

ALBANY INTERNATIONAL CORP /DE/
Form 10-K/A
July 30, 2004

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SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-K/A (Amendment No. 1)

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

For the fiscal year ended: **December 31, 2003**
OR

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

For the transition period from _____ to _____

Commission file number: **0-16214**

ALBANY INTERNATIONAL CORP.

(Exact name of registrant as specified in its charter)

Delaware

(State or other jurisdiction of incorporation or organization)

14-0462060

(IRS Employer Identification No.)

1373 Broadway, Albany, New York

(Address of principal executive offices)

12204

(Zip Code)

Registrant's telephone number, including area code **518-445-2200**

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

Title of each class

Name of each exchange on which registered

Class A Common Stock (\$0.001 par value)

New York Stock Exchange and
Pacific Stock Exchange

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

None

(Title of Class)

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 (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☒ No ☐

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Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. ☐ Yes ☒ No

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

The aggregate market value of the Common Stock held by non-affiliates of the registrant on June 30, 2004, the last business day of the registrant's most recently completed second quarter, computed by reference to the price at which Common Stock was last sold on such a date, was \$998,378,000. As of July 20, 2004, there were 29,928,013 and 3,236,476 shares, respectively, outstanding of the registrant's Class A and Class B Common Stock.

DOCUMENTS INCORPORATED BY REFERENCE

PART

Portions of the Registrant's Annual Report to Shareholders for the year ended December 31, 2003.

II

Portions of the Registrant's Proxy Statement for the Annual Meeting of Shareholders to be held on May 6, 2004.

III

EXPLANATORY NOTE

This Amendment No. 1 on Form 10-K/A amends the Registrant's Annual Report on Form 10-K for the year ended December 31, 2003.

This Amendment is being filed for the sole purpose of filing a revised Exhibit 24. The revised Exhibit 24 has been re-executed by a majority of the directors who executed the Power of Attorney pursuant to which the original 10-K was filed. The signature page has been amended to reflect signature of the Report pursuant to the revised Power of Attorney, and the schedule of exhibits appearing in Item 15 has been appropriately revised.

Pursuant to Exchange Act Rule 12b-15, new certifications (Exhibits 31(a), 31(b) and 32(a)) are also being filed herewith.

There are no other changes.

PART I

Item 1. BUSINESS

Albany International Corp. (the Registrant) and its subsidiaries are engaged in three business segments. The largest segment is Engineered Fabrics, which includes paper machine clothing. The Registrant designs, manufactures, and markets paper machine clothing for each section of the paper machine. It manufactures and sells more paper machine clothing worldwide than any other company. Paper machine clothing consists of large continuous belts of custom-designed and custom-manufactured, engineered fabrics that are installed on paper machines and carry the paper stock through each stage of the paper production process. Paper machine clothing is a consumable product of technologically sophisticated design that is made with synthetic monofilament and fiber materials. The design and material composition of paper machine clothing can have a considerable effect on the quality of paper products produced and the efficiency of the paper machines on which it is used.

Albany Door Systems, which includes RAPID ROLL DOORS, is the operation of the Registrant that developed high-speed high-performance doors, which grew from the application of the Registrant's coated fabric technology. Since the inception of RAPID ROLL DOORS in the early 1980s, manufacturing operations in North America, Europe, and Australia have supplied more than 100,000 installations worldwide.

The Applied Technologies segment manufactures a wide variety of products, including wet and dry filtration media, high-performance materials, and PRIMALOFT patented synthetic down for the home furnishings and outerwear markets.

Industry Factors

There are approximately 900 paper machines in the United States located in approximately 450 paper mills. It is estimated that there are approximately 5,200 paper machines in the world that produce at least 50 tons of paper per day. Additionally, there are many smaller paper machines. Increases in paper production have a positive impact on demand for paper machine clothing, while increases in paper machines' efficiency and the useful life of paper machine clothing have a negative impact on demand. According to published data, world paper production volumes have grown at an annual rate of approximately 2.8% over the last ten years. The Registrant anticipates continued growth for the long term in world paper production. The profitability of the paper machine clothing business has generally been less cyclical than the profitability of the papermaking industry.

Because the paper industry has been characterized by an evolving but essentially stable manufacturing technology based on the wet forming papermaking process, which requires a very large capital investment, the Registrant does not believe that a commercially feasible substitute technology that does not employ paper machine clothing is likely to be developed and incorporated into the paper production process by paper manufacturers in the foreseeable future. Accordingly, the prospects for continued demand for paper machine clothing appear excellent.

Over the last few years, paper manufacturers have generally reduced the number of suppliers of paper machine clothing per machine position. In addition, eight major paper machine clothing companies which existed in 1999 have been reduced to four through mergers or acquisitions. These factors have increased opportunities for market leaders, including the Registrant.

International Operations

The Registrant maintains manufacturing facilities in Australia, Brazil, Canada, China, Finland, France, Germany, Great Britain, Italy, Mexico, the Netherlands, South Korea, Sweden, and the United States. The Registrant has 50% interests in an entity in South Africa and an entity in Russia that are engaged primarily in the engineered fabrics business (developing, manufacturing, marketing, and

servicing custom-designed engineered fabrics used in the manufacture of paper, paperboard, and products in other process industries). The Registrant also has a 50% interest in an entity in England that is engaged in the Albany Door Systems business (see Note 1 of Notes to Consolidated Financial Statements).

The Registrant's geographically diversified operations allow it to serve the world's paper markets efficiently and to provide extensive technical services to its customers. The Registrant benefits from the transfer of research and development product innovations between geographic regions. The worldwide scope of the Registrant's manufacturing and marketing efforts also limits the impact on the Registrant of economic downturns that are limited to a geographic region.

