.00%

The weighted-average assumptions used to determine net periodic benefit cost related to the Other Benefits were as follows:

	2003	2002	2001
Discount Rate	6.75%	6.75%	7.25%

In developing the overall expected long-term return on plan assets assumption, a building block approach was used in which rates of return in excess of inflation were considered separately for equity securities, debt securities, and other assets. The excess returns were weighted by the representative target allocation and added along with an appropriate rate of inflation to develop the overall expected long-term return on plan assets assumption. The Company believes this determination is consistent with SFAS 87.

8. Pension Plans (continued)

Assumed healthcare cost trend rates as of year-end were as follows:

	2003	2002
	----	----
Healthcare cost trend rate assumed for next year	9.0%	9.0%
Ultimate healthcare cost trend rate	5.0%	5.0%
Year that the assumed rate reaches ultimate rate	2009	2008

Assumed healthcare cost trend rates have a significant effect on the amounts reported for healthcare benefits. A one-percentage point change in assumed healthcare cost trend rates would have the following effects:

	1 Percentage Point Increase	1 Percentage Point Decrease
	-----	-----
Effect on total of service and interest cost components	\$ 64	\$ 55
Effect on post-retirement benefit obligation	\$666	\$594

For the pension plan, the weighted-average asset allocation at December 31, 2003, and December 31, 2002, by asset category, are as follows:

Asset Category	Pension Assets at December 31, 2003	Pension Assets at December 31, 2002
Equity securities	59%	55%
Debt securities	40%	44%
Other	1%	1%
Total	100%	100%

The Company has developed an investment strategy for the pension plan. The investment strategy is to emphasize total return; that is, the aggregate return from capital appreciation and dividend and interest income. The primary objective of the investment management for the plan's assets is the emphasis on consistent growth; specifically, growth in a manner that protects the Plan's assets from excessive volatility in market value from year to year. The investment policy takes into consideration the benefit obligations, including timing of distributions.

The primary objective for the plan is to provide long-term capital appreciation primarily through investment in equity and debt securities. The Company's target asset allocation is consistent with the weighted-average allocation at December 31, 2003.

The Company selects professional money managers whose investment policies are consistent with the Company's investment strategy and monitors their performance against appropriate benchmarks.

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8. Pension Plans (continued)

Contributions

The Company expects to contribute between \$9.0 million and \$10.0 million to its pension plans, substantially all of which relates to Congoleum.

Estimated Future Benefit Payments

The following benefit payments, which reflect future service as appropriate, are expected to be paid. The benefit payments are based on the same assumptions used to measure the Company's benefit obligation at the end of fiscal 2003.

	Pension Benefits -----	Other Benefits -----
2004	\$ 5,960	\$ 529
2005	5,998	562
2006	6,063	594
2007	6,133	648
2008	6,194	699
2009-2013	33,086	3,938

The Company also has three 401(k) defined contribution retirement plans that cover substantially all employees. Eligible employees may contribute up to 15% of compensation with the Company partially matching contributions. Defined contribution pension expense for the Company was \$984, \$1,788, and \$1,793 for the years ended December 31, 2003, 2002, and 2001, respectively.

9. Commitments and Contingencies

Leases

The Company occupies certain warehouse and office space and uses certain equipment and motor vehicles under lease agreements expiring at various dates through 2010. The leases generally require the Company to pay for utilities, insurance, taxes and maintenance, and some contain renewal options. Total rent expense charged to operations was \$5,894 in 2003, \$6,079 in 2002 and \$5,475 in 2001.

Future minimum payments relating to operating leases are as follows:

	\$ 4,317
2004	3,489
2005	2,478
2006	2,264
2007	2,166
2008	1,633
Thereafter	-----
Total future minimum lease payments	\$16,347 =====

9. Commitments and Contingencies (continued)

Environmental and Other Liabilities

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In the ordinary course of its business, the Company becomes involved in lawsuits, administrative proceedings, product liability and other matters, as more fully described in the following footnote. In some of these proceedings, plaintiffs may seek to recover large and sometimes unspecified amounts, and the matters may remain unresolved for several years.

The Company records a liability for environmental remediation claims when it becomes probable that the Company will incur costs relating to a clean-up program or will have to make claim payments and the costs or payments can be reasonably estimated. As assessments are revised and clean-up programs progress, these liabilities are adjusted to reflect such revisions and progress.

Liabilities of Congoleum comprise the substantial majority of the environmental and other liabilities reported on the Company's balance sheet as shown in the following table. Due to the relative magnitude and wide range of estimates of these liabilities and that recourse related to these liabilities is generally limited to Congoleum, these matters are discussed separately following matters for which ABI has actual or potential liability. However, since ABI includes Congoleum in ABI's consolidated financial statements, to the extent that Congoleum incurs a liability or expense, it will be reflected in ABI's consolidated financial statements. Congoleum has filed a plan of reorganization under Chapter 11 of the United States Bankruptcy Code as part of a plan to resolve its asbestos-related liabilities. See Notes 1 and 10 for a discussion of this subject.

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9. Commitments and Contingencies (continued)

	2003		2002	
	Liability	Receivable	Liability	Receivable
<hr/>				
Congoleum				
Environmental liabilities	\$ 5,285	\$ 2,689	\$ 5,177	\$ 1,281
Asbestos product liability	9,819	3,587	21,295	
Other	996	130	1,281	
	<hr/>			
	16,100	6,406	27,753	2,562
	<hr/>			
American Biltrite Inc.				
Environmental liabilities	4,479	875	3,621	
Asbestos product liability	10,700	10,700	8,500	8,500
Other	100		100	
	<hr/>			
	15,279	11,575	12,221	9,000
	<hr/>			
Consolidated				
Environmental liabilities	9,764	3,564	8,798	2,781
Asbestos product liability	20,519	14,287	29,795	8,500
Other	1,096	130	1,381	
	<hr/>			

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	\$31,379	\$17,981	\$39,974	\$11,
=====				
Reporting Classification of above amounts				
Accrued expenses	\$11,378		\$22,729	
Asbestos-related liabilities	10,700		8,500	
Other liabilities	9,301		8,745	
Other current assets		\$ 3,587		\$ 2,
Insurance for asbestos-related liabilities		10,700		8,
Other assets		3,694		

	\$31,379	\$17,981	\$39,974	\$11,
=====				

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9. Commitments and Contingencies (continued)

American Biltrite Inc.

