

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION**

Washington, D.C. 20549

FORM 8-K

CURRENT REPORT

Pursuant to Section 13 OR 15(d) of the Securities Exchange Act of 1934

Date of Report (Date of earliest event reported): July 29, 2020

ALBANY INTERNATIONAL CORP.

(Exact name of registrant as specified in its charter)

| | | |
|---|---|---|
| Delaware (State or other jurisdiction of incorporation) | 1-10026 (Commission File Number) | 14-0462060 (I.R.S Employer Identification No.) |
| 216 Airport Drive Rochester, New Hampshire (Address of principal executive offices) | | 03867 (Zip Code) |

Registrant's telephone number, including area code 603-330-5850

None

(Former name or former address, if changed since last report.)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
- Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
- Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
- Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

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

| Title of each class | Trading Symbol(s) | Name of each exchange on which registered |
|---|------------------------------|--|
| Class A Common Stock, \$0.001 par value per share | AIN | The New York Stock Exchange (NYSE) |
| Class B Common Stock, \$0.001 par value per share | AIN | The New York Stock Exchange (NYSE) |

Indicate by check mark whether the registrant is an emerging growth company as defined in Rule 405 of the Securities Act 1933 (230.405 of this chapter) or Rule 12b-2 of the Securities Exchange Act of 1934 (240.12b-2 of this chapter).

- Emerging growth company
- If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act

Item 2.02. Results of Operations and Financial Condition.

On July 29, 2020 Albany International issued a news release reporting second-quarter 2020 financial results. The Company will host a webcast to discuss earnings at 9:00 a.m. Eastern Time on Thursday July 30, 2020. The news release is furnished as Exhibit 99.1 to this report.

Item 9.01. Financial Statements and Exhibits.

- (d) Exhibits. The following exhibit is being furnished herewith:
- | | |
|------|---|
| 99.1 | News release dated July 29, 2020 reporting second-quarter 2020 financial results. |
|------|---|
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Signature

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

ALBANY INTERNATIONAL CORP.

By: /s/ Stephen M. Nolan

Name: Stephen M. Nolan

Title: Chief Financial Officer and Treasurer
(Principal Financial Officer)

Date: July 29, 2020

EXHIBIT INDEX

Exhibit No.

Description

| | |
|-----------------------------|--|
| <u>99.1</u> | <u>News release dated July 29, 2020 reporting second-quarter 2020 financial results.</u> |
| 104 | Inline XBRL cover page. |

ALBANY INTERNATIONAL

Albany International Reports Second-Quarter 2020 Results

ROCHESTER, N.H.--(BUSINESS WIRE)--July 29, 2020--Albany International Corp. (NYSE:AIN) today reported operating results for its second quarter of 2020, which ended June 30, 2020.

“We had an outstanding quarter, despite the challenges of addressing this pandemic,” said Albany International President and Chief Executive Officer, Bill Higgins. “Our top priority remains protecting the health and safety of our employees, and I am proud of how they performed. Across the company, our teams excelled by adapting safely to the challenging environment, driving operational improvements, doing a great job for customers, and delivering year-over-year gross margin expansion in both segments.”

“In the months to come, we expect the economic impact of the global slowdown on our businesses may become more challenging. Our strong balance sheet and good cash flow conversion, however, enable us to continue to invest in our businesses with the flexibility required to address challenges and opportunities in the market,” concluded Higgins.

For the second quarter ended June 30, 2020:

- Net sales were \$226.0 million, down \$48.0 million, or 17.5%, when compared to the prior year. Sales declined \$46.4 million, or 39.0%, in the Engineered Composites segment driven by the temporary production halt on the LEAP program.
- Gross profit of \$103.0 million was 2.1% lower than the \$105.2 million reported for the same period of 2019.
- STG&R expenses were \$47.4 million, compared to \$50.1 million in the same period of 2019. Losses from the revaluation of foreign currency balances increased STG&R by \$1.1 million in 2020, and by \$0.3 million in 2019.
- Operating income was \$52.7 million, compared to \$54.2 million in the prior year, a decrease of 2.8%, as lower gross profit and higher restructuring expenses were partially offset by lower STG&R expenses.
- The effective tax rate was 32.1%, compared to 29.6% during the same period last year. The higher tax rate in 2020 was primarily caused by a higher share of our global profits in jurisdictions with higher tax rates.

- Net income attributable to the Company was \$32.4 million (\$1.00 per share), compared to \$34.1 million (\$1.05 per share) in Q2 2019. Adjusted earnings per share (or Adjusted EPS, a non-GAAP measure) was \$1.09 per share in the second quarter of each year.
- Adjusted EBITDA (a non-GAAP measure) was \$73.7 million, compared to \$72.4 million in Q2 2019, an increase of 1.7%.