The Registrant's widespread presence subjects it to certain risks, including controls on foreign exchange and the repatriation of funds. However, the Registrant has been able to repatriate earnings in excess of working capital requirements from the countries in which it operates without substantial governmental restrictions and does not foresee any material changes in its ability to continue to do so in the future. In addition, the Registrant believes that the risks associated with its operations and locations outside the United States are those normally associated with doing business in these locations.

Marketing, Customers, and Backlog

Paper machine clothing is custom-designed for each user depending on the type, size, and speed of the paper machine, the machine section, the grade of paper being produced, and the quality of the pulp stock used. Technical expertise, judgment, and experience are critical in designing the appropriate clothing for each position on the machine. As a result, the Registrant employs highly skilled sales and technical service personnel who work directly with paper mill operating management. The Registrant's technical service program in the United States gives its service engineers field access to the measurement and analysis equipment needed for troubleshooting and application engineering. Sales, service, and technical expenses are major cost components of the Registrant. The Registrant employs approximately 1,100 people in the sales and technical functions combined, many of whom have engineering degrees or paper mill experience. The Registrant's market leadership position reflects the Registrant's commitment to technological innovation.

Typically, the Registrant experiences its highest quarterly sales levels in the fourth quarter of each fiscal year. The Registrant believes that this pattern only partially reflects seasonal shifts in demand for its products but is more directly related to purchasing policies of the Registrant's customers.

Payment terms granted to paper industry customers reflect general competitive practices. Terms vary with product and competitive conditions, but generally require payment within 30 to 90 days from the date of invoice, depending on the country of operation. Historically, bad debts were insignificant, but several paper companies have declared bankruptcy during recent years; therefore, bad debt expense has increased in recent years.

The Registrant's Albany Door Systems segment markets high-performance doors to industrial companies. The Registrant offers a complete range of products, service, and maintenance for interior and exterior applications.

The Registrant's Applied Technologies segment has a wide range of customers, with markets that vary from consumers to industrial applications. PRIMALOFT synthetic down is used in high-end retail home furnishings and outerwear applications. The Techniweave and High Performance Materials businesses serve a wide variety of specialty materials and structure needs for applications from aerospace to industrial tooling. Albany's Industrial Process Technologies businesses focus on wet and dry filtration needs of process industries, such as mining and petrochemicals, as well as textile belts used in the tannery and textile businesses. The Advanced Thermal Protection Systems products are marketed for aerospace, commercial aircraft, and personal protection markets. Each of these

technologies is based in the Registrant's core competencies in textiles, structures, coatings, and specialty materials.

The two largest customers of the Registrant account for approximately 6% and 5% of the Registrant's net sales, respectively. Management does not believe that the loss of any one customer would have a material adverse effect on the Registrant's business. The Registrant's order backlogs at December 31, 2003 and 2002 were approximately \$544 million and \$568 million, respectively. Order backlog at December 31, 2003 is generally expected to be invoiced during the next 12 months.

Research and Development

The Registrant invests heavily in research, new product development, and technical analysis to maintain its leadership in the paper machine clothing industry. Such investments fall into two primary categories: research and development and technical expenditures. Research and development expenses totaled \$26.4 million in 2003, \$24.9 million in 2002, and \$23.2 million in 2001. While much research activity supports existing products, the Registrant also engages in research for new products and product enhancements. New product research has focused primarily on more sophisticated paper machine clothing and has resulted in a stream of products and enhancements such as PRINTEX, KRAFTEX, and MICROTEx forming fabrics, ADVANTECH, PRESSISION and SEAM DYNATEX press fabrics, process belts such as TRANSBELT, VENTABELT, GLOSSBELT, and PRESSBELT, as well as AEROGROOVE, AERO 2000, and AEROJET dryer fabrics. Technical expenditures totaled \$28.9 million in 2003, \$24.9 million in 2002, and \$23.7 million in 2001. Technical expenditures are focused on design, quality assurance, and customer support.

Although the Registrant has focused most of its research and development efforts on paper machine clothing products and design, the Registrant also has made progress in developing non paper machine clothing products, such as PRIMALOFT, a synthetic down insulation. PRIMALOFT insulation is widely used in outdoor apparel as well as in premium comforters and pillows. The Registrant conducts its major research at its operations in Mansfield, Massachusetts, and Halmstad, Sweden. Additionally, the Registrant conducts process and product design development activities at manufacturing locations in Sélestat, France; Göppingen, Germany; Albany, New York; and Menasha, Wisconsin.

The Registrant holds a number of patents, trademarks, and licenses, none of which are material to the continuation of the Registrant's business. All brand names and product names are trademarks of Albany International Corp. or subsidiaries. The Registrant has from time to time licensed some of its patents to one or more competitors, and has been licensed under some competitors' patents, in each case mainly to enhance customer acceptance of new products. The revenue from such licenses is less than 1% of consolidated net sales.

Raw Materials and Inventory

Primary raw materials for the Registrant's products are synthetic fibers, which are generally available from a number of suppliers. The Registrant, therefore, is not required to maintain raw material inventories in excess of its current needs to assure availability. In addition, the Registrant manufactures monofilament, a basic raw material for all types of paper machine clothing, at its facility in Homer, New York, which supplies approximately 31% of its world wide monofilament requirements. This manufacturing capability assists the Registrant in its negotiations with monofilament producers for the balance of its supply requirements, and enhances the ability of the Registrant to develop proprietary products.

Competition

Although there are a number of small regional paper machine clothing suppliers worldwide, only four have a global market share greater than 10%. Market shares vary depending on the country and the type of paper machine clothing produced. In the paper machine clothing market, the Registrant believes that it has a market share of approximately 31%.

Competition is intense in all areas of the Registrant's business. While competition in pricing and payment terms is an important factor, the primary bases for competition are the performance characteristics of the Registrant's products, which are principally technology-driven, and the quality of customer service. The Registrant, like its competitors, provides diverse services to customers through its sales and technical service personnel, including (1) consulting on performance of the paper machine, (2) consulting on paper machine configurations, both new and rebuilt, (3) selection and custom manufacture of the appropriate paper machine clothing, and (4) storing fabrics for delivery to the user.

