

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) October 22, 2004

ALBANY INTERNATIONAL CORP.

-----  
(Exact name of registrant as specified in its charter)

Delaware

0-16214

14-0462060

-----  
(State or other jurisdiction  
of incorporation)

(Commission  
File Number)

(I.R.S. Employer  
Identification No.)

1373 Broadway, Albany, New York

12204

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(Address of principal executive offices)

(Zip Code)

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

None

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(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 240.13a-4(c))

Item 2.02. Results of Operations and Financial Condition.

On October 21, 2004, Albany International issued a news release announcing its financial results for the fiscal quarter ended September 30, 2004. A copy of the news release is furnished as Exhibit 99.1 to this report.

Item 9.01. Financial Statements and Exhibits.

(a) Not applicable

(b) Not applicable

(c) Exhibits. The following exhibit is being furnished herewith:

99.1 News release, dated October 21, 2004 announcing results for the third quarter of fiscal 2004.

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/ Michael C. Nahl

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Name: Michael C. Nahl  
Title: Senior Vice President and  
Chief Financial Officer

Date: October 21, 2004

EXHIBIT INDEX

Exhibit No. -----	Description -----
99.1	Registrant's news release dated October 21, 2004 announcing results for the third quarter of fiscal 2004.

## Albany International Reports Third-Quarter Financial Results

## Third-Quarter Highlights

- \* Net income per share was \$0.33, compared to net income per share of \$0.20 for the same period last year. Restructuring-related expenses reduced net income per share by \$0.09 during the quarter and by \$0.30 during the same period in 2003.
- \* Net sales were \$222.8 million, an increase of 4.4 percent compared to the same period last year and an increase of 0.6 percent excluding the effect of changes in currency translation rates.
- \* Operating income was \$21.5 million in the quarter, compared to \$11.3 million during the same period in 2003. Restructuring charges reduced operating income by \$2.6 million during the quarter and \$14.3 million during the same period in 2003.
- \* Net cash provided by operating activities during the quarter was \$24.9 million, after \$8.8 million of severance payments and a \$20 million contribution to the United States pension plan.
- \* The Company purchased 1,489,943 shares of its Class A Common Stock during the quarter, representing approximately 4.5 percent of the outstanding shares at the time of purchase.

ALBANY, N.Y., Oct. 21 /PRNewswire-FirstCall/ -- Albany International Corp. (NYSE/PCX/FWB: AIN) reported third-quarter net income of \$0.33 per share, compared to net income of \$0.20 per share for the same period last year. Restructuring-related expenses reduced net income by \$0.09 per share during the quarter and by \$0.30 during the same period in 2003.

The \$0.09 per share earnings reduction includes \$0.06 per share for restructuring expenses and \$0.03 per share for tax valuation allowances related to tax loss carry-forwards generated by restructuring activities.

Net sales increased \$9.5 million, or 4.4 percent, compared to the same period last year. Excluding the effect of changes in currency translation rates, net sales increased 0.6 percent.

As noted in the second-quarter earnings announcement, the Company changed its policy of recording outbound freight cost. In financial reports prior to the second quarter of 2004, the Company reported these costs as a deduction in the computation of net sales. The Company has revised its policy to include such freight costs in "cost of goods sold." The amounts included in this release, including prior-period data, reflect this change.

Following is a table of net sales by segment and the effect of changes in currency translation rates:

(in thousands)	Net sales		Increase in third-quarter 2004 net sales due to changes in currency translation rates	Percent Change	
	as reported Three months ended Sept 30, 2004	2003		As Reported	Excluding Currency Rate Effect
Engineered					
Fabrics	\$180,067	\$176,909	\$6,052	1.8%	-1.6%
Albany Door					
Systems	26,077	23,486	1,738	11.0%	3.6%
Applied					
Technologies	16,704	12,997	419	28.5%	25.3%
Total	\$222,848	\$213,392	\$8,209	4.4%	0.6%

Gross profit was 39.2 percent of net sales in the third quarter of 2004, compared to 40.4 percent in the third quarter of 2003. The decrease in gross profit as a percentage of net sales is due principally to lower Engineered Fabrics net sales excluding the effect of changes in currency translation rates, costs associated with plant-shutdown activities, and higher medical costs. The reclassification of freight costs reduced gross profit as a percentage of sales by 0.9 percent in the third quarter of both 2004 and 2003.

Selling, technical, general, and research expenses increased 4.0 percent compared to the same period last year, but increased only 0.2 percent excluding the effect of changes in currency translation rates.

Third-quarter operating income was \$21.5 million in 2004, compared to \$11.3 million in 2003. Third-quarter operating income was reduced by restructuring charges of \$2.6 million in 2004 and \$14.3 million in 2003.

