

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): February 10, 2014

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 (518) 445-2200

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))

Item 2.02. Results of Operations and Financial Condition.

On February 10, 2014, Albany International issued a news release reporting fourth-quarter 2013 financial results. A copy of 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 February 10, 2014 reporting fourth-quarter 2013 financial results.

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/ John B. Cozzolino

Name: John B. Cozzolino
Title: Chief Financial Officer and Treasurer
(Principal Financial Officer)

Date: February 10, 2014

EXHIBIT INDEX

| <u>Exhibit No.</u> | <u>Description</u> |
|---------------------------|---|
| 99.1 | News release dated February 10, 2014 reporting fourth-quarter 2013 financial results. |

Albany International Reports Fourth-Quarter Results

Fourth-Quarter Financial Highlights

- Net sales were \$189.6 million, a decrease of 2.4 percent compared to Q4 2012.
- Adjusted EBITDA for Q4 2013 was \$33.6 million, compared to \$37.8 million in Q4 2012 (see Tables 5 and 6).
- In the fourth quarter, Safran S.A. obtained a 10 percent noncontrolling equity interest in Albany Safran Composites, LLC (ASC) for \$28 million.
- Q4 2013 income attributable to the Company (which excludes income allocated to the noncontrolling interest in ASC) was \$0.27 per share. These results were increased by a credit to restructuring of \$0.03 and net favorable income tax adjustments of \$0.02, and were reduced by foreign currency revaluation losses of \$0.03 (see Table 7).
- Q4 2012 income attributable to the Company was \$0.26 per share. These results included restructuring charges of \$0.02, foreign currency revaluation losses of \$0.08, and net unfavorable income tax adjustments of \$0.01 (see Table 8).
- Net debt at the end of Q4 was \$81.8 million, a decline of \$13.1 million for the quarter and \$47.2 million for the full year (see Table 9).

ROCHESTER, N.H.--(BUSINESS WIRE)--February 10, 2014--Albany International Corp. (NYSE:AIN), a global advanced textiles and materials processing company with core businesses in machine clothing and engineered composites, reported Q4 2013 income attributable to the Company of \$8.7 million. These results were increased by a net reduction in restructuring costs of \$2.1 million and income tax adjustments of \$0.6 million, and were decreased by foreign currency revaluation losses of \$1.6 million.

Q4 2012 income attributable to the Company was \$8.2 million. These results included restructuring charges of \$0.9 million, foreign currency revaluation losses of \$4.0 million, and net unfavorable income tax adjustments of \$0.1 million.

Table 1 summarizes net sales and the effect of changes in currency translation rates:

Table 1

| (in thousands) | Net Sales Three Months ended December 31, | | Percent Change | Impact of Changes in Currency Translation Rates | Percent Change excluding Currency Rate Effect |
|-----------------------------|---|-----------|-------------------|---|---|
| | 2013 | 2012 | | | |
| Machine Clothing (MC) | \$166,938 | \$174,295 | -4.2% | \$478 | -4.5% |
| Engineered Composites (AEC) | 22,701 | 20,040 | 13.3% | - | 13.3% |
| Total | \$189,639 | \$194,335 | -2.4% | \$478 | -2.7% |

Q4 2013 gross profit was \$72.4 million, or 38.2 percent of net sales, compared to \$79.0 million, or 40.6 percent of net sales, in the same period of 2012. MC gross profit margin decreased from 45.0 percent in 2012 to 41.7 percent in 2013. The decrease in MC gross profit percentage was principally attributable to lower sales in North America.

Selling, technical, general, and research (STG&R) expenses were \$54.6 million, or 28.8 percent of net sales, in the fourth quarter of 2013, including losses of \$0.2 million related to the revaluation of nonfunctional-currency assets and liabilities. In Q4 2012, STG&R expenses were \$58.4 million, or 30.0 percent of net sales, including losses of \$1.2 million related to the revaluation of nonfunctional-currency assets and liabilities.