Employees

The Registrant employs 6,092 persons, of whom approximately 70% are engaged in manufacturing the Registrant's products. Wages and benefits are competitive with those of other manufacturers in the geographic areas in which the Registrant's facilities are located. In general, the Registrant considers its relations with its employees to be excellent.

Executive Officers of Registrant

The following table sets forth certain information with respect to the executive officers of the Registrant:

Name	Age	Position
Frank R. Schmeler	65	Chairman of the Board and Chief Executive Officer
Edward Walther	60	Group Vice President North America
Michel J. Bacon	54	Group Vice President Europe
William M. McCarthy	53	Group Vice President Technology and the Pacific Region
Michael C. Nahl	61	Senior Vice President and Chief Financial Officer
Frank Kolf	58	Senior Vice President Administration and Development
Dieter Polt	61	Senior Vice President Industrial Products
Thomas H. Hagoort	71	Senior Vice President Legal Affairs and Secretary
Richard A. Carlstrom	60	Vice President Controller
Thomas H. Curry	55	Vice President North American Sales and Marketing
David C. Michaels	48	Vice President Treasury and Tax
Kenneth C. Pulver	60	Vice President Corporate Communications
Charles J. Silva, Jr.	44	Vice President General Counsel

Frank R. Schmeler joined the Registrant in 1964. He has served the Registrant as Chairman of the Board since 2001, Chief Executive Officer since 2000, President from 1998 to 2001, Chief Operating Officer from 1997 to 2000, Executive Vice President from 1997 to 1998, Senior Vice President from 1988 to 1997, Vice President and General Manager of the Felt Division from 1984 to 1988, Division Vice President and General Manager, Albany International Canada, from 1978 to 1984, and

Vice President of Marketing, Albany International Canada, from 1976 to 1978. He has been a Director of the Registrant since 1997.

Edward Walther joined the Registrant in 1994. He has served the Registrant as Group Vice President North America since 2003, Group Vice President United States from 2001 to 2002, Executive Vice President from 1997 to 2001, Senior Vice President from 1995 to 1997, and Vice President and General Manager Continental Europe from 1994 to 1995. Prior to joining the Registrant, he held various management positions with a company in the paper machine clothing business.

Michel J. Bacon joined the Registrant in 1978. He has served the Registrant as Group Vice President Europe since 2001, Senior Vice President from 1996 to 2001, Vice President and General Manager of Albany International Canada from 1991 to 1996, Vice President of Operations, Albany International Canada Press Division, from 1989 to 1991, and Vice President of Marketing, Albany International Canada, from 1987 to 1989.

William M. McCarthy joined the Registrant in 1977. He has served the Registrant as Group Vice President Technology and the Pacific Region since 2003, Group Vice President Canada, Pacific, and Latin America from 2001 to 2002, and Senior Vice President from 1997 to 2001, and since 1991 has held various positions for Press Fabrics U.S., including Vice President and General Manager, Vice President Marketing, and Technical Director. From 1988 to 1991 he was Technical Director for Continental Europe Press Fabrics.

Michael C. Nahl joined the Registrant in 1981. He has served the Registrant as Senior Vice President and Chief Financial Officer since 1983 and prior to 1983 as Group Vice President. From 1965 to 1979 he served in marketing, financial, logistical, analytical, and management positions for the Exxon Corporation, and from 1979 to 1981 he was with General Refractories Corporation as Director of Strategic Planning and Vice President and Chief Financial Officer. He is a Director of GrafTech International Ltd. and of Lindsay Manufacturing Co.

Frank Kolf joined the Registrant in 2001. He has served the Registrant as Senior Vice President Administration and Development since 2001. Prior to joining the Registrant, he served as Executive Vice President and Chief Financial Officer for the Wangner Group.

Dieter Polt joined the Registrant in 2001. He has served the Registrant as Senior Vice President Industrial Products since 2001. Prior to joining the Registrant, he served as President and Chief Executive Officer of the Wangner Group and held senior management positions in the instrumentation industry.

Thomas H. Hagoort joined the Registrant in 1991. He has served the Registrant as Senior Vice President Legal Affairs since 2002, General Counsel from 1991 to 2002, and Secretary since 1997. From 1968 until December 31, 1990, he was a partner in Cleary, Gottlieb, Steen and Hamilton, an international law firm with headquarters in New York City.

Richard A. Carlstrom joined the Registrant in 1972. He has served the Registrant as Vice President Controller since 1993, Controller since 1980, and Controller of a U.S. division from 1975 to 1980.

Thomas H. Curry joined the Registrant in 1992. He has served the Registrant as Vice President North American Sales and Marketing since 2003, and Vice President Sales and Marketing U.S. from 1999 to 2002. From 1995 to 1999 he held various positions for Press Fabrics U.S., including Vice President General Manager and Vice President Marketing, and from 1992 to 1995 held various sales and marketing positions for the U.S. Dryer Division.

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David C. Michaels joined the Registrant in 1987. He has served the Registrant as Vice President Treasury and Tax since 2000 and previously served as Director of Tax. Prior to 1987, he held various financial and tax positions at Veeco Instruments, Inc.

Kenneth C. Pulver joined the Registrant in 1968. He has served the Registrant as Vice President Corporate Communications since 1997 and as Vice President of Operations for Primaloft from 1992 to 1997. From 1984 to 1992 he served in various marketing positions with Albany Engineered Systems.

Charles J. Silva, Jr. joined the Registrant in 1994. He has served the Registrant as Vice President General Counsel since 2002 and as Assistant Secretary since 1996. He served as Assistant General Counsel from 1994 until 2002. Prior to 1994, he was an associate with Cleary, Gottlieb, Steen and Hamilton, an international law firm with headquarters in New York City.