Please see the tables below for a reconciliation of non-GAAP measures to their comparable GAAP measures.

“We delivered exceptional margins during the second quarter, helped by a net \$7 million favorable adjustment to estimated long-term contract profitability in the Engineered Composites segment, and favorable currency and mix benefits in the Machine Clothing segment,” said Albany International Chief Financial Officer and Treasurer, Stephen Nolan. “We are re-introducing guidance for 2020. We have worked closely with our aerospace and defense customers over the course of the second quarter to define our production plans for the second half of the year. Visibility has also improved somewhat for demand for our Machine Clothing products; as expected, we have seen some weakening of orders, driven by overall macroeconomic conditions, as we move into the second half of the year. This is reflected in our guidance. Across both segments, our guidance range reflects our best assessments of the likely impacts of the ongoing pandemic to our markets; however, additional risk does remain, should the macroeconomic impacts prove to be more severe than we are currently expecting.”

Outlook for Full-Year 2020

Albany International is re-introducing financial guidance for the full-year 2020:

- Total company revenue of between \$870 and \$890 million;
 - Effective income tax rate, including tax adjustments, of 36% to 38%;
 - Total company depreciation and amortization of between \$70 and \$75 million;
 - Capital expenditures in the range of \$45 to \$55 million;
 - GAAP earnings per share of between \$2.26 and \$2.51;
 - Adjusted earnings per share of between \$2.85 and \$3.10;
 - Total company Adjusted EBITDA of \$220 to \$235 million;
 - Machine Clothing revenue of \$545 to \$555 million;
 - Machine Clothing Adjusted EBITDA of between \$190 and \$200 million;
 - Engineered Composites revenue between \$325 to \$335 million; and
 - Engineered Composites Adjusted EBITDA of \$75 to \$85 million.
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ALBANY INTERNATIONAL CORP.
CONSOLIDATED STATEMENTS OF INCOME
(in thousands, except per share amounts)
(unaudited)

| | Three Months Ended | | Six Months Ended | |
|---|--------------------|------------------|------------------|------------------|
| | June 30, | | June 30, | |
| | 2020 | 2019 | 2020 | 2019 |
| Net sales | \$ 225,990 | \$ 273,949 | \$ 461,754 | \$ 525,321 |
| Cost of goods sold | 123,010 | 168,767 | 269,302 | 328,368 |
| Gross profit | 102,980 | 105,182 | 192,452 | 196,953 |
| Selling, general, and administrative expenses | 38,543 | 40,816 | 78,649 | 81,761 |
| Technical and research expenses | 8,873 | 9,242 | 18,003 | 19,491 |
| Restructuring expenses, net | 2,837 | 899 | 3,479 | 1,383 |
| Operating income | 52,727 | 54,225 | 92,321 | 94,318 |
| Interest expense, net | 3,823 | 4,631 | 7,800 | 9,048 |
| Other expense/(income), net | 1,091 | 930 | 16,660 | (278) |
| Income before income taxes | 47,813 | 48,664 | 67,861 | 85,548 |
| Income tax expense | 15,364 | 14,405 | 27,818 | 21,881 |
| Net income | 32,449 | 34,259 | 40,043 | 63,667 |
| Net (loss)/income attributable to the noncontrolling interest | 95 | 205 | (1,420) | 423 |
| Net income attributable to the Company | <u>\$ 32,354</u> | <u>\$ 34,054</u> | <u>\$ 41,463</u> | <u>\$ 63,244</u> |
| Earnings per share attributable to Company shareholders - Basic | \$ 1.00 | \$ 1.05 | \$ 1.28 | \$ 1.96 |
| Earnings per share attributable to Company shareholders - Diluted | \$ 1.00 | \$ 1.05 | \$ 1.28 | \$ 1.96 |
| Shares of the Company used in computing earnings per share: | | | | |
| Basic | 32,328 | 32,299 | 32,320 | 32,286 |
| Diluted | 32,336 | 32,311 | 32,328 | 32,298 |
| Dividends declared per share, Class A and Class B | \$ 0.19 | \$ 0.18 | \$ 0.38 | \$ 0.36 |