ABI is a co-defendant with many other manufacturers and distributors of asbestos containing products in approximately 1,954 pending claims involving approximately 3,462 individuals as of December 31, 2003. The claimants allege personal injury or death from exposure to asbestos or asbestos-containing products. Activity related to asbestos claims during the years ended December 31, was as follows:

	2003	2002

Claims at January 1	884	464
New claims	1,367	528
Settlements	(14)	(11)
Dismissals	(283)	(97)

Claims at December 31	1,954	884
=====		

The total indemnity costs incurred to settle claims during 2003 and 2002 were \$270 and \$409, respectively, all of which were paid by ABI's insurance carriers, as were the related defense costs. The average indemnity cost per resolved claim was approximately \$0.9 in 2003 and \$3.8 in 2002. In general, governmental authorities have determined that asbestos-containing sheet and tile products are nonfriable (i.e., cannot be crumbled by hand pressure) because the asbestos was encapsulated in the products during the manufacturing process. Thus, governmental authorities have concluded that these products do not pose a health risk when they are properly maintained in place or properly removed so that they remain nonfriable. The Company has issued warnings not to remove asbestos-containing flooring by sanding or other methods that may cause the product to become friable. The Company estimates its liability to defend and resolve current and reasonably anticipated future asbestos-related claims (not including claims asserted against Congoleum), based upon a strategy to actively defend or seek settlement for those claims in the normal course of business. Factors such as recent and historical settlement and trial results, the incidence of past and recent claims, the number of cases pending against it and asbestos litigation developments that may impact the exposure of the Company were considered in performing these estimates. In 2003, the Company engaged an

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outside actuary to assist it in developing estimates of the Company's liability for resolving asbestos claims at December 31, 2003. The actuary estimated the range of liability for settlement of current claims pending and claims anticipated to be filed through 2009 was \$10,700 to \$16,000. The Company believes no amount within this range is more likely than any other, and accordingly has recorded the minimum liability estimate of \$10,700 in its financial statements. The Company also believes that based on this minimum liability estimate, the corresponding amount of insurance probable of recovery is \$10,700 at December 31, 2003, which has been included in other assets.

Due to the numerous variables and uncertainties, including the effect of Congoleum's pre-packaged Chapter 11 case and proposed plan of reorganization on the Company's liabilities, the Company does not believe that reasonable estimates can be developed of liabilities for claims beyond a five year horizon. The Company will continue to evaluate its range of future exposure, and the related insurance coverage available, and when appropriate, record future adjustments to those estimates, which could be material.

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9. Commitments and Contingencies (continued)

ABI has been named as a Potentially Responsible Party ("PRP") within the meaning of the Federal Comprehensive Environmental Response Compensation and Liability Act, as amended ("CERCLA"), with respect to four sites located in three separate states. At one of the four sites, which is located in Southington, Connecticut, (the "Southington Site"), an ABI subsidiary ("Ideal") is also named as a PRP. At the Southington Site, the currently estimated aggregate future cost of remediation and monitoring is approximately \$65,000. In addition, the Environmental Protection Agency (the "EPA") has estimated its reimbursable costs to be approximately \$20,000. ABI's and Ideal's share of the aggregate assessments to the PRPs to date is approximately \$159. Subject to a final allocation among the PRPs, ABI's and Ideal's aggregate share of the EPA's past costs and the future remediation costs is currently estimated to be approximately \$953. Under an agreement, Ideal will share a percentage of this cost with the former owner of Ideal's assets. Under an agreement between ABI and The Biltrite Corporation ("TBC"), TBC is liable for 37.5% of the remediation costs incurred by ABI with respect to the Southington Site.

At another site, ABI, together with a number of other PRPs, signed a consent decree and site remediation agreement (the "Agreements"), which, without admission of liability by the PRPs, requires remediation of the ILCO Superfund site located in Leeds, Alabama (the "ILCO Site"). The currently estimated aggregate future cost of remediation and associated transactional costs at the ILCO Site ranges from \$2,700 to \$10,700. Pursuant to a final allocation among consent decree participants, ABI's share of the currently estimated future remediation costs range from approximately \$22 to about \$227. These estimates consider commitments from de minimis and de maximus settlers, the City of Leeds and its insurers, amounts currently held in an escrow fund, a RCRA Closure Fund refund, and TBC's share, which by agreement is 37.5% of the remediation costs incurred by ABI. A substantial share of ABI's future remediation costs with respect to the ILCO site will be payable over the next one to five years. ABI and the other settling PRPs also are pursuing litigation against two PRPs who used the ILCO Site and have not settled.

There are two EPA sites in Georgia. At one of the EPA sites, ABI has been named along with seven other PRPs with respect to three neighborhood sites ("Sites") in Atlanta, Georgia where properties within the boundaries of the Sites contain lead in the surface soil in concentrations that exceed the EPA's residential lead screening level. The EPA has requested that ABI sign an administrative

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consent order. ABI has reviewed the EPA notification letter and the administrative consent order and is assessing its responsibility with respect to the Sites and whether it is in its interest to sign the consent order. At the other site in Fulton County, a former smelting and refinery site, ABI has not entered into any negotiations with other PRP's or the site owner. ABI believes, based upon current information available, that its liability at either site will not be material. Under an agreement between ABI and TBC, TBC is liable for 37.5% of the remediation costs, incurred by ABI at these Georgia sites.

A lawsuit was brought by Olin Corporation, the present owner of a former chemical plant site in Wilmington, Massachusetts (the "Olin Site"), which alleged that ABI and three defendants were liable for a portion of the site's soil and groundwater response and remediation costs at the site. A wholly-owned subsidiary of ABI owned and operated the Wilmington plant from 1959 to 1964 and for approximately one month during 1964, ABI held title to the property directly.

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9. Commitments and Contingencies (continued)

In 2000, ABI and TBC entered into a settlement agreement with Olin that resolved all claims and counterclaims among the parties. Under the terms of the agreement, ABI and TBC together paid Olin \$4,100 in settlement of their share of Olin's \$18,000 of alleged past response costs incurred through December 31, 1998. ABI and TBC also agreed to reimburse Olin for 21.7% of Olin's response costs incurred at the site after January 1, 1999, plus an annual reimbursement of \$100 for Olin's internal costs. Under an agreement between ABI and TBC, TBC is liable for 37.5% of the costs that may be incurred by ABI in connection with this lawsuit and 37.5% of the amounts due under the settlement agreement with Olin.

Additional expenditures, principally consisting of remediation and oversight costs, will be required to remediate the site. Olin has estimated that the total response costs for 2004 will be approximately \$6,600. For costs beyond 2004, ABI has estimated the range to be between \$14,600 to \$27,300. As of December 31, 2003, ABI has estimated its potential liability for Olin to be in the range of \$2,300 to \$4,000 after allocation for Olin's internal costs but before any recoveries from insurance.

The State of Maine Department of Environmental Protection has put the present owner of a former ABI plant on notice to clean up a dumpsite where there is exposed asbestos from sheet vinyl waste along with other hazardous substances. ABI is reviewing the condition of the site and its potential liability for its share of any clean-up costs. ABI believes, at this time, that the cost of site investigation, remediation, maintenance and monitoring at the site will be approximately \$1,000. ABI has not yet entered a final cost sharing agreement with the current owner. Under an agreement between ABI and TBC, TBC is liable for 37.5% of the remediation costs, incurred by ABI at this site.

ABI also is potentially responsible for response and remediation costs with respect to three state-supervised sites, two sites in Massachusetts, and one in New York. At these three sites, ABI's liability will be based upon disposal of allegedly hazardous waste material from its current and former plants. While the exact amount of the future costs to ABI resulting from its liability is indeterminable due to such unknown factors as the magnitude of clean-up costs, the timing and extent of the remedial actions that may be required, determination of ABI's liability in proportion to other responsible parties and the extent to which costs may be recoverable from insurance, ABI believes, based upon current information available, that its liability for these sites will not

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be material. Under an agreement between ABI and TBC, TBC is liable for 37.5% of the remediation costs, incurred by ABI at these sites.