The Registrant believes it is in material compliance with federal, state, and local provisions that have been enacted or adopted regarding the discharge of materials into the environment, or otherwise relating to the protection of the environment, and does not have knowledge of environmental regulations that do or might have a material effect on future capital expenditures, earnings, or competitive position.

The Registrant is incorporated under the laws of the State of Delaware and is the successor to a New York corporation originally incorporated in 1895, which was merged into the Registrant in August 1987 solely for the purpose of changing the domicile of the corporation. Upon such merger, each outstanding share of Class B Common Stock of the predecessor New York corporation was changed into one share of Class B Common Stock of the Registrant. References to the Registrant that relate to any time prior to the August 1987 merger should be understood to refer to the predecessor New York corporation.

The Registrant's Corporate Governance Guidelines, Business Ethics Policy and Code of Ethics for the Chief Executive Officer, Chief Financial Officer and Controller, and the charters of the Audit, Compensation and Governance Committees of the Board of Directors are available at the Corporate Governance section of the Registrant's website (www.albint.com). Stockholders may obtain a copy of any of these documents, without charge, from the Registrant's Investor Relations Department. The Registrant's Investor Relations Department may be contacted at:

Investor Relations Department
Albany International Corp.
Post Office Box 1907
Albany, New York 12201-1907
Telephone: (518) 445-2284
Fax: (518) 447-6343
E-mail: investor_relations@albint.com

The Registrant's current reports on Form 8-K, quarterly reports on Form 10-Q, and annual reports on Form 10-K are electronically filed with the Securities and Exchange Commission (SEC), and all such reports and amendments to such reports filed subsequent to November 15, 2002, have been and will be made available, free of charge, through the Registrant's website (www.albint.com) as soon as reasonably practicable after such filing. Such reports will remain available on the Registrant's website for at least twelve months. The public may read and copy any materials filed by the Registrant with the SEC at the SEC's Public Reference Room at 450 Fifth Street, NW, Washington, D.C. The public may obtain information on the operation of the Public Reference Room by calling the SEC at 1-800-SEC-0330. The SEC maintains a website site (www.sec.gov) that contains reports, proxy and information statements, and other information regarding issuers that file electronically with the SEC.

Item 2. PROPERTIES

The Registrant's principal manufacturing facilities are located in the Australia, Brazil, Canada, China, Finland, France, Germany, Great Britain, Italy, Mexico, the Netherlands, South Korea, Sweden, and the United States. The aggregate square footage of the Registrant's operating facilities in the United States and Canada is approximately 2,464,000 square feet, of which 2,337,000 square feet are owned and 127,000 square feet are leased. The Registrant's facilities located outside the United States and Canada comprise approximately 3,121,000 square feet, of which 2,892,000 square feet are owned and 229,000 square feet are leased. The Registrant considers these facilities to be in good condition and suitable for their purpose. The capacity associated with these facilities is adequate to meet production levels required and anticipated through 2004. The Registrant's expected 2004 capital expenditures of about \$55 million will provide sufficient capacity for anticipated growth.

The Registrant believes it has modern, efficient production equipment. In the last five years, excluding acquisitions, it has spent approximately \$181.2 million on new plants and equipment or upgrading existing facilities.

Item 3. LEGAL PROCEEDINGS

Albany International Corp. ("Albany") is a defendant in suits brought in various courts in the United States by plaintiffs who allege that they have suffered personal injury as a result of exposure to asbestos-containing products previously manufactured by Albany. Albany's production of asbestos-containing paper machine clothing products was limited to certain synthetic dryer fabrics marketed during the period from 1967 to 1976 and used in certain paper mills. Such fabrics generally had a useful life of three to twelve months.

Albany was defending against 28,390 such claims as of February 13, 2004. This compares with 28,838 such claims as of December 31, 2003, 28,691 claims as of October 24, 2003, 28,457 claims as of August 1, 2003, 22,593 claims as of December 31, 2002, 7,347 claims as of December 31, 2001, 1,997 claims as of December 31, 2000, and 2,276 claims as of December 31, 1999. These suits allege a variety of lung and other diseases based on alleged exposure to products previously manufactured by Albany.

Albany anticipates that additional claims will be filed against it and the related companies in the future but is unable to predict the number and timing of such future claims. These suits typically involve claims against from twenty to over two hundred defendants, and the complaints usually fail to identify the plaintiffs' work history or the nature of the plaintiffs' alleged exposure to Albany's products. In the vast majority of these suits, claimant work histories have not been provided. In cases in which work histories have been provided, approximately one-third of the claimants have alleged time spent in a paper mill, and only a portion of those claimants have alleged time spent in a paper mill to which Albany is believed to have supplied asbestos-containing products.

Approximately 23,569 of the claims pending against Albany are filed in various counties in Mississippi. The Registrant expects that only a portion of these claimants will be able to demonstrate time spent in a paper mill to which Albany supplied asbestos-containing products during a period in which Albany's asbestos-containing products were in use. Based on past experience, communications from certain plaintiffs' counsel and the advice of the Registrant's Mississippi counsel, the Registrant expects the percentage of claimants with paper mill exposure in the Mississippi proceedings to be considerably lower than the total number of claims asserted. It is the position of Albany and the other paper machine clothing defendants that there was insufficient exposure to asbestos from any paper machine clothing products to cause asbestos-related injury to any plaintiff. Furthermore, asbestos contained in Albany's synthetic products was encapsulated in a resin-coated yarn woven into the interior of the fabric, further reducing the likelihood of fiber release. While the Registrant believes it has meritorious defenses to these claims, it has settled certain of these cases for amounts it considers reasonable given the facts and circumstances of each case. The Registrant's insurer, Liberty Mutual, has

defended each case under a standard reservation of rights. As of February 13, 2004, the Registrant had resolved, by means of settlement or dismissal, 6,168 claims, and had reached tentative agreement to resolve an additional 4,563 claims reported above as pending. The total cost of resolving all 10,731 such claims was \$5,201,500. Of this amount, \$5,166,500, or 99%, was paid by the Registrant's insurance carrier. The Registrant has more than \$130 million in confirmed insurance coverage that should be available with respect to current and future asbestos claims, as well as additional insurance coverage that it should be able to access.