ALBANY INTERNATIONAL CORP.
CONSOLIDATED BALANCE SHEETS
(in thousands, except share data)
(unaudited)

| | June 30, 2020 | December 31, 2019 |
|---|---------------------|---------------------|
| ASSETS | | |
| Cash and cash equivalents | \$ 204,037 | \$ 195,540 |
| Accounts receivable, net | 202,612 | 218,271 |
| Contract assets, net | 96,092 | 79,070 |
| Inventories | 115,532 | 95,149 |
| Income taxes prepaid and receivable | 5,998 | 6,162 |
| Prepaid expenses and other current assets | 26,209 | 24,142 |
| Total current assets | <u>\$ 650,480</u> | <u>\$ 618,334</u> |
| Property, plant and equipment, net | 443,046 | 466,462 |
| Intangibles, net | 49,706 | 52,892 |
| Goodwill | 181,302 | 180,934 |
| Deferred income taxes | 40,999 | 51,621 |
| Noncurrent receivables, net | 36,901 | 41,234 |
| Other assets | 59,526 | 62,891 |
| Total assets | <u>\$ 1,461,960</u> | <u>\$ 1,474,368</u> |
| LIABILITIES AND SHAREHOLDERS' EQUITY | | |
| Accounts payable | \$ 50,181 | \$ 65,203 |
| Accrued liabilities | 115,458 | 125,885 |
| Current maturities of long-term debt | 17 | 20 |
| Income taxes payable | 11,546 | 11,611 |
| Total current liabilities | <u>177,202</u> | <u>202,719</u> |
| Long-term debt | 435,000 | 424,009 |
| Other noncurrent liabilities | 134,898 | 132,725 |
| Deferred taxes and other liabilities | 8,702 | 12,226 |
| Total liabilities | <u>755,802</u> | <u>771,679</u> |
| SHAREHOLDERS' EQUITY | | |
| Preferred stock, par value \$5.00 per share; authorized 2,000,000 shares; none issued | — | — |
| Class A Common Stock, par value \$.001 per share; authorized 100,000,000 shares; 39,112,722 issued in 2020 and 39,098,792 in 2019 | 39 | 39 |
| Class B Common Stock, par value \$.001 per share; authorized 25,000,000 shares; issued and outstanding 1,617,998 in 2020 and 2019 | 2 | 2 |
| Additional paid in capital | 432,738 | 432,518 |
| Retained earnings | 726,233 | 698,496 |
| Accumulated items of other comprehensive income: | | |
| Translation adjustments | (139,635) | (122,852) |
| Pension and postretirement liability adjustments | (48,962) | (49,994) |
| Derivative valuation adjustment | (11,030) | (3,135) |
| Treasury stock (Class A), at cost; 8,394,022 shares in 2020 and 8,408,770 shares in 2019 | (256,074) | (256,391) |
| Total Company shareholders' equity | <u>703,311</u> | <u>698,683</u> |
| Noncontrolling interest | 2,847 | 4,006 |
| Total equity | <u>706,158</u> | <u>702,689</u> |
| Total liabilities and shareholders' equity | <u>\$ 1,461,960</u> | <u>\$ 1,474,368</u> |

ALBANY INTERNATIONAL CORP.
CONSOLIDATED STATEMENTS OF CASH FLOWS
(in thousands)
(unaudited)

| | Three Months Ended June 30, | | Six Months Ended June 30, | |
|---|-----------------------------|------------|---------------------------|------------|
| | 2020 | 2019 | 2020 | 2019 |
| OPERATING ACTIVITIES | | | | |
| Net income | \$ 32,449 | \$ 34,259 | \$ 40,043 | \$ 63,667 |
| Adjustments to reconcile net income to net cash provided by operating activities: | | | | |
| Depreciation | 15,498 | 15,345 | 31,004 | 30,987 |
| Amortization | 2,456 | 2,409 | 5,020 | 4,723 |
| Change in deferred taxes and other liabilities | 3,543 | 319 | 9,360 | (746) |
| Provision for write-off of property, plant and equipment | 36 | 720 | 233 | 1,106 |
| Non-cash interest expense | 20 | 152 | 171 | 303 |
| Compensation and benefits paid or payable in Class A Common Stock | 1,198 | 1,170 | 516 | 623 |
| Fair value adjustment on foreign currency option | — | — | 64 | — |
| Provision for credit losses from uncollected receivables and contract assets | 114 | 219 | 1,769 | 804 |
| Foreign currency remeasurement loss/(gain) on intercompany loans | 194 | 100 | 15,581 | (1,607) |
| Changes in operating assets and liabilities that provided/(used) cash: | | | | |
| Accounts receivable | 11,511 | 14,215 | 8,117 | 2,006 |
| Contract assets | (11,169) | 3,528 | (20,009) | 3,047 |
| Inventories | (4,878) | (1,505) | (24,628) | (18,167) |
| Prepaid expenses and other current assets | (301) | (1,384) | (2,457) | (4,188) |
| Income taxes prepaid and receivable | 29 | (316) | (208) | 358 |
| Accounts payable | (9,337) | (14,276) | (10,383) | 7,474 |
| Accrued liabilities | 4,171 | (1,074) | (10,901) | (12,169) |
| Income taxes payable | 5,526 | 5,724 | 1,955 | 7,230 |
| Noncurrent receivables | 628 | (46) | 397 | (340) |
| Other noncurrent liabilities | (464) | (481) | (524) | (2,160) |
| Other, net | (552) | (548) | (1,086) | 145 |
| Net cash provided by operating activities | 50,672 | 58,530 | 44,034 | 83,096 |
| INVESTING ACTIVITIES | | | | |
| Purchases of property, plant and equipment | (9,212) | (14,606) | (21,971) | (35,404) |
| Purchased software | — | (27) | (46) | (49) |
| Net cash used in investing activities | (9,212) | (14,633) | (22,017) | (35,453) |
| FINANCING ACTIVITIES | | | | |
| Proceeds from borrowings | — | — | 70,000 | 20,000 |
| Principal payments on debt | (56,005) | (9,004) | (59,011) | (37,008) |
| Principal payments on finance lease liabilities | (329) | (178) | (6,463) | (578) |
| Taxes paid in lieu of share issuance | — | — | (490) | (971) |
| Proceeds from options exercised | 20 | 28 | 20 | 72 |
| Dividends paid | (6,141) | (5,813) | (12,280) | (11,621) |
| Net cash used in financing activities | (62,455) | (14,967) | (8,224) | (30,106) |
| Effect of exchange rate changes on cash and cash equivalents | 2,352 | (1,082) | (5,296) | (59) |
| Increase/(decrease) in cash and cash equivalents | (18,643) | 27,848 | 8,497 | 17,478 |
| Cash and cash equivalents at beginning of period | 222,680 | 187,385 | 195,540 | 197,755 |
| Cash and cash equivalents at end of period | \$ 204,037 | \$ 215,233 | \$ 204,037 | \$ 215,233 |