ABI has made demands against its insurance carriers to provide defense and indemnity for ABI's liabilities at the Southington Site, the ILCO Site, the Georgia Sites, the Olin Site and the state supervised sites in Maine, Massachusetts and New York. An agreement was executed by ABI and its carriers regarding the payment of the defense costs for the Olin Site. ABI has reached agreements with three of its insurance carriers whereby the carriers have reimbursed the Company \$1,900 for past and current environmental claims. One carrier has agreed to reimburse the Company for 2.5% for Olin's future environmental expenses, \$20 of which was reimbursed through December 31, 2003 and which reimbursement was shared 37.5% with TBC. ABI and its other carriers continue to discuss ABI's remaining demands for insurance coverage for these sites. As of December 31, 2003, the Company has accrued \$4,500 for ABI's estimable and probable amounts for contingencies described above. Additionally, the Company has recorded an asset related to insurance recoveries, net of reimbursements to certain PRP's, for approximately \$900.

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9. Commitments and Contingencies (continued)

Congoleum

Congoleum is a defendant in a large number of asbestos-related lawsuits and is seeking confirmation of a pre-packaged plan of reorganization under Chapter 11 of the United States Bankruptcy Code. See Note 10.

Congoleum is named, together with a large number (in most cases, hundreds) of other companies, as a PRP in pending proceedings under CERCLA, and similar state laws. In addition, in four other instances, although not named as a PRP, Congoleum has received a request for information. These pending proceedings currently relate to four disposal sites in New Jersey, Pennsylvania, Maryland, and Connecticut in which recovery from generators of hazardous substances is sought for the cost of cleaning up the contaminated waste sites. Congoleum's ultimate liability in connection with those sites depends on many factors, including the volume of material contributed to the site, the number of other PRP's and their financial viability, the remediation methods and technology to be used and the extent to which costs may be recoverable from insurance. However, under CERCLA, and certain other laws, as a PRP, the Company can be held jointly and severally liable for all environmental costs associated with a site.

The most significant exposure to which Congoleum has been named a PRP relates to a recycling facility site in Elkton, Maryland. The PRP group at this site is made up of 51 companies, substantially all of which are large financially solvent entities. Two removal actions were substantially complete as of December 31, 1998; however, the groundwater remediation phase has not begun and the remedial investigation/feasibility study related to the groundwater remediation has not been approved. The PRP group estimated that future costs of groundwater remediation, based on engineering and consultant studies conducted, would be approximately \$26 million. Congoleum's proportionate share, based on waste disposed at the site, is estimated to be approximately 5.8%.

Congoleum also accrues remediation costs for certain of Congoleum's owned facilities on an undiscounted basis. Congoleum has entered into an administrative consent order with the New Jersey Department of Environmental Protection and has self-guaranteed certain remediation funding sources and financial responsibilities. Estimated total clean-up costs, including capital outlays and future maintenance costs for soil and groundwater remediation are

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primarily based on engineering studies.

Congoleum anticipates that these matters will be resolved over a period of years, and that after application of expected insurance recoveries, funding of the costs will not have a material adverse effect on Congoleum's liquidity or financial position.

Other

In the ordinary course of its business, ABI and Congoleum become involved in lawsuits, administrative proceedings, product liability and other matters. In some of these proceedings, plaintiffs may seek to recover large and sometimes unspecified amounts, and the matters may remain unresolved for several years.

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10. Congoleum Asbestos Liabilities and Planned Reorganization

On December 31, 2003 Congoleum and two of its subsidiaries each filed their respective voluntary petitions commencing cases for reorganization relief under Chapter 11 of the United States Bankruptcy Code with the United States Bankruptcy Court for the District of New Jersey. These Chapter 11 cases are being jointly administered as Case No. 03-51524 (KCF), styled In re Congoleum Corporation, et al., and were commenced in order to resolve Congoleum's asbestos-related liabilities and any future asbestos-related liability that might be asserted against Congoleum. During 2003, Congoleum obtained the asbestos personal injury claimant votes necessary for approval of a proposed pre-packaged Chapter 11 plan of reorganization, and, in January 2004, filed its pre-packaged plan of reorganization and disclosure statement with the Bankruptcy Court. The Bankruptcy Court has not yet scheduled a hearing to consider approval of the proposed plan. Congoleum is also involved in litigation with certain insurance carriers related to disputed insurance coverage for asbestos related liabilities, and certain insurance carriers have filed various objections to Congoleum's pre-packaged plan of reorganization and related matters.

The pre-packaged plan, if confirmed, would leave most non-asbestos creditors unimpaired and would resolve all pending and future asbestos claims against Congoleum. The plan of reorganization would provide for, among other things, an assignment of, or grant a security interest in, certain rights in, and proceeds of, Congoleum's applicable insurance to a plan trust established under Section 524(g) of the Bankruptcy Code that would fund distributions to pending and future asbestos claims, provide for the issuance of an injunction that would protect Congoleum from all future asbestos-related litigation and liabilities by channeling all current and future asbestos claims to the plan trust. General unsecured creditors would be unimpaired under the plan.

As part of Congoleum's plan of reorganization, ABI expects that Congoleum's indemnification obligations to ABI with respect to current and future asbestos personal injury claims related to ABI's former Tile Division operations not covered by ABI insurance will be channeled to the plan trust established under Section 524(g) of the Bankruptcy Code pursuant to Congoleum's Chapter 11 plan of reorganization. ABI and Congoleum expect to contribute, among other things, to the plan trust that would be established pursuant to Congoleum's Chapter 11 reorganization \$250 thousand in cash from ABI and a note from Congoleum in an aggregate principal amount equal to at least 51% of the equity value of Congoleum, with payment of such contribution secured by a pledge by ABI of both the common stock of Congoleum that it owns as well as certain of its rights to receive certain indemnity payments from Congoleum. ABI does not expect that Congoleum's note contribution to the plan trust would have a material adverse effect on ABI's liquidity or capital resources. The value of the note that

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Congoleum will contribute to the trust under the proposed plan is \$2.7 million but is subject to increase based upon the equity value of Congoleum as of the last trading day of the 90 consecutive trading day period commencing on the first anniversary of the effective date of Congoleum's confirmed Chapter 11 plan of reorganization, which could be materially higher. The proposed pre-packaged plan also provides for a possible additional contribution by ABI to the plan trust in the event ABI sells its interest in Congoleum before the fifth anniversary of confirmation of Congoleum's plan of reorganization.

While Congoleum believes its plan is feasible and in the best interest of all Congoleum's constituents, there are sufficient risks and uncertainties such that no assurances of the outcome of Congoleum's pre-packaged Chapter 11 case can be given. Congoleum expects that its remaining

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10. Congoleum Asbestos Liabilities and Planned Reorganization (continued)

costs to confirm and effect its proposed pre-packaged plan, consisting principally of legal and advisory fees and contributions to the Plan Trust will be approximately \$9.8 million at a minimum.