The following table summarizes fourth-quarter operating income:

Table 2

| (in thousands) | Operating Income/(loss) Three Months ended December 31, | |
|-----------------------|---|----------|
| | 2013 | 2012 |
| Machine Clothing | \$39,895 | \$43,112 |
| Engineered Composites | 1,486 | (187) |
| Research expenses | (8,138) | (7,564) |
| Unallocated expenses | (13,412) | (15,696) |
| Total | \$19,831 | \$19,665 |

Operating results were affected by restructuring and currency revaluation as described below:

Table 3

| (in thousands) | Expenses/(gain) in Q4 2013 resulting from | | Expenses/(gain) in Q4 2012 resulting from | |
|-----------------------|--|-------------|--|-------------|
| | Restructuring | Revaluation | Restructuring | Revaluation |
| Machine Clothing | (\$2,105) | \$163 | \$1,071 | \$1,187 |
| Engineered Composites | - | 41 | - | (2) |
| Unallocated expenses | - | - | (\$159) | 1 |
| Total | (\$2,105) | \$204 | \$912 | \$1,186 |

The Company reported a net reduction in restructuring costs for Q4 2013, principally due to a pension curtailment gain associated with the Company's Machine Clothing production facilities in France.

Q4 2013 Other expense, net, was \$1.6 million, including losses related to the revaluation of nonfunctional-currency balances of \$1.3 million. Q4 2012 Other expense, net, was \$2.6 million, including losses of \$2.8 million related to the revaluation of nonfunctional-currency balances.

The following table summarizes currency revaluation effects on certain financial metrics:

Table 4

| (in thousands) | 2013 | Income/(loss) attributable to currency revaluation Three Months ended December 31, | 2012 |
|-----------------------------|------|---|-----------|
| Operating income | | (\$204) | (\$1,186) |
| Other income/(expense), net | | (1,348) | (2,829) |
| Total | | (\$1,552) | (\$4,015) |

The Company's income tax rate, excluding tax adjustments, was 48.8 percent for Q4 2013, compared to 38.5 percent for the same period of 2012. The increase in the tax rate was primarily attributable to changes in the amount and distribution of income and loss among the countries in which the Company operates, including losses in Europe driven by significant restructuring charges during 2013. Q4 2013 income tax expense included a charge of \$1.2 million for a change in the income tax rate, and a net benefit of \$1.8 million for discrete tax adjustments. Q4 2012 income tax expense included an unfavorable adjustment of \$1.2 million related to a change in the tax rate, and net favorable discrete income tax adjustments of \$1.1 million.

The following tables summarize Adjusted EBITDA:

Table 5

Three Months ended December 31, 2013

| (in thousands) | Machine Clothing | Engineered Composites | Research and Unallocated | Total Company |
|---|---------------------|--------------------------|--------------------------------|------------------|
| Net income | \$39,895 | \$1,486 | (\$32,553) | \$8,828 |
| Income from discontinued operations | - | - | (305) | (305) |
| Interest expense, net | - | - | 2,703 | 2,703 |
| Income tax expense | - | - | 6,986 | 6,986 |
| Depreciation and amortization | 11,114 | 2,055 | 2,868 | 16,037 |
| EBITDA | 51,009 | 3,541 | (20,301) | 34,249 |
| Restructuring and other, net | (2,105) | - | - | (2,105) |
| Foreign currency revaluation losses | 163 | 41 | 1,348 | 1,552 |
| Income attributable to noncontrolling interest in ASC | - | (141) | - | (141) |
| Adjusted EBITDA | \$49,067 | \$3,441 | (\$18,953) | \$33,555 |