Reconciliation of non-GAAP measures to comparable GAAP measures

The following tables present Net sales and the effect of changes in currency translation rates:

| (in thousands, except percentages) 2020 | Net sales as reported, Q2 2020 | Decrease due to changes in currency translation rates | Q2 2020 sales on same basis as Q2 2019 | Net sales as reported, Q2 2019 | % Change compared to Q2 2019, excluding currency rate effects |
|--|---------------------------------------|--|---|---------------------------------------|--|
| Machine Clothing | \$ 153,433 | \$ 1,559 | \$ 154,992 | \$ 155,016 | —% |
| Albany Engineered Composites | 72,557 | 26 | 72,583 | 118,933 | (39.0)% |
| Consolidated total | \$ 225,990 | \$ 1,585 | \$ 227,575 | \$ 273,949 | (16.9)% |

| (in thousands, except percentages) 2020 | Net sales as reported, YTD 2020 | Decrease due to changes in currency translation rates | YTD 2020 sales on same basis as 2019 | Net sales as reported, YTD 2019 | % Change compared to 2019, excluding currency rate effects |
|--|--|--|---|--|---|
| Machine Clothing | \$ 290,035 | \$ 3,124 | \$ 293,159 | \$ 299,349 | (2.1)% |
| Albany Engineered Composites | 171,719 | 486 | 172,205 | 225,972 | (23.8)% |
| Consolidated total | \$ 461,754 | \$ 3,610 | \$ 465,364 | \$ 525,321 | (11.4)% |

The following tables present Gross profit and Gross profit margin:

| (in thousands, except percentages) Q2 2020 | Gross profit, Q2 2020 | Gross profit margin, Q2 2020 | Gross profit, Q2 2019 | Gross profit margin, Q2 2019 |
|---|------------------------------|-------------------------------------|------------------------------|-------------------------------------|
| Machine Clothing | \$ 83,612 | 54.5% | \$ 80,287 | 51.8% |
| Albany Engineered Composites | 19,368 | 26.7% | 24,895 | 20.9% |
| Consolidated total | \$ 102,980 | 45.6% | \$ 105,182 | 38.4% |

| (in thousands, except percentages) YTD 2020 | Gross profit, YTD 2020 | Gross profit margin, YTD 2020 | Gross profit, YTD 2019 | Gross profit margin, YTD 2019 |
|--|-------------------------------|--------------------------------------|-------------------------------|--------------------------------------|
| Machine Clothing | \$ 156,264 | 53.9% | \$ 154,815 | 51.7% |
| Albany Engineered Composites | 36,188 | 21.1% | 42,138 | 18.6% |
| Consolidated total | \$ 192,452 | 41.7% | \$ 196,953 | 37.5% |