11. Income Taxes

Deferred income taxes reflect the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes. Significant components of the Company's deferred tax assets and liabilities as of December 31, 2003 and 2002 were as follows:

	2003	2002
	-----	-----
Deferred tax assets:		
Accruals and reserves	\$16,786	\$16,528
Net operating losses and credit carryforwards	7,524	5,820
	-----	-----
Total deferred tax assets	24,310	22,348
Less valuation allowance	2,321	1,884
	-----	-----
Net deferred tax assets	21,989	20,464
Deferred tax liabilities:		
Depreciation	16,523	17,053
Insurance	2,308	2,334
Inventory	4,061	3,632
Foreign taxes	1,095	1,122
Other	1,700	1,521
	-----	-----
Total deferred tax liabilities	25,687	25,662
	-----	-----
Net deferred tax liability	\$ (3,698)	\$ (5,198)
	=====	=====

Credit carryforwards consisted primarily of alternative minimum tax credits and state tax credits.

Net operating losses consisted primarily of federal net operating loss carryforwards of \$10.3 million and \$7.1 million for 2003 and 2002, respectively. Management has determined that a partial valuation allowance is necessary to

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reduce the deferred tax assets to the amount expected to be realized. The Federal loss carryforward will begin to expire in 2020.

During 2003, 2002 and 2001, Congoleum recorded a minimum pension liability adjustment. Deferred taxes were adjusted accordingly, and the tax effect reduced or increased Congoleum's retained earnings. The tax benefit (charge) to retained earnings was \$(2,767), \$(3,512) and \$1,504 for the years ended December 31, 2003, 2002 and 2001, respectively. The consolidated statement of stockholders' equity reflects ABI's proportionate share of the net adjustment to retained earnings.

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11. Income Taxes (continued)

The components of income (loss) before the provision for income taxes for the years ended December 31 are as follows:

	2003	2002	2001
Domestic	\$(12,607)	\$(12,758)	\$4,884
Foreign	2,661	945	1,077
	\$ (9,946)	\$(11,813)	\$5,961

Significant components of the provision for income taxes for the years ended December 31 were as follows:

	2003	2002	2001
Current:			
Federal	\$(1,856)	\$(2,612)	\$1,378
Foreign	727	259	(117)
State	334	432	262
Total current	(795)	(1,921)	1,523
Deferred:			
Federal	(2,052)	2,341	(103)
Foreign	(27)	830	737
State	(449)	(2)	188
Total deferred	(2,528)	3,169	822
	\$ (3,323)	\$1,248	\$2,345

The reconciliation of income tax computed at the U.S. federal statutory tax rates to income tax expense for the years ended December 31 was as follows:

	2003	2002	2001
U.S. statutory rate	34.0%	34.0%	34.0%
State income taxes, net of federal benefits			

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and valuation allowance	1.0	(5.0)	6.9
Undistributed domestic earnings		10.0	(2.2)
Reorganization expenses		(24.9)	
Goodwill impairment		(14.1)	
Other	(1.6)	(10.6)	0.6
Effective tax rate	33.4%	(10.6)%	39.3%

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11. Income Taxes (continued)

Undistributed earnings of foreign subsidiaries aggregated approximately \$22,761 at December 31, 2003, which, under existing law, will not be subject to U.S. tax until distributed as dividends. Because the earnings have been or are intended to be reinvested indefinitely in foreign operations, no provision has been made for U.S. income taxes that may be applicable thereto.

Income taxes paid amounted to approximately \$434 in 2003, \$1,853 in 2002 and \$1,257 in 2001.

12. Other Comprehensive Income

The Company records unrealized gains or losses on foreign currency translation adjustments and changes in certain minimum pension liabilities in other comprehensive income.

Components of other comprehensive income (loss) for the years ended December 31 consisted of the following:

	2003	2002	2001
Foreign currency translation adjustments	\$ 3,181	\$ 2	\$(1,012)
Change in minimum pension liability	(2,937)	(11,336)	(1,440)
	\$ 244	\$(11,334)	\$(2,452)

Accumulated balances related to each component of other comprehensive loss as of December 31, net of related taxes, were as follows:

	2003	2002	2001
Foreign currency translation adjustments	\$ (1,420)	\$ (4,601)	\$(4,603)
Minimum pension liability	(17,636)	(14,699)	(3,363)
	\$(19,056)	\$(19,300)	\$(7,966)

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13. Income (loss) Per Share

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The following table sets forth the computation of basic and diluted (loss) income per share for the years ended December 31:

	2003	2002	2001

	(In thousands, except per share amounts)		
Numerator:			
Net (loss) income	\$(14,158)	\$(16,655)	\$2,816
	=====		
Denominator:			
Denominator for basic income per share:			
Weighted-average shares	3,442	3,442	3,455
Dilutive employee stock options			

Denominator for diluted income per share:			
Adjusted weighted-average shares and assumed conversions	3,442	3,442	3,455
	=====		
Basic (loss) income per share	\$ (4.11)	\$ (4.84)	\$ 0.82
	=====		
Diluted (loss) income per share	\$ (4.11)	\$ (4.84)	\$ 0.82
	=====		

14. Stock Option Plans

ABI Stock Plans

During 1999, ABI adopted a stock option plan, which permits the issuance of 50,000 options for common stock to non-employee directors. Under the terms of the plan, options granted are nonqualified and are issued at a price equal to 100% of fair market value at the date of grant. Options granted under the plan are exercisable six months after the date of grant.

ABI maintains a stock award and incentive plan which permits the issuance of options, stock appreciation rights (SARs), limited SARs, restricted stock, restricted stock units and other stock-based awards to selected employees and independent contractors of the Company. The plan reserved 400,000 shares of common stock for grant and provides that the term of each award be determined by the committee of the Board of Directors (the "Committee") charged with administering the plan. During 1997, the Board of Directors approved an amendment to the plan to increase the number of shares reserved for grant from 400,000 to 550,000.

Under the terms of the plan, options granted may be either nonqualified or incentive stock options and the exercise price, determined by the Committee, may not be less than the fair market value of a share on the date of grant. SARs and limited SARs granted in tandem with an option shall be exercisable only to the extent the underlying option is exercisable and the grant price shall be equal to the exercise price of the underlying option. In addition, the Committee may grant restricted stock to participants of the plan at no cost to them. No SARs or restricted stock have been granted under the plan since its adoption. Other than the restrictions, which limit the sale and transfer of these SARs and restricted stock, participants are entitled to all the rights of a shareholder.

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14. Stock Option Plans (continued)

The following tables summarize information about ABI's stock options:

	2003		2002		Share
	Shares	Weighted-Average Exercise Price	Shares	Weighted-Average Exercise Price	
Outstanding at beginning of year	469,940	\$19.48	510,440	\$19.57	543,7
Granted	3,500	7.10	3,500	12.20	3,0
Exercised	--	--	--	--	(14,8
Forfeited	(244,440)	16.90	(44,000)	19.94	(21,5
Outstanding at end of year	229,000	\$22.04	469,940	\$19.48	510,4
Options exercisable at end of year	218,100		468,457		450,3
Available for grant at end of year	354,020		113,080		72,5

Range of Exercise Price	Outstanding at December 31 2003	Weighted-Average Exercise Price	Exercisable at December 31 2003	Weighted-Average Exercise Price
\$7.10-\$14.00	13,000	\$11.37	9,500	\$12.94
\$14.06-\$17.25	27,000	\$16.08	19,600	\$16.68
\$23.625	189,000	\$23.63	189,000	\$23.63

Congoleum Stock Option Plan

Congoleum maintains a Stock Option Plan and a Directors' Stock Option Plan. Under these plans, options to purchase up to 850,000 shares of Congoleum's Class A common stock may be issued to directors, officers and key employees. These options may be either incentive stock options or nonqualified stock options, and the options' exercise price must be at least equal to the fair value of Congoleum's Class A common stock on the date of grant.