Table 6

Three Months ended December 31, 2012

| (in thousands) | Machine Clothing | Engineered Composites | Research and Unallocated | Total Company |
|---|---------------------|--------------------------|--------------------------------|------------------|
| Net income | \$43,112 | (\$187) | (\$34,707) | \$8,218 |
| Income from discontinued operations | - | - | (238) | (238) |
| Interest expense, net | - | - | 3,991 | 3,991 |
| Income tax expense | - | - | 5,127 | 5,127 |
| Depreciation and amortization | 11,576 | 1,595 | 2,564 | 15,735 |
| EBITDA | 54,688 | 1,408 | (23,263) | 32,833 |
| Restructuring and other, net | 1,071 | - | (159) | 912 |
| Foreign currency revaluation losses/(gains) | 1,187 | (2) | 2,830 | 4,015 |
| Adjusted EBITDA | \$56,946 | \$1,406 | (\$20,592) | \$37,760 |

Capital spending for equipment and software was \$16.9 million for Q4 2013, resulting in a full-year total of \$64.5 million, including \$36.9 million for the Engineered Composites segment and its expansion associated with the LEAP program. Depreciation and amortization was \$16.0 million for Q4 2013.

CEO Comments

President and CEO Joe Morone said, "Due primarily to softer-than-expected market conditions in North America, the anticipated Q4 rebound in Machine Clothing failed to materialize. As expected, sales held firm in Europe and Asia, continuing the trend of the past several quarters. But in North America—our largest and most profitable market—they weakened sharply, which in turn, dragged down gross margins. While full-year performance in North America was excellent, in Q4 sales were 7.5 percent lower than in Q3, and more than 10 percent lower than in Q4 2012. November was especially soft, as certain producers in the containerboard market, our largest market segment, took substantial downtime in order to reduce their inventories. We had been expecting some decline due to seasonal end-of-the-year inventory reductions. But we had not anticipated the magnitude of the slowdown in the containerboard market, where in some cases, customers pulled forward downtime that had been scheduled for 2014.

“Nonetheless, we continue to expect a strong first half for MC in 2014. This view is bolstered by strong MC orders in Q4, improvement in North American containerboard production in December, and strong North American MC shipments in January. In particular, we expect first-half sales in North America to be much stronger than Q4 levels, and to be steady or somewhat higher in both Asia and Europe. More generally, we view the macro-economy, rather than structural or competitive factors, as the most important driver of our MC performance in 2014.

“AEC had another strong quarter in Q4. Sales grew by more than 10 percent compared to a year ago, Adjusted EBITDA more than doubled, performance on the LEAP program was once again strong, and the development pipeline continued to expand. While there were no major milestones scheduled in Q4, we continued to make steady progress toward the LEAP ramp. The biggest change in AEC over the past several months has been the growth in the array of potential airframe applications. A year ago, we were working on one airframe opportunity: a ceramic matrix composite (CMC) exhaust nozzle for Boeing. We continue to work on this CMC application, but at the same time we are now actively engaged with our customers in exploring a broad portfolio of additional potential airframe applications, including components for commercial aircraft wing, empennage, fuselage, and nacelle substructures, as well as components for Department of Defense rotorcraft and unmanned aerial vehicles. The revenue potential of these airframe applications ranges from small (less than \$5 million per year) to large (tens of millions of dollars per year), with potential for initial production revenue ranging from two years from now to a decade or more from now. We expect several of these explorations to lead to jointly funded R&D projects this year. To be clear, most of these potential applications are still in the early stages of development. But given the rapid expansion of this airframe pipeline, along with the work we are doing with Safran on potential enhancements to LEAP, we continue to hold to our objective of \$300 to \$500 million of revenue by 2020.

“As for the 2014 outlook for AEC, we expect full-year sales to grow by roughly 10 percent, while full-year Adjusted EBITDA has the potential to nearly double. The most important performance milestone for the business will be on-time delivery of parts for LEAP engine tests.

“In sum, MC Q4 performance was held back by what we view as a temporary softening of the North American containerboard market, while in AEC, performance was strong on all fronts. Our outlook for the first half of 2014 remains unchanged. Assuming a gradually improving macroeconomic environment, we expect a strong rebound in MC and continued strong performance in AEC.”