Adjusted EBITDA for the current-year and comparable prior-year periods has been calculated as follows:

| Three months ended June 30, 2020 | | | | |
|---|------------------|------------------------------------|------------------------------------|------------------|
| (in thousands, except percentages) | Machine Clothing | Albany Engineered Composites | Corporate expenses and other | Total Company |
| Operating income/(loss) (GAAP) | \$ 56,543 | \$ 8,299 | \$ (12,115) | \$ 52,727 |
| Interest, taxes, other income/(expense) | — | — | (20,278) | (20,278) |
| Net income/(loss) (GAAP) | 56,543 | 8,299 | (32,393) | 32,449 |
| Interest expense, net | — | — | 3,823 | 3,823 |
| Income tax expense | — | — | 15,364 | 15,364 |
| Depreciation and amortization expense | 4,981 | 11,971 | 1,002 | 17,954 |
| EBITDA (non-GAAP) | 61,524 | 20,270 | (12,204) | 69,590 |
| Restructuring expenses | 388 | 2,248 | 201 | 2,837 |
| Foreign currency revaluation (gains)/losses | 973 | 30 | 20 | 1,023 |
| Acquisition/integration costs | — | 278 | — | 278 |
| Pre-tax (income) attributable to noncontrolling interest | — | (58) | — | (58) |
| Adjusted EBITDA (non-GAAP) | \$ 62,885 | \$ 22,768 | \$ (11,983) | \$ 73,670 |
| Adjusted EBITDA margin (Adjusted EBITDA divided by Net sales-non-GAAP) | 41.0% | 31.4% | — | 32.6% |

| Three months ended June 30, 2019 | | | | |
|---|------------------|------------------------------------|------------------------------------|------------------|
| (in thousands, except percentages) | Machine Clothing | Albany Engineered Composites | Corporate expenses and other | Total Company |
| Operating income/(loss) (GAAP) | \$ 49,538 | \$ 17,732 | \$ (13,045) | \$ 54,225 |
| Interest, taxes, other income/(expense) | — | — | (19,966) | (19,966) |
| Net income/(loss) (GAAP) | 49,538 | 17,732 | (33,011) | 34,259 |
| Interest expense, net | — | — | 4,631 | 4,631 |
| Income tax expense | — | — | 14,405 | 14,405 |
| Depreciation and amortization expense | 5,606 | 11,071 | 1,077 | 17,754 |
| EBITDA (non-GAAP) | 55,144 | 28,803 | (12,898) | 71,049 |
| Restructuring expenses | 935 | (32) | (4) | 899 |
| Foreign currency revaluation (gains)/losses | 317 | 79 | 345 | 741 |
| Pre-tax (income) attributable to noncontrolling | — | (272) | — | (272) |
| Adjusted EBITDA (non-GAAP) | \$ 56,396 | \$ 28,578 | \$ (12,557) | \$ 72,417 |
| Adjusted EBITDA margin (Adjusted EBITDA divided by Net sales-non-GAAP) | 36.4% | 24.0% | — | 26.4% |

| Six months ended June 30, 2020 | | | | |
|---|-------------------|------------------------------------|------------------------------------|-------------------|
| (in thousands, except percentages) | Machine Clothing | Albany Engineered Composites | Corporate expenses and other | Total Company |
| Operating income/(loss) (GAAP) | \$ 103,718 | \$ 15,922 | \$ (27,319) | \$ 92,321 |
| Interest, taxes, other income/(expense) | — | — | (52,278) | (52,278) |
| Net income/(loss) (GAAP) | 103,718 | 15,922 | (79,597) | 40,043 |
| Interest expense, net | — | — | 7,800 | 7,800 |
| Income tax expense | — | — | 27,818 | 27,818 |
| Depreciation and amortization expense | 10,068 | 23,956 | 2,000 | 36,024 |
| EBITDA (non-GAAP) | 113,786 | 39,878 | (41,979) | 111,685 |
| Restructuring expenses | 1,030 | 2,248 | 201 | 3,479 |
| Foreign currency revaluation (gains)/losses | (2,688) | 727 | 14,850 | 12,889 |
| Former CEO termination costs | — | — | 2,742 | 2,742 |
| Acquisition/integration costs | — | 576 | — | 576 |
| Pre-tax loss attributable to noncontrolling interest | — | 1,434 | — | 1,434 |
| Adjusted EBITDA (non-GAAP) | \$ 112,128 | \$ 44,863 | \$ (24,186) | \$ 132,805 |
| Adjusted EBITDA margin (Adjusted EBITDA divided by Net sales-non-GAAP) | 38.7% | 26.1% | — | 28.8% |

| Six months ended June 30, 2019 | | | | |
|---|------------------|------------------------------------|------------------------------------|---------------|
| (in thousands, except percentages) | Machine Clothing | Albany Engineered Composites | Corporate expenses and other | Total Company |
| Operating income/(loss) (GAAP) | \$ 93,781 | \$ 27,254 | \$ (26,717) | \$ 94,318 |
| Interest, taxes, other income/(expense) | — | — | (30,651) | (30,651) |
| Net income/(loss) (GAAP) | 93,781 | 27,254 | (57,368) | 63,667 |