Brandon Drying Fabrics, Inc.

Brandon Drying Fabrics, Inc. ("Brandon"), a subsidiary of Geschmay Corp., is also a separate defendant in most of these cases. Brandon was defending against 10,491 claims as of February 13, 2004. This compares with 10,242 such claims as of December 31, 2003, 11,983 claims as of October 24, 2003, 11,802 claims as of December 31, 2002, 8,759 claims as of December 31, 2001, 3,598 claims as of December 31, 2000, and 1,887 claims as of December 31, 1999. The Registrant acquired Geschmay Corp., formerly known as Wangner Systems Corporation, in 1999. Brandon is a wholly-owned subsidiary of Geschmay Corp. In 1978, Brandon acquired certain assets from Abney Mills ("Abney"), a South Carolina textile manufacturer. Among the assets acquired by Brandon from Abney were assets of Abney's wholly-owned subsidiary, Brandon Sales, Inc. which, among other things, had sold dryer fabrics containing asbestos made by its parent, Abney. It is believed that Abney ceased production of asbestos-containing fabrics prior to the 1978 transaction. Although Brandon manufactured and sold dryer fabrics under its own name subsequent to the asset purchase, none of such fabrics contained asbestos. Under the terms of the Assets Purchase Agreement between Brandon and Abney, Abney agreed to indemnify, defend, and hold Brandon harmless from any actions or claims on account of products manufactured by Abney and its related corporations prior to the date of the sale, whether or not the product was sold subsequent to the date of the sale. It appears that Abney has since been dissolved. Nevertheless, a representative of Abney has been notified of the pendency of these actions and demand has been made that it assume the defense of these actions. Because Brandon did not manufacture asbestos-containing products, and because it does not believe that it was the legal successor to, or otherwise responsible for obligations of, Abney with respect to products manufactured by Abney, it believes it has strong defenses to the claims that have been asserted against it. In some instances, plaintiffs have voluntarily dismissed claims against it, while in others it has entered into what it considers to be reasonable settlements. As of February 13, 2004, Brandon has resolved, by means of settlement or dismissal, 5,999 claims for a total of \$152,499. Brandon's insurance carriers have agreed to pay 88.2% of the total indemnification and defense costs related to these proceedings, subject to the standard reservation of rights. The remaining 11.8% is being sought from an insurance company that denies that it issued a policy. Brandon's internal records demonstrate otherwise, and Brandon has filed suit against this company as well as its other carriers. Based on advice of counsel, Brandon is confident that it will prevail in establishing 100% indemnification and defense cost coverage.

Mount Vernon

In some of these cases, the Registrant is named both as a direct defendant and as the "successor in interest" to Mount Vernon Mills ("Mount Vernon"). The Registrant acquired certain assets from Mount Vernon in 1993. Certain plaintiffs allege injury caused by asbestos-containing products alleged to have been sold by Mount Vernon many years prior to this acquisition. Mount Vernon is contractually obligated to indemnify the Registrant against any liability arising out of such products. The Registrant denies any liability for products sold by Mount Vernon prior to the acquisition of the Mount Vernon assets. Pursuant to its contractual indemnification obligations, Mount Vernon has assumed the defense

of these claims. On this basis, the Registrant has successfully moved for dismissal in a number of actions.

The Registrant believes that all asbestos-related claims against it are without merit. Based on its understanding of the insurance policies available, how settlement amounts have been allocated to various policies, its recent settlement experience, the absence of any judgments against the Registrant or Brandon, the ratio of paper mill claims to total claims filed, and the defenses available, the Registrant currently does not anticipate any material liability relating to the resolution of the aforementioned pending proceedings in excess of existing insurance limits. Consequently, the Registrant does not believe, based on currently available information, that the ultimate resolution of the aforementioned proceedings will have a material adverse effect on the financial position, results of operations or cash flows of the Registrant.

Although the Registrant cannot predict the number and timing of future claims, based on the foregoing factors and the trends in claims against it to date, the Registrant does not anticipate that additional claims likely to be filed against it in the future will have a material adverse effect on its financial position, results of operations or cash flows. However, the Registrant is aware that litigation is inherently uncertain, especially when the outcome is dependent primarily on determinations of factual matters to be made by juries. The Registrant is also aware that numerous other defendants in asbestos cases, as well as others who claim to have knowledge and expertise on the subject, have found it difficult to anticipate the outcome of asbestos litigation, the volume of future asbestos claims and the anticipated settlement values of those claims. For these reasons, there can be no assurance that the foregoing conclusions will not change.

In July 2003, the Judiciary Committee of the United States Senate approved a bill that would provide compensation for persons injured as the result of exposure to asbestos. Funds would be provided by mandatory contributions from defendant corporations and insurance companies. If passed in its current form, the legislation would require the Registrant to make payments of up to \$1 million per year for up to 27 years. Such payments would not be covered by any of the Registrant's insurance policies. There can be no assurance that such legislation will be passed, or that it will be passed in its present form.

Other Proceedings

The Registrant has been named as respondent in an arbitration filed in the International Court of Arbitration of the International Chamber of Commerce ("ICC"). The Request for Arbitration was filed on February 17, 2003 by Mistral International Finance A.G. and Golden Bridge S.A. (the "Claimants"). The Claimants seek to recover \$19,123,589 based upon an alleged breach of a Share Purchase Agreement by which the Registrant purchased all of the shares of six wholly owned subsidiaries of Claimants, alleging that the subsequent termination of certain leases by a subsidiary of the Registrant deprived the Claimants of a portion of the purchase price of these shares. The arbitration hearing was held in this matter during February 2004, and the Registrant is awaiting the decision of the arbitral tribunal.