CFO Comments

CFO and Treasurer John Cozzolino commented, “Net debt declined another \$13 million in the quarter, and was \$82 million at year-end (see Table 9). The Company’s leverage ratio, as defined in our primary debt agreements, finished the year at 1.78. In October 2013, the Company utilized funds borrowed from its bank credit facility to repay \$50 million of its 6.84% senior notes with Prudential, effectively reducing our annual interest costs on that portion of our debt by over five percentage points at current market rates. At the end of the year, \$100 million of notes were still outstanding, with \$50 million due to be repaid in October 2015 and the remaining \$50 million due in October 2017.

“At the end of Q4, \$130 million was available on our \$330 million bank credit facility. Cash balances, predominately held outside of the U.S., totaled about \$223 million at the end of Q4. During Q4, the Company repatriated to the U.S. approximately \$12 million of cash held outside the country, bringing the full-year total repatriations amount to about \$35 million.

“Cash flow during the quarter was bolstered by the completion of two transactions. First, as previously disclosed, the Company received \$28 million from a subsidiary of Safran S.A. in exchange for a 10 percent equity interest in ASC. The funds were received directly by ASC and are currently being held as cash, to be used for future cash flow requirements. Second, the Company received \$3.8 million, representing the remaining proceeds from the 2012 sale of our PrimaLoft[®] business.

“Offsetting the cash received from those transactions were significant cash outlays for capital expenditures and restructuring expenses. During Q4, capital spending was almost \$17 million, bringing the full-year total to about \$64 million. Approximately \$37 million of that total spending for the year was related to AEC. Primarily due to a year-end carryover of about \$52 million due on previously approved projects, capital spending in 2014 is expected to be about \$65 million to \$75 million.

“Cash outlays for restructuring were about \$16 million in Q4, mostly related to restructuring activities in France. At the end of the year, the Company had a restructuring accrual of about \$10 million, with over \$8 million of that accrual related to France. Cash payments related to the accrual, as well as any other restructuring costs related to France, are expected to occur during 2014.

“The Company’s income tax rate, exclusive of tax adjustments, was 49 percent for the full-year 2013, compared to 38.5 percent for the same period in 2012. The increase in the 2013 rate is primarily due to the adverse impact of restructuring activities. The tax rate for the year is higher than our previous estimate of 41 percent due to a larger-than-expected Q4 change in the mix of pre-tax income among the jurisdictions in which we operate. Including payments related to tax audit activities, cash paid for income taxes in 2013 was about \$29 million.”

The Company plans a webcast to discuss fourth-quarter 2013 financial results on Tuesday, February 11, 2014, at 9:00 a.m. Eastern Time. For access, go to www.albint.com.

About Albany International Corp.

Albany International is a global advanced textiles and materials processing company, with two core businesses. Machine Clothing 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 19 plants in 11 countries, employs 4,100 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.

This release contains certain items, such as earnings before interest, taxes, depreciation and amortization (EBITDA), Adjusted EBITDA, sales excluding currency effects, income tax rate exclusive of income tax adjustments, net debt, and certain income and expense items on a per share basis that could be considered non-GAAP financial measures. Such items are provided because management believes that, when presented together with the GAAP items to which they relate, they provide additional useful information to investors regarding the Company's operational performance. Presenting increases or decreases in sales, after currency effects are excluded, can give management and investors insight into underlying sales trends. An understanding of the impact in a particular quarter of specific restructuring costs, or other gains and losses, on operating income or EBITDA can give management and investors additional insight into quarterly performance, especially when compared to quarters in which such items had a greater or lesser effect, or no effect. All non-GAAP financial measures in this release relate to the Company's continuing operations.