| | | | | |
|---|-------------------|------------------|--------------------|-------------------|
| Interest expense, net | — | — | 9,048 | 9,048 |
| Income tax expense | — | — | 21,881 | 21,881 |
| Depreciation and amortization expense | 11,525 | 21,973 | 2,212 | 35,710 |
| EBITDA (non-GAAP) | 105,306 | 49,227 | (24,227) | 130,306 |
| Restructuring expenses | 1,336 | 51 | (4) | 1,383 |
| Foreign currency revaluation (gains)/losses | 286 | 314 | (1,691) | (1,091) |
| Pre-tax (income) attributable to noncontrolling interest | — | (561) | — | (561) |
| Adjusted EBITDA (non-GAAP) | \$ 106,928 | \$ 49,031 | \$ (25,922) | \$ 130,037 |
| Adjusted EBITDA margin (Adjusted EBITDA divided by Net sales-non-GAAP) | 35.7% | 21.7% | — | 24.8% |

Per share impact of the adjustments to earnings per share are as follows:

| Three months ended June 30, 2020 (in thousands, except per share amounts) | Pre tax Amounts | Tax Effect | After tax Effect | Per share Effect |
|--|----------------------------------|-----------------------------|-----------------------------------|-----------------------------------|
| Restructuring expenses | \$ 2,837 | \$ 953 | \$ 1,884 | \$ 0.06 |
| Foreign currency revaluation (gains)/losses | 1,023 | 536 | 487 | 0.02 |
| Acquisition/integration costs | 278 | 83 | 195 | 0.01 |

| Three months ended June 30, 2019 (in thousands, except per share amounts) | Pre tax Amounts | Tax Effect | After tax Effect | Per share Effect |
|--|----------------------------------|-----------------------------|-----------------------------------|-----------------------------------|
| Restructuring expenses | \$ 899 | \$ 255 | \$ 644 | \$ 0.02 |
| Foreign currency revaluation (gains)/losses | 741 | 210 | 531 | 0.02 |

| Six months ended June 30, 2020 (in thousands, except per share amounts) | Pre tax Amounts | Tax Effect | After tax Effect | Per share Effect |
|--|----------------------------------|-----------------------------|-----------------------------------|-----------------------------------|
| Restructuring expenses | \$ 3,479 | \$ 1,145 | \$ 2,334 | \$ 0.07 |
| Foreign currency revaluation (gains)/losses(a) | 12,889 | (1,009) | 13,898 | 0.44 |
| Former CEO termination costs | 2,742 | 713 | 2,029 | 0.06 |
| Acquisition/integration costs | 576 | 172 | 404 | 0.02 |

| Six months ended June 30, 2019 (in thousands, except per share amounts) | Pre tax Amounts | Tax Effect | After tax Effect | Per share Effect |
|--|----------------------------------|-----------------------------|-----------------------------------|-----------------------------------|
| Restructuring expenses | \$ 1,383 | \$ 397 | \$ 986 | \$ 0.03 |
| Foreign currency revaluation (gains)/losses | (1,091) | (329) | (762) | (0.02) |

(a) In Q1 2020, the company recorded losses of approximately \$17 million in jurisdictions where it cannot record a tax benefit from the losses, which results in an unusual relationship between the pre-tax and after-tax amounts.

The following table provides a reconciliation of Earnings per share to Adjusted Earnings per share :

| Per share amounts (Basic) | Three months ended June 30, Six months ended June 30, | | | |
|---|--|-------------|-------------|-------------|
| | 2020 | 2019 | 2020 | 2019 |
| Earnings per share (GAAP) | \$ 1.00 | \$ 1.05 | \$ 1.28 | \$ 1.96 |
| Adjustments, after tax: | | | | |
| Restructuring expenses | 0.06 | 0.02 | 0.07 | 0.03 |
| Foreign currency revaluation (gains)/losses | 0.02 | 0.02 | 0.44 | (0.02) |
| Former CEO termination costs | — | — | 0.06 | — |
| Acquisition/integration costs | 0.01 | — | 0.02 | — |
| Adjusted Earnings per share | \$ 1.09 | \$ 1.09 | \$ 1.87 | \$ 1.97 |

The calculations of net debt are as follows:

| (in thousands) | June 30, 2020 | March 31, 2020 | December 31, 2019 |
|---|----------------------|-----------------------|--------------------------|
| Current maturities of long-term debt \$ | 17 \$ | 20 \$ | 20 |
| Long-term debt | 435,000 | 491,002 | 424,009 |
| Total debt | 435,017 | 491,022 | 424,029 |
| Cash and cash equivalents | 204,037 | 222,680 | 195,540 |
| Net debt | \$ 230,980 | \$ 268,342 | \$ 228,489 |