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

There were no matters submitted during the fourth quarter of 2003 to a vote of security holders.

PART II

Item 5. MARKET FOR THE REGISTRANT'S COMMON EQUITY AND RELATED STOCKHOLDER MATTERS

"Stock and Shareholders" and "Quarterly Financial Data" on page 56 of the Annual Report are incorporated herein by reference.

Restrictions on dividends and other distributions are described in Note 6, on pages 30-33 of the Annual Report. Such description is incorporated herein by reference.

Item 6. SELECTED FINANCIAL DATA

"Eleven-Year Summary" on pages 54 and 55 of the Annual Report is incorporated herein by reference.

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

"Financial Review" on pages 46 to 53 of the Annual Report is incorporated herein by reference.

Item 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

The following consolidated financial statements of the Registrant and its subsidiaries, included on pages 21 to 45 in the Annual Report, are incorporated herein by reference:

Report of Independent Auditors

Consolidated Statements of Income and Retained Earnings for the years ended December 31, 2003, 2002, and 2001

Consolidated Statements of Comprehensive Income for the years ended December 31, 2003, 2002, and 2001

Consolidated Balance Sheets at December 31, 2003 and 2002

Consolidated Statements of Cash Flows for the years ended December 31, 2003, 2002, and 2001

Notes to Consolidated Financial Statements

Item 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

None.

Item 9A. CONTROLS AND PROCEDURES

The Registrant, with the participation of management, including its Chief Executive Officer (CEO) and Chief Financial Officer (CFO), has carried out an evaluation of the effectiveness of the Registrant's disclosure controls and procedures (as defined in Exchange Act Rules 13a-15 and 15d-15) as of the end of the period covered by this annual report. Based upon, and as of the date of that evaluation, the CEO and CFO concluded that the disclosure controls and procedures of the Registrant were effective in ensuring that information required to be disclosed in the periodic reports that it files or submits under the Exchange Act is accumulated and communicated to the management of the Registrant, including its CEO and CFO, as appropriate to allow timely decisions regarding required disclosure.

There has been no change in the Registrant's internal control over financial reporting during the Registrant's last fiscal quarter that has materially affected or is reasonably likely to materially affect, the Registrant's internal control over financial reporting.

PART III**Item 10. DIRECTORS AND EXECUTIVE OFFICERS OF THE REGISTRANT**

a) *Directors.* The information set out in the section captioned "Election of Directors" in the Proxy Statement is incorporated herein by reference.

b) *Audit Committee Financial Expert.* The information set out in the section captioned "Committees" in the Proxy Statement is incorporated herein by reference.

c) *Executive Officers of Registrant.* Information about the officers of the Registrant is set forth in Item 1 above.

d) *Code of Ethics.* The Registrant has adopted a Code of Ethics that applies to its Chief Executive Officer, Chief Financial Officer and Controller. A copy of the Code of Ethics is filed as Exhibit 10(p) and is available at the Corporate Governance section of the Registrant's Web site (www.albint.com). A copy of the Code of Ethics may be obtained, without charge, by writing to: Investor Relations Department, Albany International Corp., P.O. Box 1907, Albany, New York 12201. Any amendment to the Code of Ethics will be disclosed by posting the amended Code of Ethics on the Registrant's Web site. Any waiver of any provision of the Code of Ethics will be disclosed by the filing of a Form 8-K.

Item 11. EXECUTIVE COMPENSATION

The information set forth in the sections of the Proxy Statement captioned "Executive Compensation," "Summary Compensation Table," "Option/SAR Grants in Last Fiscal Year," "Option/SAR Exercises During 2003 and Year-End Values," "Pension Plan Table," "Compensation Committee Report on Executive Compensation," "Compensation Committee Interlocks and Insider Participation," "Stock Performance Graph," and "Directors' Fees" is incorporated herein by reference.

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

The information set forth in the section captioned "Share Ownership" in the Proxy Statement is incorporated herein by reference.

Equity Compensation Plan Information

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	2,573,630	\$ 18.37	436,615(1)(2)(3)
Equity compensation plans not approved by security holders	250,000	\$ 25.56	
Total	2,823,630	\$ 19.01	436,615(1)(2)(3)

- (1) Reflects only the number of shares for which options may be granted as of January 1, 2004 under the Registrant's 1998 Stock Option Plan ("the 1998 Plan"). Additional shares of Class A Common Stock are available for issuance under the 1998 Plan (see note 2 below) as well as under the Registrant's Directors Retainer Plan (see note 3 below).

(2)

The 1998 Plan allows the Board to increase the amount of shares available for future option grants, from time to time, provided that it may not be increased by more than 500,000 in any calendar year and that no such increase may cause the total number of shares then available for option to exceed 1,000,000. If options granted under the 1998 Plan expire or are terminated or surrendered without having been exercised, the shares of Class A Common Stock subject thereto may again be optioned. Assuming full exercise by the Board of its power to increase annually the number of shares available for options, the maximum number of additional shares that could yet be issued upon exercise of future option grants pursuant to the 1998 Plan (including those set forth in column (c) above) would be 2,936,615.

(3)

The Directors Retainer Plan provides that the aggregate dollar amount of the annual retainer payable for service as a member of the Registrant's Board of Directors is \$60,000. Of this total, \$10,000 is paid in shares of Class A Common Stock of the Registrant, the exact number of shares to be paid for any year being determined on the basis of the per share closing price of such stock on the day of the Annual Meeting at which the election of directors for such year occurs, as shown in the composite index published for such day in the Wall Street Journal, rounded down to the nearest whole share. If the proposal to adopt a new Director's Retainer Plan is approved by the stockholders at the 2004 Annual Report meeting, the portion of the annual retainer paid in shares of Class A Common Stock will be increased to \$20,000.