The effect of changes in currency translation rates is calculated by converting amounts reported in local currencies into U.S. dollars at the exchange rate of a prior period. That amount is then compared to the U.S. dollar amount reported in the current period. The Company calculates Income tax adjustments by adding discrete tax items to the effect of a change in tax rate for the reporting period. The Company calculates its Income tax rate, exclusive of Income tax adjustments, by removing Income tax adjustments from total Income tax expense, then dividing that result by Income before tax. The Company calculates EBITDA by removing the following from Net income: Interest expense net, Income taxes, Depreciation and Amortization, and Income or loss from Discontinued Operations. Adjusted EBITDA is calculated by adding to EBITDA, costs associated with restructuring and pension settlement charges, adding or subtracting revaluation losses or gains, subtracting building sale gains, and subtracting Income attributable to the noncontrolling interest in ASC. The Company believes that EBITDA and Adjusted EBITDA provide useful information to investors because they provide an indication of the strength and performance of the Company's ongoing business operations, including its ability to fund discretionary spending such as capital expenditures and strategic investments, as well as its ability to incur and service debt. While depreciation and amortization are operating costs under GAAP, they are non-cash expenses equal to current period allocation of costs associated with capital and other long-lived investments made in prior periods. While restructuring expenses, foreign currency revaluation losses or gains, pension settlement charges, and building sale gains have an impact on the Company's net income, removing them from EBITDA can provide, in the opinion of the Company, a better measure of operating performance. EBITDA is also a calculation commonly used by investors and analysts to evaluate and compare the periodic and future operating performance and value of companies. EBITDA, as defined by the Company, may not be similar to EBITDA measures of other companies. Such EBITDA measures may not be 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 per share amount for items included in continuing operations by using the effective tax rate utilized for the most recent reporting period, the full-year tax rate for the comparable period of the prior year, and the weighted average number of shares outstanding for each period.

Table 7
Quarter ended December 31, 2013
(in thousands, except per share amounts)

| | Pre-tax amounts | Tax Effect | After-tax Effect | Shares Outstanding | Per Share Effect |
|---|-----------------|------------|------------------|--------------------|------------------|
| Restructuring and other, net credit | \$2,105 | \$1,027 | \$1,078 | 31,748 | \$0.03 |
| Foreign currency revaluation losses | 1,552 | 757 | 795 | 31,748 | 0.03 |
| Unfavorable effect of change in income tax rate | - | 1,222 | 1,222 | 31,748 | 0.04 |
| Net discrete income tax benefit | - | 1,804 | 1,804 | 31,748 | 0.06 |

Table 8
Quarter ended December 31, 2012
(in thousands, except per share amounts)

| | Pre-tax amounts | Tax Effect | After-tax Effect | Shares Outstanding | Per Share Effect |
|---|-----------------|------------|------------------|--------------------|------------------|
| Restructuring and other, net | \$912 | \$351 | \$561 | 31,402 | \$0.02 |
| Foreign currency revaluation losses | 4,015 | 1,546 | 2,469 | 31,402 | 0.08 |
| Unfavorable effect of change in income tax rate | - | 1,178 | 1,178 | 31,402 | 0.04 |
| Net discrete income tax benefit | - | 1,098 | 1,098 | 31,402 | 0.03 |

The following table contains the calculation of net debt:

| Table 9 (in thousands) | December 31, 2013 | September 30, 2013 | December 31, 2012 |
|--------------------------------------|----------------------|-----------------------|----------------------|
| Notes and loans payable | \$625 | \$565 | \$586 |
| Current maturities of long-term debt | 3,764 | 55,014 | 83,276 |
| Long-term debt | 300,111 | 252,115 | 235,877 |
| Total debt | 304,500 | 307,694 | 319,739 |
| Cash | 222,666 | 212,809 | 190,718 |
| Net debt | \$81,834 | \$94,885 | \$129,021 |

The following tables summarize full-year Adjusted EBITDA:

Year ended December 31, 2013

| (in thousands) | Machine Clothing | Engineered Composites | Research and Unallocated | Total Company |
|---|---------------------|--------------------------|--------------------------------|------------------|
| Net income | \$136,698 | (\$2,974) | (\$116,066) | \$17,658 |
| Loss from discontinued operations | - | - | 46 | 46 |
| Interest expense, net | - | - | 13,759 | 13,759 |
| Income tax expense | - | - | 13,372 | 13,372 |
| Depreciation and amortization | 45,237 | 7,640 | 10,912 | 63,789 |
| EBITDA | 181,935 | 4,666 | (77,977) | 108,624 |
| Restructuring and other, net | 24,568 | 540 | - | 25,108 |
| Foreign currency revaluation losses | 295 | 41 | 5,231 | 5,567 |
| Gain on sale of former manufacturing facility | - | - | (3,763) | (3,763) |
| Income attributable to noncontrolling interest in ASC | - | (141) | - | (141) |
| Adjusted EBITDA | \$206,798 | \$5,106 | (\$76,509) | \$135,395 |

Table 11

Year ended December 31, 2012

| (in thousands) | Machine Clothing | Engineered Composites | Research and Unallocated | Total Company |
|-------------------------------------|---------------------|--------------------------|--------------------------------|------------------|
| Net income | \$163,873 | (\$840) | (\$132,056) | \$30,977 |
| Income from discontinued operations | - | - | (71,820) | (71,820) |
| Interest expense, net | - | - | 16,601 | 16,601 |
| Income tax expense/(benefit) | - | - | (27,523) | (27,523) |
| Depreciation and amortization | 46,843 | 5,920 | 10,304 | 63,067 |
| EBITDA | 210,716 | 5,080 | (204,494) | 11,302 |
| Restructuring and other, net | 7,386 | - | (325) | 7,061 |
| Foreign currency revaluation losses | 1,633 | 2 | 5,715 | 7,350 |
| Pension plan settlement charges | - | - | 119,735 | 119,735 |
| Adjusted EBITDA | \$219,735 | \$5,082 | (\$79,369) | \$145,448 |

This press release may contain statements, estimates, 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” and similar expressions identify forward-looking statements, which generally are not historical in nature. 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) that could cause actual results to differ materially from the Company’s historical experience and our present expectations or projections.

Forward-looking statements in this release or in the webcast include, without limitation, statements about economic and paper industry trends and conditions during 2014 and in future years; sales, EBITDA, Adjusted EBITDA and operating income expectations in 2014 and in future periods 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 AEC sales growth potential; the amount and timing of capital expenditures, future tax rates and cash paid for taxes, depreciation and amortization; the amount and timing of charges related to announced restructuring activities; future debt levels and debt covenant ratios; and 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.

ALBANY INTERNATIONAL CORP.
CONSOLIDATED STATEMENTS OF INCOME
(in thousands, except per share data)
(unaudited)

| Three Months Ended December 31, | | | Year Ended December 31, | |
|---|-----------|---|----------------------------|-----------|
| 2013 | 2012 | | 2013 | 2012 |
| \$189,639 | \$194,335 | Net sales | \$757,414 | \$760,941 |
| 117,288 | 115,376 | Cost of goods sold | 466,860 | 455,545 |
| 72,351 | 78,959 | Gross profit | 290,554 | 305,396 |
| 39,998 | 44,439 | Selling, general, and administrative expenses | 157,688 | 169,774 |
| 14,627 | 13,943 | Technical, product engineering, and research expenses | 55,667 | 52,962 |
| (2,105) | 912 | Restructuring and other, net | 25,108 | 7,061 |
| - | - | Pension settlement expense | - | 119,735 |
| 19,831 | 19,665 | Operating income/(loss) | 52,091 | (44,136) |
| 2,703 | 3,991 | Interest expense, net | 13,759 | 16,601 |
| 1,619 | 2,567 | Other expense/(income), net | 7,256 | 7,629 |
| 15,509 | 13,107 | Income/(loss) before income taxes | 31,076 | (68,366) |
| 6,986 | 5,127 | Income tax expense/(benefit) | 13,372 | (27,523) |
| 8,523 | 7,980 | Income/(loss) from continuing operations | 17,704 | (40,843) |
| 500 | - | (Loss)/income from operations of discontinued business | (75) | 4,776 |
| - | (80) | Gain/(loss) on sale of discontinued business | - | 92,296 |
| 195 | (318) | Income tax (benefit)/expense on discontinued operations | (29) | 25,252 |
| 305 | 238 | (Loss)/income from discontinued operations | (46) | 71,820 |
| 8,828 | 8,218 | Net income | 17,658 | 30,977 |
| 141 | - | Net income attributable to the noncontrolling interest | 141 | - |
| \$8,687 | \$8,218 | Net income attributable to the Company | \$17,517 | \$30,977 |
| | | | | |
| Earnings per share attributable to Company shareholders - Basic | | | | |
| \$0.26 | \$0.25 | Income/(loss) from continuing operations | \$0.55 | (\$1.30) |
| 0.01 | 0.01 | Discontinued operations | 0.00 | 2.29 |
| \$0.27 | \$0.26 | Net income attributable to the Company | \$0.55 | \$0.99 |
| | | | | |
| Earnings per share attributable to Company shareholders - Diluted | | | | |
| \$0.26 | \$0.25 | Income/(loss) from continuing operations | \$0.55 | (\$1.30) |
| 0.01 | 0.01 | Discontinued operations | 0.00 | 2.27 |
| \$0.27 | \$0.26 | Net income attributable to the Company | \$0.55 | \$0.97 |
| | | | | |
| Shares of the Company used in computing earnings per share: | | | | |
| 31,748 | 31,402 | Basic | 31,649 | 31,356 |
| 32,020 | 31,681 | Diluted | 31,934 | 31,636 |
| \$0.15 | \$0.14 | Dividends per share | \$0.59 | \$0.55 |