The tables below provide a reconciliation of forecasted full-year 2020 Adjusted EBITDA and Adjusted EPS (non-GAAP measures) to the comparable GAAP measures:

| Forecast of Full Year 2020 Adjusted EBITDA (in millions) | Machine Clothing | | AEC | |
|---|------------------|--------|-------|-------|
| | Low | High | Low | High |
| Net income attributable to the Company (GAAP) | \$ 173 | \$ 180 | \$ 22 | \$ 30 |
| Income attributable to the noncontrolling interest | — | — | (1) | (1) |
| Interest expense, net | — | — | — | — |
| Income tax expense | — | — | — | — |
| Depreciation and amortization | 19 | 22 | 49 | 51 |
| EBITDA (non-GAAP) | 192 | 202 | 70 | 80 |
| Restructuring expenses, net (a) | 1 | 1 | 2 | 2 |
| Foreign currency revaluation (gains)/losses (a) | (3) | (3) | 1 | 1 |
| Acquisition/integration costs (a) | — | — | 1 | 1 |
| Pre-tax (income) attributable to non-controlling interest | — | — | 1 | 1 |
| Adjusted EBITDA (non-GAAP) | \$ 190 | \$ 200 | \$ 75 | \$ 85 |

| Forecast of Full Year 2020 Adjusted EBITDA (in millions) | Total Company | |
|---|---------------|--------|
| | Low | High |
| Net income attributable to the Company (GAAP) | \$ 73 | \$ 81 |
| Income attributable to the noncontrolling interest | (1) | (1) |
| Interest expense, net | 14 | 15 |
| Income tax expense | 43 | 44 |
| Depreciation and amortization | 70 | 75 |
| EBITDA (non-GAAP) | 199 | 214 |
| Restructuring expenses, net (a) | 3 | 3 |
| Foreign currency revaluation (gains)/losses (a) | 13 | 13 |
| Former CEO termination costs | 3 | 3 |
| Acquisition/integration costs (a) | 1 | 1 |
| Pre-tax (income) attributable to non-controlling interest | 1 | 1 |
| Adjusted EBITDA (non-GAAP) | \$ 220 | \$ 235 |

| Forecast of Full Year 2020 Earnings per share (basic) (b) | Total Company | |
|---|---------------|---------|
| | Low | High |
| Net income attributable to the Company (GAAP) | \$ 2.26 | \$ 2.51 |
| Restructuring expenses, net (a) | 0.07 | 0.07 |
| Foreign currency revaluation (gains)/losses (a) | 0.44 | 0.44 |
| Former CEO termination costs | 0.06 | 0.06 |
| Acquisition/integration costs (a) | 0.02 | 0.02 |
| Adjusted Earnings per share (non-GAAP) | \$ 2.85 | \$ 3.10 |

(a) Due to the uncertainty of these items, we are unable to forecast these items for 2020; the amount shown represents the value incurred through the second quarter

(b) Calculations based on shares outstanding estimate of 32.3 million

About Albany International Corp.

Albany International is a global advanced textiles and materials processing company, with two core businesses. The Machine Clothing segment is the world's leading producer of custom-designed fabrics and belts essential to production in the paper, nonwovens, and other process industries. Albany Engineered Composites is a rapidly growing supplier of highly engineered composite parts for the aerospace industry. Albany International is headquartered in Rochester, New Hampshire, operates 23 plants in 11 countries, employs approximately 4,600 people worldwide, and is listed on the New York Stock Exchange (Symbol AIN). Additional information about the Company and its products and services can be found at www.albint.com.

Non-GAAP Measures

This release, including the conference call commentary associated with this release, contains certain non-GAAP measures, including: net sales, and percent change in net sales, excluding the impact of currency translation effects (for each segment and on a consolidated basis); EBITDA and Adjusted EBITDA (for each segment and on a consolidated basis, represented in dollars or as a percentage of net sales); Net debt; and Adjusted earnings per share (or Adjusted EPS). Such items are provided because management believes that they provide additional useful information to investors regarding the Company's operational performance.

Presenting Net sales and increases or decreases in Net sales, after currency effects are excluded, can give management and investors insight into underlying sales trends. Net sales, or percent changes in net sales, excluding currency rate effects, are calculated by converting amounts reported in local currencies into U.S. dollars at the exchange rate of a prior period. These amounts are then compared to the U.S. dollar amount as reported in the current period.