The Registrant has adopted only one equity compensation "plan" not approved by security holders and required to be disclosed under Item 201(d) of Regulation S-K. In 1997, the Registrant granted an option exercisable at \$25.56 per share for 250,000 shares of the Registrant's Class A Common Stock to Michael C. Nahl, the Registrant's Senior Vice President and Chief Financial Officer. The option is not exercisable unless the market price of Class A Common Stock reaches \$48 per share while Mr. Nahl is employed by the Registrant or a subsidiary. When the target price is achieved, the option becomes exercisable as to a number of shares determined by multiplying 25,000 times the number of full years that have elapsed since the grant date. Thereafter, the option becomes exercisable as to an additional 25,000 shares on each anniversary of the grant date while the optionee remains an employee. In the event of termination of the optionee's employment, the option terminates as to all shares as to which it is not then exercisable, except that, in the case of voluntary termination after age 62, death, disability, or involuntary termination, if the target price has been achieved prior to such termination, the option becomes exercisable, immediately prior to such termination.

Item 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

None.

Item 14. PRINCIPAL ACCOUNTING FEES AND SERVICES

The information set forth in the section captioned "Independent Auditors" in the Proxy Statement is incorporated herein by reference.

PART IV

Item 15. EXHIBITS, FINANCIAL STATEMENTS SCHEDULE AND REPORTS ON FORM 8-K

- (a)(1) *Financial Statements.* The consolidated financial statements included in the Annual Report are incorporated by reference in Item 8.
- (a)(2) *Schedule.* The following financial statement schedule for each of the three years in the period ended December 31, 2003:
- Report of Independent Auditors on Financial Statement Schedule(14)
- Schedule II Valuation and Qualifying Accounts(14)
- (a)(3) Exhibits
- 3(a) Certificate of Incorporation of Registrant.(3)
- 3(b) Bylaws of Registrant.(9)
- 4(a) Article IV of Certificate of Incorporation of Registrant (included in Exhibit 3(a)).
- 4(b) Specimen Stock Certificate for Class A Common Stock.(1)
- Credit Agreement***
- 10(i)(i) Credit Agreement, dated as of August 11, 1999 (the "Credit Agreement"), among the Registrant, certain banks listed therein, the Chase Manhattan Bank as Administrative Agent, Chase Manhattan International Limited as London Agent, Citibank N.A. as Syndication Agent, and Banc One Capital Markets, Inc. as Documentation Agent.(8)
- 10(i)(ii) Amendment No. 1, dated as of December 22, 1999, to the Credit Agreement.(10)
- 10(i)(iii) Amendment No. 2, dated as of October 1, 2002, to the Credit Agreement.(11)
- 10(j)(i) Receivables Sale Agreement, dated as of September 28, 2001, among the Registrant as the Collection Agent, Albany International Receivables Corporation as the Seller, ABN AMRO Bank N.V., as the Agent the Committed Purchasers party thereto, and Amsterdam Funding Corporation.(10)
- 10(j)(i)(a) Amendment No. 1, dated as of September 27, 2002, to the Receivables Sale Agreement.(11)
- 10(j)(i)(b) Amendment No. 2, dated as of October 25, 2002, to the Receivables Sale Agreement.(11)
- 10(j)(i)(c) Amendment No. 3, dated as of September 26, 2003, to the Receivables Sale Agreement.(12)
- 10(j)(i)(c) Amendment No. 4, dated as of December 31, 2003, to the Receivables Sale Agreement.(14)
- 10(j)(ii) Purchase and Sale Agreement, dated as of September 28, 2001, among the Registrant, Geschmay Corp., Albany International Research Co., Albany International Techniweave, Inc., Albany International Canada Inc., M&I Door Systems Ltd., as Originators, and Albany International Receivables Corporation as Buyer.(11)
- 10(j)(ii)(a) Amendment No. 1, dated as of March 1, 2002, to Exhibit A of the Purchase and Sale Agreement.(11)
- 10(j)(ii)(b) Amendment No. 2, dated as of July 1, 2003, to Exhibit A of the Purchase and Sale Agreement.(12)
- 10(k)(I) Five-Year Revolving Credit Agreement, dated as of January 8, 2004, among the Registrant, certain banks listed therein, JP Morgan Chase Bank as the Administrative Agent, J.P. Morgan Europe Limited as the London Agent, J.P. Morgan Securities Inc. as Lead Arranger and Sole Bookrunner, Fleet National Bank and ABN AMRO Bank N.V. as Co-Syndication Agents, and Sumitomo Mitsui Banking Corp., New York, and Wachovia Bank, N.A., as Co-Documentation Agents.(13)

Restricted Stock Units

10(l)(i) 2003 Restricted Stock Unit Plan, as adopted November 13, 2003.(14)

Stock Options

10(m)(i) Form of Stock Option Agreement, dated as of August 1, 1983, between the Registrant and each of five employees, together with schedule showing the names of such employees and the material differences among the Stock Option Agreements with such employees.(1)

10(m)(ii) Form of Amendment of Stock Option Agreement, dated as of July 1, 1987, between the Registrant and each of the five employees identified in the schedule referred to as Exhibit 10(m)(i).(1)

10(m)(iii) 1988 Stock Option Plan.(2)

10(m)(iv) 1992 Stock Option Plan.(4)

10(m)(v) 1997 Executive Stock Option Agreement.(6)

10(m)(vi) 1998 Stock Option Plan.(7)

10(m)(vii) 1998 Stock Option Plan, as amended and restated as of August 7, 2003.(12)

Executive Compensation

10(n) Pension Equalization Plan adopted April 16, 1986, naming two current executive officers and one former executive officer of Registrant as "Participants" thereunder.(1)

10(n)(i) Supplemental Executive Retirement Plan, adopted as of January 1, 1994, as amended and restated as of June 30, 2002.(14)

10(n)(ii) Annual Bonus Program.(1)

10(o)(I) Form of Executive Deferred Compensation Plan adopted September 1, 1985, as amended and restated as of August 8, 2001.(10)