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

| | December 31, 2013 | December 31, 2012 |
|---|---------------------------|---------------------------|
| ASSETS | | |
| Cash and cash equivalents | \$222,666 | \$190,718 |
| Accounts receivable, net | 163,547 | 171,535 |
| Inventories | 112,739 | 119,183 |
| Income taxes receivable and deferred | 13,873 | 20,594 |
| Prepaid expenses and other current assets | 9,659 | 10,435 |
| Total current assets | <u>522,484</u> | <u>512,465</u> |
| Property, plant and equipment, net | 418,830 | 420,154 |
| Intangibles | 616 | 848 |
| Goodwill | 78,890 | 76,522 |
| Deferred taxes | 119,612 | 123,886 |
| Other assets | 26,456 | 22,822 |
| Total assets | <u><u>\$1,166,888</u></u> | <u><u>\$1,156,697</u></u> |
| LIABILITIES AND SHAREHOLDERS' EQUITY | | |
| Notes and loans payable | \$625 | \$586 |
| Accounts payable | 36,397 | 35,117 |
| Accrued liabilities | 112,331 | 103,257 |
| Current maturities of long-term debt | 3,764 | 83,276 |
| Income taxes payable and deferred | 5,391 | 13,552 |
| Total current liabilities | <u>158,508</u> | <u>235,788</u> |
| Long-term debt | 300,111 | 235,877 |
| Other noncurrent liabilities | 106,014 | 136,012 |
| Deferred taxes and other credits | 54,476 | 55,509 |
| Total liabilities | <u>619,109</u> | <u>663,186</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; issued 36,996,227 in 2013 and 36,642,204 in 2012 | 37 | 37 |
| Class B Common Stock, par value \$.001 per share; authorized 25,000,000 shares; issued and outstanding 3,236,098 in 2013 and 2012 | 3 | 3 |
| Additional paid in capital | 416,728 | 395,381 |
| Retained earnings | 434,598 | 435,775 |
| Accumulated items of other comprehensive income: | | |
| Translation adjustments | (138) | (7,659) |
| Pension and postretirement liability adjustments | (48,383) | (69,484) |
| Derivative valuation adjustment | (977) | (2,878) |
| Treasury stock (Class A), at cost 8,463,635 shares in 2013 and 8,467,873 in 2012 | (257,571) | (257,664) |
| Total Company shareholders' equity | <u>544,297</u> | <u>493,511</u> |
| Noncontrolling interest | 3,482 | - |
| Total equity | <u>547,779</u> | <u>493,511</u> |
| Total liabilities and shareholders' equity | <u><u>\$1,166,888</u></u> | <u><u>\$1,156,697</u></u> |