15. Industry Segments

Description of Products and Services

The Company has four reportable segments: flooring products, tape products, jewelry, and a Canadian division that produces flooring and rubber products. Congoleum manufactures vinyl and vinyl composition floor coverings and sells them primarily through floor covering distributors to retailers, and contractors

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for commercial and residential use. The tape products segment consists of two production facilities in the United States, and finishing and sales facilities in Belgium and Singapore. The tape products segment manufactures paper, film, HVAC, electrical, shoe, and other tape products for use in industrial and automotive markets. The jewelry segment consists of K&M Associates L.P., a national costume jewelry supplier to mass merchandisers and department stores. The Company's Canadian division produces flooring, rubber products, including materials used by footwear manufacturers, and other industrial products.

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15. Industry Segments (continued)

Measurement of Segment Profit or Loss and Segment Assets

The Company considers all revenues and expenses to be of an operating nature and, accordingly, allocates them to industry segments regardless of the entity in which recorded. Costs specific to a segment, such as pension expense, are charged to the segment. Certain Corporate office expenses are allocated to certain segments based on resources allocated. Significant assets of the Corporate office include cash, insurance assets related to accrued liabilities, and deferred tax assets. The accounting policies of the reportable segments are the same as those described in the summary of significant accounting policies.

Intersegment sales and transfers are recorded at cost plus an agreed upon intercompany profit on intersegment sales or transfers.

Factors Used to Identify Reportable Segments

Reportable segments are business units that offer different products and are each managed separately. The Company's Canadian division manufactures certain products which are similar to products of the flooring segment; however, the Canadian division is managed and reports separately from the flooring segment.

Segment Profit and Assets

	Years ended December 31		
	2003	2002	2001
Revenues			
Revenues from external customers:			
Flooring products	\$220,650	\$237,008	\$218,546
Tape products	81,141	80,637	82,914
Jewelry	76,157	78,972	62,125
Canadian division	38,621	37,878	39,924
Total revenues from external customers	416,569	434,495	403,509
Intersegment revenues:			
Flooring products	56	198	214
Tape products	126	138	143
Jewelry	--	--	--
Canadian division	6,856	9,816	7,949
Total intersegment revenues	7,038	10,152	8,306
Total revenue	423,607	444,647	411,815
Reconciling items			
Intersegment revenues	(7,038)	(10,152)	(8,306)

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Total consolidated revenues	\$416,569	\$434,495	\$403,509
	=====		

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15. Industry Segments (continued)

A major portion of the increase in Jewelry segment revenue in 2002 compared to 2001 was from the acquisition of Swank's Ladies Jewelry Division. The increase in Flooring segment revenue in 2002 resulted from strong sales of the new DuraStone product line introduced in August 2001 and improved resilient sheet sales, partially offset by lower luxury and contract tile sales.

Approximately 51%, 50% and 53% of the Canadian division's revenues from external customers were for flooring products for 2003, 2002 and 2001, respectively. The remaining revenues from the Canadian division's external customers were from sale of rubber and other industrial products.

	Years ended December 31		
	2003	2002	2001

Interest income			
Flooring products	\$ 63	\$ 263	\$ 708
Tape products	16	15	105
Jewelry	7	20	34
Canadian division	9	12	3

Total segment interest revenue	95	310	850
Corporate office interest revenue	96	20	59

Total consolidated interest income	\$ 191	\$ 330	\$ 909
	=====		
Interest expense			
Flooring products	\$ 8,906	\$ 8,375	\$ 8,299
Tape products	111	109	114
Jewelry	416	435	741
Canadian division	66	109	38

Total segment interest expense	9,499	9,028	9,192
Corporate office interest expense	2,077	1,735	1,247

Total consolidated interest expense	\$11,576	\$10,763	\$10,439
	=====		

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15. Industry Segments (continued)

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	Years ended December 31		
	2003	2002	2001
Depreciation and amortization expense			
Flooring products	\$ 11,761	\$ 11,273	\$ 12,273
Tape products	2,939	2,861	2,861
Jewelry	900	831	1,000
Canadian division	2,412	2,078	1,900
Total segment depreciation and amortization	18,012	17,043	18,834
Reconciling items			
Corporate office depreciation	14	24	24
Total consolidated depreciation and amortization	\$ 18,026	\$ 17,067	\$ 18,858
Segment profit			
Flooring products	\$ (10,636)	\$ (19,181)	\$ (20,000)
Tape products	300	305	1,000
Jewelry	4,782	7,301	5,000
Canadian division	(2,072)	507	1,000
Total segment profit	(7,626)	(11,068)	(13,000)
Reconciling items			
Corporate expenses	(2,214)	(774)	(774)
Intercompany profit (loss)	(106)	29	29
Total consolidated (loss) earnings from continuing operations before income taxes and other items	\$ (9,946)	\$ (11,813)	\$ (13,425)

Segment profit or loss is before income tax expense or benefit. The flooring products segment loss includes charges related to asbestos claims of \$3.7 million in 2003 and \$17.3 million in 2002.

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15. Industry Segments (continued)

	December 31	
	2003	2002
Segment assets		
Flooring products	\$175,899	\$203,991
Tape products	54,415	56,561
Jewelry	37,272	43,123
Canadian division	35,642	30,467
Total segment assets	303,228	334,142
Reconciling items		
Assets of discontinued operation	2,902	13,942
Corporate office assets	23,089	28,910
Intersegment accounts receivable	(9,575)	(14,962)

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Intersegment profit in inventory	(248)	(162)
	-----	-----
Total consolidated assets	\$319,396	\$361,870
	=====	=====

	Years ended December 31		
	2003	2002	2001
	-----	-----	-----
Expenditures for additions to long-lived assets			
Flooring products	\$4,628	\$ 8,366	\$ 7,858
Tape products	973	2,004	8,303
Jewelry	801	579	858
Canadian division	1,038	1,164	5,185
	-----	-----	-----
Total expenditures for additions to long-lived assets	7,440	12,113	22,204
Reconciling items			
Corporate office expenditure for additions to long-lived assets	5	14	7
	-----	-----	-----
Total expenditures for additions to long-lived assets	\$7,445	\$12,127	\$22,211
	=====	=====	=====

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15. Industry Segments (continued)

Geographic Area Information

	Years ended December 31		
	2003	2002	2001
	-----	-----	-----
Revenues from external customers			
United States	\$354,392	\$370,034	\$337,716
Canada	30,660	33,093	33,824
Mexico	4,639	5,512	6,929
Europe	17,308	16,716	16,327
Asia	7,899	7,474	6,719
Other	1,671	1,666	1,994
	-----	-----	-----
Total revenues from external customers	\$416,569	\$434,495	\$403,509
	=====	=====	=====

Revenues are attributed to regions based on the location of customers.