10(o)(ii) Form of Directors' Deferred Compensation Plan adopted September 1, 1985, as amended and restated as of August 8, 2001.(10)

10(o)(iii) Deferred Compensation Plan of Albany International Corp., as amended and restated as of August 8, 2001.(11)

10(o)(iv) Centennial Deferred Compensation Plan, as amended and restated as of August 8, 2001.(10)

10(o)(v) Directors Annual Retainer Plan, as amended and restated as of August 7, 2003.(12)

Other Exhibits

10(p) Code of Ethics.(14)

13 Selected pages of the Registrant's 2003 Annual Report.(14)

21 Subsidiaries of Registrant.(14)

23 Consent of PricewaterhouseCoopers LLP.(14)

24 Powers of Attorney. Filed herewith.

31(a) Certification of Frank R. Schmeler required pursuant to Rule 13a-14(a) or Rule 15d-14(a). Filed herewith.

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- 31(b) Certification of Michael C. Nahl required pursuant to Rule 13a-14(a) or Rule 15d-14(a). Filed herewith.
- 32(a) Certification of Frank R. Schmeler and Michael C. Nahl required pursuant to Rule 13a-14(b) or Rule 15d-14(b) and Section 1350 of Chapter 63 of Title 18 of the United States Code. Furnished herewith.
- (b) Reports on Form 8-K were filed during the fourth quarter of 2003.

On October 27, 2003, the Registrant furnished a news release with its earnings announcement for the third quarter of 2003 on Form 8-K to the Securities and Exchange Commission pursuant to Item 12, "Disclosure of Results of Operations and Financial Conditions."

All other schedules and exhibits are not required or are inapplicable and, therefore, have been omitted.

- (1) Previously filed as an Exhibit to the Registrant's Registration Statement on Form S-1, No. 33-16254, as amended, declared effective by the Securities and Exchange Commission on September 30, 1987, which previously filed Exhibit is incorporated by reference herein.
- (2) Previously filed as an Exhibit to the Registrant's Current Report on Form 8-K dated August 8, 1988, which previously filed Exhibit is incorporated by reference herein.
- (3) Previously filed as an Exhibit to the Registrant's Registration Statement on Form 8-A, File No. 1-10026, declared effective by the Securities and Exchange Commission on August 26, 1988 (as to The Pacific Stock Exchange, Inc.), and on September 7, 1988 (as to The New York Stock Exchange, Inc.), which previously filed Exhibit is incorporated by reference herein.
- (4) Previously filed as an Exhibit to the Registrant's Current Report on Form 8-K dated January 18, 1993, which previously filed Exhibit is incorporated by reference herein.
- (5) Previously filed as an Exhibit to the Registrant's Current Report on Form 8-K dated March 15, 1996, which previously filed Exhibit is incorporated by reference herein.
- (6) Previously filed as an Exhibit to the Registrant's Annual Report on Form 10-K dated March 16, 1998, which previously filed Exhibit is incorporated by reference herein.
- (7) Previously filed as an Exhibit to the Registrant's Quarterly Report on Form 10-Q dated August 10, 1998, which previously filed Exhibit is incorporated by reference herein.
- (8) Previously filed as an Exhibit to the Registrant's Current Report on form 8-K dated September 21, 1999, which previously filed Exhibit is incorporated by reference herein.
- (9) Previously filed as an Exhibit to the Registrant's Quarterly Report on Form 10-Q dated November 10, 1999, which previously filed Exhibit is incorporated by reference herein.
- (10) Previously filed as an Exhibit to the Registrant's Quarterly Report on Form 10-Q dated November 12, 2001, which previously filed Exhibit is incorporated by reference herein.
- (11) Previously filed as an Exhibit to the Registrant's Annual Report on Form 10-K dated March 21, 2003, which previously filed Exhibit is incorporated by reference herein.
- (12)

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Previously filed as an Exhibit to the Registrant's Quarterly Report on Form 10-Q dated November 6, 2003, which previously filed Exhibit is incorporated by reference herein.

(13)

Previously filed as an Exhibit to the Registrant's Current Report on Form 8-K filed January 22, 2004, which previously filed Exhibit is incorporated by reference herein.

(14)

Previously filed as an Exhibit to the Registrant's Annual Report on Form 10-K dated March 11, 2004, which previously filed Exhibit is incorporated by reference herein.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized on the 30th day of July, 2004.

ALBANY INTERNATIONAL CORP.

by /s/ MICHAEL C. NAHL

Michael C. Nahl

Principal Financial Officer

Senior Vice President and Chief Financial Officer

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

Signature	Title	Date
*		
_____ (Frank R. Schmeler)	Chairman of the Board and Chief Executive Officer	July 30, 2004
/s/ MICHAEL C. NAHL _____ (Michael C. Nahl)	Senior Vice President and Chief Financial Officer (Principal Financial Officer)	July 30, 2004
*		
_____ (Richard A. Carlstrom)	Vice President-Controller (Principal Accounting Officer)	July 30, 2004
*		
_____ (Thomas R. Beecher, Jr.)	Director	July 30, 2004
*		
_____ (Charles B. Buchanan)	Director	July 30, 2004
_____ (James L. Ferris, Ph.D.)	Director	July 30, 2004
*		
_____ (Erland E. Kailbourne)	Director	July 30, 2004
*		
_____ (Francis L. McKone)	Director	July 30, 2004
*		
_____ (Joseph G. Morone, Ph.D.)	Director	July 30, 2004
*		
_____ (Christine L. Standish)	Director	July 30, 2004
*		
_____ (John C. Standish)	Director	July 30, 2004

(Allan Stenshamn)

Director

July 30, 2004

*

(Barbara P. Wright)

Director

July 30, 2004

*

(Hugh J. Murphy)

Director

July 30, 2004

*By /s/ MICHAEL C. NAHL

Michael C. Nahl

Attorney-in-fact

QuickLinks

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