EBITDA, Adjusted EBITDA and Adjusted EPS are performance measures that relate to the Company's continuing operations. EBITDA, or net income with interest, taxes, depreciation, and amortization added back, is a common indicator of financial performance used, among other things, to analyze and compare core profitability between companies and industries because it eliminates effects due to differences in financing, asset bases and taxes. The Company calculates EBITDA by removing the following from Net income: Interest expense, net, Income tax expense, Depreciation and amortization expense. Adjusted EBITDA is calculated by: adding to EBITDA costs associated with restructuring, former CEO termination costs, and inventory write-offs associated with discontinued businesses; adding charges and credits related to pension plan settlements and curtailments; adding (or subtracting) revaluation losses (or gains); subtracting (or adding) gains (or losses) from the sale of buildings or investments; subtracting insurance recovery gains in excess of previously recorded losses; adding acquisition and related retention agreement expenses and subtracting (or adding) Income (or loss) attributable to the non-controlling interest in Albany Safran Composites (ASC). Adjusted EBITDA may also be presented as a percentage of net sales by dividing it by net sales. An understanding of the impact in a particular quarter of specific restructuring costs, former CEO severance costs, acquisition and related retention agreement expenses, currency revaluation, inventory write-offs associated with discontinued businesses, or other gains and losses, on net income (absolute as well as on a per-share basis), operating income or EBITDA can give management and investors additional insight into core financial performance, especially when compared to quarters in which such items had a greater or lesser effect, or no effect. Restructuring expenses in the MC segment, while frequent in recent years, are reflective of significant reductions in manufacturing capacity and associated headcount in response to shifting markets, and not of the profitability of the business going forward as restructured. Adjusted earnings per share (Adjusted EPS) is calculated by adding to (or subtracting from) net income attributable to the Company per share, on an after-tax basis: restructuring charges; former CEO severance costs; charges and credits related to pension plan settlements and curtailments; inventory write-offs associated with discontinued businesses; foreign currency revaluation losses (or gains); acquisition-related expenses; and losses (or gains) from the sale of investments.

EBITDA, Adjusted EBITDA, and Adjusted EPS, as defined by the Company, may not be similar to similarly named measures of other companies. Such measures are not considered measurements under GAAP, and should be considered in addition to, but not as substitutes for, the information contained in the Company's statements of income.

The Company discloses certain income and expense items on a per-share basis. The Company believes that such disclosures provide important insight into underlying quarterly earnings and are financial performance metrics commonly used by investors. The Company calculates the quarterly per-share amount for items included in continuing operations by using an income tax rate based on either the tax rates in specific countries or the estimated tax rate applied to total company results. The after-tax amount is then divided by the weighted-average number of shares outstanding for each period. Year-to-date earnings per-share effects are determined by adding the amounts calculated at each reporting period.

Net debt is, in the opinion of the Company, helpful to investors wishing to understand what the Company's debt position would be if all available cash were applied to pay down indebtedness. The Company calculates Net debt by subtracting Cash and cash equivalents from Total debt. Total debt is calculated by adding Long-term debt, Current maturities of long-term debt, and Notes and loans payable, if any.

Forward-Looking Statements

This press release may contain statements, estimates, guidance or projections that constitute “forward-looking statements” as defined under U.S. federal securities laws. Generally, the words “believe,” “expect,” “intend,” “estimate,” “anticipate,” “project,” “will,” “should,” “look for,” “guidance,” “guide,” and similar expressions identify forward-looking statements, which generally are not historical in nature. Because forward-looking statements are subject to certain risks and uncertainties (including, without limitation, those set forth in the Company’s most recent Annual Report on Form 10-K or Quarterly Report on Form 10-Q), actual results may differ materially from those expressed or implied by such forward-looking statements.

Forward-looking statements in this release or in the webcast include, without limitation, statements about macroeconomic and paper-industry trends and conditions during 2020 and in future years; expectations in 2020 and in future periods of sales, EBITDA, Adjusted EBITDA (both in dollars and as a percentage of net sales), Adjusted EPS, income, gross profit, gross margin, cash flows and other financial items in each of the Company’s businesses, and for the Company as a whole; the timing and impact of production and development programs in the Company’s AEC business segment and the sales growth potential of key AEC programs, as well as AEC as a whole; the amount and timing of capital expenditures, future tax rates and cash paid for taxes, depreciation and amortization; future debt and net debt levels and debt covenant ratios; and changes in currency rates and their impact on future revaluation gains and losses. Furthermore, a change in any one or more of the foregoing factors could have a material effect on the Company’s financial results in any period. Such statements are based on current expectations, and the Company undertakes no obligation to publicly update or revise any forward-looking statements.

Statements expressing management’s assessments of the growth potential of its businesses, or referring to earlier assessments of such potential, are not intended as forecasts of actual future growth, and should not be relied on as such. While management believes such assessments to have a reasonable basis, such assessments are, by their nature, inherently uncertain. This release and earlier releases set forth a number of assumptions regarding these assessments, including historical results, independent forecasts regarding the markets in which these businesses operate, and the timing and magnitude of orders for our customers’ products.

Historical growth rates are no guarantee of future growth, and such independent forecasts and assumptions could prove materially incorrect in some cases.

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