	December 31	
	2003	2002
	-----	-----
Long-Lived Assets by Area		
United States	\$151,819	\$159,938
Canada	14,508	13,361
Mexico		9
Europe	1,151	1,070

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Asia	2,247	2,216
	-----	-----
Total long-lived assets	\$169,725	\$176,594
	=====	=====

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16. Discontinued Operation

During the second quarter of 2003, the Company reassessed operations at its Toronto, Canada subsidiary, Janus Flooring Corporation, a manufacturer of prefinished hardwood flooring, and decided to exit and dispose of this business before the end of 2003 due to its history of operating losses. The Company acquired Janus in 2000 intending it to serve as a strategic addition to the flooring product business. In connection with this decision, the Company recorded a charge of \$8.5 million in second quarter 2003 consisting primarily of \$3.0 million to reduce inventories to net realizable value, \$0.5 million in accounts receivable allowances, a \$2.5 million asset impairment charge related to machinery and equipment and a \$1.9 million income tax provision to write off deferred tax assets deemed not probable of recovery. Results of Janus Flooring, including this charge, are being reported as a discontinued operation. Assets of discontinued operation at December 31, 2003 consist primarily of land and building held for sale and liabilities of discontinued operation consist primarily of accrued expenses.

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17. Quarterly Financial Information (Unaudited)

	First Quarter	Second Quarter	Third Quarter	Fourth Quarter

	(In thousands, except per share amounts)			
2003(1)				

Net sales	\$101,946	\$103,457	\$107,810	\$103,356
Gross profit	28,707	27,543	30,831	30,471
Net (loss) income from				
continuing operations	(2,406)	(1,989)	1,348	(3,750)
Discontinued operation	(719)	(9,897)	(922)	4,177
Net (loss) income	(3,125)	(11,886)	426	427
Net (loss) income per share,				
basic and diluted:				
Net (loss) income from				
continuing operations	(0.70)	(0.58)	0.39	(1.09)
Discontinued operation	(0.21)	(2.88)	(0.27)	1.21
Net (loss) income	(0.91)	(3.46)	0.12	0.12
2002(1)				

Net sales	\$100,696	\$120,026	\$109,556	\$104,217
Gross profit	28,065	34,086	33,389	28,695
Net (loss) income from				

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continuing operations	(367)	1,918	1,958	(10,349)
Discontinued operation	(408)	(273)	(516)	(876)
Cumulative effect of				
accounting change	(7,742)			
Net (loss) income	(8,517)	1,645	1,442	(11,225)
Net (loss) income per share,				
basic and diluted:				
Net (loss) income from				
continuing operations	(0.10)	0.56	0.57	(3.01)
Discontinued operation	(0.12)	(0.08)	(0.15)	(0.25)
Cumulative effect of				
accounting change	(2.25)			
Net (loss) income	(2.47)	0.48	0.42	(3.26)

(1) Amounts prior to the third quarter of 2003 have been restated for Janus as a discontinued operation.

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18. Fair Value of Financial Instruments

The Company's cash and cash equivalents, restricted cash, accounts receivable, accounts payable, notes payable and long-term debt are financial instruments. Congoleum's \$100 million 8 5/8% Notes due in 2008 had a book value of \$99.7 million and a fair market value of \$65.0 million at December 31, 2003. The corresponding amounts at December 31, 2002 were a book value of \$99.7 million and a fair market value of \$45.0 million. The carrying value of the Company's remaining financial instruments approximates their fair value at December 31, 2003.

The fair value of the Company's publicly traded long-term debt is determined based on quoted market values. The fair value of the Company's other financial instruments is determined based on discounted cash flows. Due to the short period over which the cash flows are expected to be realized, the carrying value of the financial instruments approximates the net present value of cash flows and changes in interest rate assumptions would not have a material effect on the calculation.

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Report of Ernst & Young LLP, Independent Auditors

Board of Directors and Stockholders
American Biltrite Inc.

We have audited the accompanying consolidated balance sheets of American Biltrite Inc. and subsidiaries (the Company) as of December 31, 2003 and 2002, and the related consolidated statements of operations, stockholders' equity, and cash flows for each of the three years in the period ended December 31, 2003. Our audits also include the financial statement schedule listed in the Index at Item 15(a). These financial statements and schedule are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements and schedule based on our audits.

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We conducted our audits in accordance with auditing standards generally accepted in the United States. 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 consolidated financial position of American Biltrite Inc. and subsidiaries at December 31, 2003 and 2002, and the consolidated results of their operations and their cash flows for each of the three years in the period ended December 31, 2003, in conformity with accounting principles generally accepted in the United States. Also, in our opinion, the related financial statement schedule, when considered in relation to the basic financial statements taken as a whole, presents fairly in all material respects the information set forth therein.

As discussed in Note 1 to the consolidated financial statements, effective January 1, 2002, the Company adopted Statement of Financial Accounting Standards No. 142, "Goodwill and Other Intangible Assets."

/s/ Ernst & Young LLP

Boston, Massachusetts
March 5, 2004

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ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURES

Not applicable.

ITEM 9A. CONTROLS AND PROCEDURES

(a) Evaluation of Disclosure Controls and Procedures. Our management, with the participation of our Chief Executive Officer, or CEO, and Chief Financial Officer, or CFO, evaluated the effectiveness of our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act) as of December 31, 2003. Based on this evaluation, our CEO and CFO concluded that, as of December 31, 2003, our disclosure controls and procedures were (1) designed to ensure that material information relating to us, including our consolidated subsidiaries, is made known to our CEO and CFO by others within those entities, particularly during the period in which this Report was being prepared and (2) effective, in that they provide reasonable assurance that information required to be disclosed by us in the reports that we file or submit under the Securities Exchange Act is recorded, processed, summarized and reported within the time periods specified in the Securities and Exchange Commission's rules and forms.

(b) Changes in Internal Controls. No change in our internal control over financial reporting (as defined in Rules 13a-15(f) and 15d-15(f) under the Securities Exchange Act) occurred during the fiscal quarter ended December 31, 2003 that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

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PART III

ITEM 10. DIRECTORS AND EXECUTIVE OFFICERS OF THE REGISTRANT

The information required by this item is contained in ABI's Proxy Statement for its Annual Stockholders' Meeting to be held May 10, 2004 to be filed with the Securities and Exchange Commission within 120 days after December 31, 2003 and is incorporated herein by reference.

ITEM 11. EXECUTIVE COMPENSATION

The information required by this item is contained in ABI's Proxy Statement for its Annual Stockholders' Meeting to be held May 10, 2004 to be filed with the Securities and Exchange Commission within 120 days after December 31, 2003 and is incorporated herein by reference.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS

The information required by this item is contained in part in Item 5 hereof and in part in ABI's Proxy Statement for its Annual Stockholders' Meeting to be held May 10, 2004 to be filed with the Securities and Exchange Commission within 120 days after December 31, 2003 and is incorporated herein by reference.

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ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

The information required by this item is contained in ABI's Proxy Statement for its Annual Stockholders' Meeting to be held May 10, 2004 to be filed with the Securities and Exchange Commission within 120 days after December 31, 2003 and is incorporated herein by reference.

ITEM 14. PRINCIPAL ACCOUNTANT FEES AND SERVICES

The information required by this item is contained in ABI's Proxy Statement for its Annual Stockholders' Meeting to be held May 10, 2004 filed with the Securities and Exchange Commission within 120 days after December 31, 2003 and is incorporated herein by reference.