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

| Three Months Ended December 31, | | | Year Ended December 31, | |
|---|-----------|---|----------------------------|-----------|
| 2013 | 2012 | | 2013 | 2012 |
| OPERATING ACTIVITIES | | | | |
| \$8,828 | \$8,218 | Net income | \$17,658 | \$30,977 |
| Adjustments to reconcile net income to net cash provided by / (used in) operating activities: | | | | |
| 14,314 | 14,131 | Depreciation | 57,182 | 56,769 |
| 1,723 | 1,604 | Amortization | 6,607 | 6,466 |
| - | 203 | Noncash interest expense | - | 1,027 |
| (7,987) | 2,719 | Change in long-term liabilities, deferred taxes and other credits | (12,261) | (123,887) |
| - | - | Write-off of pension liability adjustment due to settlement | - | 118,350 |
| 290 | 227 | Provision for write-off of property, plant and equipment | 619 | 427 |
| - | (81) | Loss/(gain) on disposition of assets | (3,763) | (92,457) |
| (190) | (3) | Excess tax benefit of options exercised | (1,134) | (40) |
| 121 | 995 | Compensation and benefits paid or payable in Class A Common Stock | (766) | 2,790 |
| Changes in operating assets and liabilities, net of business divestitures: | | | | |
| (8,399) | 1,880 | Accounts receivable | (8,878) | (4,990) |
| 5,979 | 3,189 | Inventories | 5,739 | 11,565 |
| 2,251 | 843 | Prepaid expenses and other current assets | 545 | 592 |
| 5,422 | (760) | Income taxes prepaid and receivable | 5,731 | 9,472 |
| (2,969) | 7,539 | Accounts payable | 955 | 3,298 |
| (20,377) | (5,455) | Accrued liabilities | 4,628 | 7,616 |
| 1,630 | 8,070 | Income taxes payable | (7,348) | 7,308 |
| (1,059) | 1,466 | Other, net | (2,883) | (776) |
| (423) | 44,785 | Net cash provided by/(used in) operating activities | 62,631 | 34,507 |
| INVESTING ACTIVITIES | | | | |
| (15,658) | (11,809) | Purchases of property, plant and equipment | (61,844) | (37,046) |
| (1,237) | (7) | Purchased software | (2,613) | (161) |
| - | - | Proceeds from sale of assets | 6,268 | - |
| 3,797 | - | Proceeds from sale of discontinued operations, net of expenses | 16,797 | 150,654 |
| (13,098) | (11,816) | Net cash (used in)/provided by investing activities | (41,392) | 113,447 |
| FINANCING ACTIVITIES | | | | |
| 60,276 | 864 | Proceeds from borrowings | 117,452 | 46,028 |
| (63,470) | (3,774) | Principal payments on debt | (132,691) | (102,128) |
| 28,000 | - | Cash received from the sale of noncontrolling interest | 28,000 | - |
| 909 | 232 | Proceeds from options exercised | 5,538 | 1,311 |
| 190 | 3 | Excess tax benefit of options exercised | 1,134 | 40 |
| - | - | Debt acquisition costs | (1,639) | - |
| (4,759) | (8,787) | Dividends paid | (13,929) | (21,315) |
| 21,146 | (11,462) | Net cash (used in)/provided by financing activities | 3,865 | (76,064) |
| 2,232 | (4,728) | Effect of exchange rate changes on cash and cash equivalents | 6,844 | (81) |
| 9,857 | 16,779 | Increase/(decrease) in cash and cash equivalents | 31,948 | 71,809 |
| 212,809 | \$173,939 | Cash and cash equivalents at beginning of period | 190,718 | 118,909 |
| \$222,666 | \$190,718 | Cash and cash equivalents at end of period | \$222,666 | \$190,718 |

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