PART IV

ITEM 15. EXHIBITS, FINANCIAL STATEMENT SCHEDULES AND REPORTS ON FORM 8-K

- (a) List of Financial Statements and Financial Statement Schedules
- (1) The following consolidated financial statements of American Biltrite Inc. and its subsidiaries are included in Item 8:

Consolidated balance sheets - December 31, 2003 and 2002,
pages 32 through 35

Consolidated statements of operations - Years ended December
31, 2003, 2001 and 2000, pages 36 & 37

Consolidated statements of cash flows - Years ended December
31, 2003, 2001 and 2000, pages 38 & 39

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Consolidated statements of stockholders' equity - Years ended December 31, 2003, 2001 and 2000, page 40

Notes to consolidated financial statements, pages 41 through 76

- (2) The following financial statement schedule is included in Item 15 (d)

SCHEDULE II - Valuation and Qualifying Accounts

All other schedules for which provision is made in the applicable accounting regulations of the Securities and Exchange Commission are not required under the related instructions or are inapplicable and therefore have been omitted.

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- (3) Listing of Exhibits

The listing of exhibits required under this item is incorporated herein by reference to pages 83 through 89 of this Form 10-K.

- (b) Reports on Form 8-K. We filed a report on Form 8-K on January 14, 2003 setting forth the press release relating to its majority-owned subsidiary Congoleum Corporation's strategy for resolving current and future asbestos claims liability.
- (c) Exhibits: The required exhibits are filed herewith or incorporated by reference following the required Exhibit Index.
- (d) Financial Statement Schedule: The required consolidated financial statement schedule is included on page 81 of this Form 10-K.

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American Biltrite Inc. and Subsidiaries

Schedule II -- Valuation and Qualifying Accounts

Years ended December 31, 2003, 2002 and 2001

(Dollars in thousands)

COL. A	COL. B	COL. C	COL. D	COL. E
Description	Balance at Beginning of Period	Charged to Costs and Expenses	Additions	
			Charged to Other Accounts -- Describe	Other

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2003

Allowances for doubtful accounts and cash discounts	\$2,764	\$2,691
--	---------	---------

=====

2002

Allowances for doubtful accounts and cash discounts	\$4,190	\$2,863
--	---------	---------

=====

2001

Allowances for doubtful accounts and cash discounts	\$4,071	\$2,761
--	---------	---------

=====

(A) Represents accounts charged off during the year, net of recoveries.

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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.

AMERICAN BILTRITE INC.

(Registrant)

Date: March 30, 2004

by: /s/ Howard N. Feist III

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

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.

Date: March 30, 2004

by: /s/ Roger S. Marcus

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

Date: March 30, 2004

by: /s/ Richard G. Marcus

Richard G. Marcus, President, Chief
Operating Officer and Director

Date: March 30, 2004

by: /s/ William M. Marcus

William M. Marcus, Executive Vice
President, Treasurer, Chairman of
the Executive Committee and Director

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Date: March 30, 2004

by: /s/ John C. Garrels III

John C. Garrels III, Director

Date: March 30, 2004

by: /s/ Kenneth I. Watchmaker

Kenneth I. Watchmaker, Director

Date: March 30, 2004

by: /s/ Edward J. Lapointe

Edward J. Lapointe, Controller

Date: March 30, 2004

by: /s/ James S. Marcus

James S. Marcus, Director

Date: March 30, 2004

by: /s/ Howard N. Feist III

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

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INDEX OF EXHIBITS

Exhibit No.	Description	Page No.
3 (1) VII	Restated Certificate of Incorporation	-
3 (2) I	By-Laws, amended and restated as of March 13, 1991	-
4 (1)	Any instrument defining the rights of holders of unregistered long-term debt of American Biltrite Inc. that does not authorize the issuance of debt securities in excess of 10 percent of the total assets of American Biltrite Inc. and its subsidiaries on a consolidated basis is not filed as an exhibit to this Report. American Biltrite Inc. agrees to furnish a copy of each such instrument to the Securities and Exchange Commission upon request.	-
4 (2) XIV	Note Purchase and Private Shelf Agreement and Facility Guarantee, dated as of August 28, 2001, among American Biltrite Inc., K&M Associates L.P. and The Prudential Insurance Company of America	-
4 (3) XIV	Amendment No. 1 to Note Purchase	-

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and Private Shelf Agreement and Facility Guarantee, dated as of December 31, 2002, among American Biltrite Inc., K&M Associates L.P. and The Prudential Insurance Company of America

4 (4) XIV	Amendment No. 2 to Note Purchase and Private Shelf Agreement and Facility Guarantee, dated as of March 31, 2003, among American Biltrite Inc., K&M Associates L.P. and The Prudential Insurance Company of America	-
4 (5) XIV	Amendment No. 3 to Note Purchase and Private Shelf Agreement and Facility Guarantee, dated as of June 30, 2003, among American Biltrite Inc., K&M Associates L.P. and The Prudential Insurance Company of America	-

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Exhibit No.	Description	Page No.
4 (6) XIV	Amendment No. 4 to Note Purchase and Private Shelf Agreement and Facility Guarantee, dated as of October 14, 2003, among American Biltrite Inc., K&M Associates L.P. and The Prudential Insurance Company of America	-
4 (7) XIV	Security Agreement, dated as of October 14, 2003, among American Biltrite Inc., K&M Associates L.P., Fleet National Bank and the subsidiaries of American Biltrite Inc. from time to time party thereto	-
4 (8) XIV	Intercreditor and Collateral Agency Agreement, dated as of October 14, 2003, by and among Fleet National Bank, Citizens Bank of Massachusetts, The Prudential Insurance Company of America and the other banks from time to time party thereto and the Acknowledgment of and Consent and Agreement to Intercreditor and Collateral Agency Agreement by American Biltrite Inc., K&M Associates L.P. and the other American Biltrite Inc. guarantor subsidiaries	-
4 (9) XIV	Guarantor Joinder Agreement, dated	-

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as of October 14, 2003, made by
 ABTRE, Inc., AIMPAN, Inc.,
 American Biltrite Intellectual
 Properties, Inc., Ideal Tape Co.,
 Inc., Majestic Jewelry, Inc.,
 Ocean State Jewelry, Inc. and 425
 Dexter Associates, L.P. in favor
 of The Prudential Insurance
 Company

4 (10) XV	Amendment No. 5 to Note Purchase and Private Shelf Agreement and Facility Guarantee, dated as of January 29, 2004, among American Biltrite Inc., K&M Associates L.P. and The Prudential Insurance Company of America	-
10 (1) III	Joint Venture Agreement dated as of December 16, 1992 by and among American Biltrite Inc., Resilient Holdings Incorporated, Congoleum Corporation, Hillside Industries Incorporated and Hillside Capital Corporation	-

Exhibit No.	Description	Page No.
10 (2) IV	Closing Agreement dated as of March 11, 1993 by and among American Biltrite Inc., Resilient Holdings Incorporated, Congoleum Corporation, Hillside Industries Incorporated and Hillside Capital Corporation	-
10 (3) IX, II	1993 Stock Award and Incentive Plan as Amended and Restated as of March 4, 1997	-
10 (4) VI	K&M Associates L.P. Amended and Restated Agreement of Limited Partnership	-
10 (5) V	Purchase Agreement dated as of March 31, 1995 by and among Ocean State and certain limited partners of K&M	-
10 (6) V	Agreement and Plan of Merger dated as of April 1, 1995 by and among the Company, Jewelco Acquisition Co., Inc., AIMPAN, Inc., Arthur I. Maier, Bruce Maier and Edythe J. Wagner	-
10 (7) V	Option Agreement dated as of April	-

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1, 1995 by and among Ocean State
and certain limited partners of K&M

10 (8) V	Agreement and Plan of Merger dated as of May 3, 1995 by and among the Company, Zirconia Acquisition Co., Inc., Wilbur A. Cowett Incorporated and Wilbur A. Cowett	-
10 (9) VII, II	Split-Dollar Agreement dated as of December 20, 1996 by and between American Biltrite Inc. and Michael J. Glazerman, Trustee of the Marcus Family Insurance Trust u/t/d/ March 1, 1990	-
10 (10) VII, II	Split-Dollar Agreement dated as of December 20, 1996 by and between American Biltrite Inc. and the Marcus Family 1990 Insurance Trust	-

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Exhibit No.	Description	Page No.
10 (11) VII, II	Split-Dollar Agreement dated as of December 20, 1996 by and between American Biltrite Inc. and the Marcus Family 1996 Irrevocable Insurance Trust Dated October 28, 1996	-
10 (12) VII, II	Split-Dollar Agreement dated as of December 20, 1996 by and between American Biltrite Inc. and The Richard G. Marcus Irrevocable Insurance Trust of 1990 Dated June 1, 1990	-
10 (13) VII, II	Split-Dollar Agreement dated as of December 20, 1996 by and between American Biltrite Inc. and the Roger S. Marcus Irrevocable Insurance Trust Dated November 29, 1996, Richard G. Marcus, Trustee	-
10 (14) VII, II	Split-Dollar Agreement dated as of December 20, 1996 by and between American Biltrite Inc. and the Roger S. Marcus Irrevocable Insurance Trust Dated November 29, 1996	-
10 (15) VII, II	Split-Dollar Agreement dated as of January 9, 1997 by and between American Biltrite Inc. and Joseph D. Burns	-
10 (16) VII, II	Description of Supplemental Retirement Benefits for Gilbert K.	-

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Gailius

10 (17) X, II	American Biltrite Inc. Deferred Compensation Plan	-
10 (18) X	American Biltrite 1999 Stock Option Plan for Non-Employee Directors	-
10 (19) XI, II	Description of Employment Arrangement for Gilbert K. Gailius.	-
10 (20) II, XII	Split-Dollar Agreement dated as of November 20, 2000 by and between American Biltrite Inc. and Howard N. Feist III	-

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Exhibit No.	Description	Page No.
10 (21) XIII	Personal Services Agreement, dated as of March 11, 1993, by and between Congoleum Corporation and the Company; First Amendment dated as of February 8, 1995; Second Amendment dated as of November 15, 1996; Third Amendment dated as of March 10, 1998; Fourth Amendment dated as of November 7, 2002	-
10 (22) XIV	Credit Agreement, dated as of October 14, 2003, among American Biltrite Inc., K&M Associates L.P., Fleet National Bank and the other lenders party thereto	-
10 (23) XIV	Security Agreement, dated as of October 14, 2003, among American Biltrite Inc., K&M Associates L.P., Fleet National Bank and the subsidiaries of American Biltrite Inc. from time to time party thereto	-
10 (24) XIV	Intercreditor and Collateral Agency Agreement, dated as of October 14, 2003, by and among Fleet National Bank, Citizens Bank of Massachusetts, The Prudential Insurance Company of America and the other banks from time to time party thereto and the Acknowledgment of and Consent and Agreement to Intercreditor and Collateral Agency Agreement by American Biltrite Inc., K&M Associates L.P. and the other American Biltrite Inc. guarantor subsidiaries	-

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10 (25) XIV	Guarantee Agreement dated as of October 14, 2003, among Abtre, Inc., Aimpair, Inc., American Biltrite Intellectual Properties, Inc., Ideal Tape Co., Inc., Majestic Jewelry, Inc., Ocean State Jewelry, Inc., 425 Dexter Associates, L.P. and Fleet National Bank	-
10 (26) XV	Amendment No. 1 to Credit Agreement, dated as of January 29, 2004, among American Biltrite Inc., K&M Associates L.P. and Fleet National Bank	-

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Exhibit No.	Description	Page No.
11 VIII	Statement Re: Computation of Per Share Earnings	67
21(1)	Subsidiaries of the Registrant (including each subsidiary's jurisdiction of incorporation and the name under which each subsidiary does business)	90-91
23 (1)	Consent of Ernst & Young LLP, Independent Auditors	92
31.1	Certification of the Principal Executive Officer of the Registrant Pursuant to Rule 13a-15(e) and Rule 15d-14(a) of the Securities Exchange Act of 1934, as amended	93-94
31.2	Certification of the Principal Financial Officer of the Registrant Pursuant to Rule 13a-15(e) and Rule 15d-14(a) of the Securities Exchange Act of 1934, as amended	95-96
32	Certification of the Chief Executive Officer and the Chief Financial Officer of the Registrant pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.	97

I Incorporated by reference to the exhibits to the Company's Annual Report on Form 10-K for the year ended December 31, 1991. (1-4773)

II Compensatory plans required to be filed as exhibits pursuant to Item

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14(c) of Form 10-K.

- III Incorporated by reference to the exhibits filed with the Company's Current Report on Form 8-K filed December 21, 1992. (1-4773)
- IV Incorporated by reference to the exhibits filed with the Company's Current Report on Form 8-K filed March 25, 1993. (1-4773)
- V Incorporated by reference to the exhibits to the Company's Current Report on Form 8-K as amended by the Form 8-K/A filed respectively on May 17, 1995 and July 17, 1995. (1-4773)

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- VI Incorporated by reference to Item 14 of the Company's Annual Report on Form 10-K for the year ended December 31, 1995. (1-4773)
- VII Incorporated by reference to the exhibits to the Company's Annual Report on Form 10-K for the year ended December 31, 1996. (1-4773)
- VIII Incorporated by reference to Note 14 of the Company's consolidated financial statements (filed herewith).
- IX Incorporated by reference to the exhibits to the Company's Quarterly Report on Form 10-Q filed on June 28, 1997. (1-4773)
- X Incorporated by reference to the exhibits to the Company's Quarterly Report on Form 10-Q filed on August 12, 1999
- XI Incorporated by reference to the exhibits to the Company's Annual Report on Form 10-K for the year ended December 31, 1999.
- XII Incorporated by reference to the exhibits to the Company's Annual Report on Form 10-K for the year ended December 31, 2000.
- XIII Incorporated by reference to the exhibits to the Company's Annual Report on Form 10-K for the year ended December 31, 2002
- XIV Incorporated by reference to the exhibits to the Company's Quarterly Report on Form 10-Q filed on October 17, 2003
- XV Incorporated by reference to the exhibits to the Company's Quarterly Report on Form 10-Q filed on February 2, 2004

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