Results for the third quarter of 2004 include a charge of \$1.1 million (\$0.03 per share), representing the effect of a tax valuation allowance related to tax-loss carry-forwards generated by restructuring activities. The

Company expects its effective income tax rate for the remainder of 2004 to be approximately 30 percent before special items.

Year-to-date net sales were 3.8 percent higher than last year. Excluding the effect of changes in currency translation rates, net sales were down 1.3 percent. Following is a table of year-to-date net sales by segment and the effect of changes in currency translation rates:

(in thousands)	Net sales as reported		Increase in 2004 net sales due to changes in currency translation rates	Percent Change	
	Nine months ended Sept 30, 2004	2003		As Reported	Excluding Currency Rate Effect
Engineered Fabrics	\$551,226	\$547,787	\$24,607	0.6%	-3.9%
Albany Door Systems	79,571	70,686	6,098	12.6%	3.9%
Applied Technologies	50,566	38,136	2,660	32.6 %	25.6%
Total	\$681,363	\$656,609	\$33,365	3.8%	- 1.3%

For the first nine months of 2004, gross profit as a percentage of net sales was 39.2 percent, compared to 41.2 percent for the first nine months of last year. The decrease is due principally to lower Engineered Fabrics net sales excluding the effect of changes in currency translation rates, costs associated with plant-shutdown activities, and higher medical costs. The reclassification of freight costs reduced gross profit as a percentage of sales by 0.9 percent for the first nine months of both 2004 and 2003.

#### Liquidity and Capital Resources

Net cash provided by operating activities was \$24.9 million during the third quarter of 2004, compared to \$27.8 million for the same period of 2003. Severance payments related to restructuring activities were \$8.8 million in the third quarter of 2004 and are expected to be approximately \$15.0 million in the fourth quarter. The Company does not expect any significant payments for restructuring in 2005. In the third quarter of 2004 and in the third quarter of 2003, the Company made a \$20 million contribution to its United States pension plan.

During the third quarter of 2004, inventories decreased \$3.6 million and accounts receivable decreased \$8.0 million, excluding the effect of changes in currency translation rates.

Capital spending during the quarter was \$14.9 million and is expected to be approximately \$17 million in the fourth quarter. Full-year capital spending is expected to be approximately \$58 million, compared to full-year depreciation and amortization of \$56 million.

During the quarter, the Company purchased 1,489,943 shares of its Class A Common Stock at a purchase price of \$43.0 million. Since the beginning of 2004, the Company has purchased 2,319,943 of its shares - which equates to 6.9 percent of the shares outstanding at December 31, 2003 - at a cost of \$66.1 million. The Company remains authorized to purchase an additional 553,100 shares without further notice.

#### Comments on Operations:

Chairman and Chief Executive Officer Frank Schmeler commented, "Customers in our major Engineered Fabrics markets generally saw improved demand for their products and services during the quarter. After adjusting to exclude the effect of changes in currency translation rates, higher sales in our Albany Door Systems and Applied Technologies segments offset a slight decline in Engineered Fabrics sales, resulting in a slight increase in the Company's consolidated sales compared to the same quarter last year.

"In addition to the restructuring-related expenses of \$0.09 per share discussed above, results for the quarter were further reduced by \$0.03 per share of costs related to equipment relocation and plant closings, which cannot be categorized as restructuring costs for accounting purposes.

"We anticipate that future expenses related to equipment relocation and plant cleanups will approximate \$1.5 million in the fourth quarter of 2004 and \$1.0 million in the first quarter of 2005. In addition, non-cash restructuring charges of up to \$4.0 million may be required during the fourth quarter as we finalize our equipment requirements and related valuations."

#### Engineered Fabrics

(This segment includes paper machine clothing and process belts (PMC) used in the manufacture of paper and paperboard products, and engineered products for the nonwovens and pulp industries.)

Third-quarter net sales for the Engineered Fabrics segment increased 1.8 percent compared to the same period last year. Excluding the effect of changes in currency translation rates, net sales decreased 1.6 percent compared to the third quarter of 2003. Net sales were affected by technology gains that provide longer fabric life, customer efforts to reduce overall PMC inventory, and the Company's decision to decline certain sales opportunities

that do not meet profit objectives. Despite these factors, share of market in the quarter reflects normal gains and losses by market segment, and overall share of market was stable.

#### North America

In the United States, Canada, and Mexico, paper and paperboard operating rates improved over the third quarter of last year, and overall paper and paperboard production increased. In spite of these improvements for our customers, industry data suggest that year-to-date industry sales of PMC declined compared to the same period last year. For the Company, North American net sales for the quarter were 1.5 percent lower than last year. Excluding the effect of changes in currency translation rates, third-quarter net sales decreased 2.1 percent compared to the same period in 2003. Year-to-date net sales decreased 2.2 percent and decreased 3.1 percent excluding the effect of changes in currency translation rates. During the quarter, our focus on delivering value through new products provided economic benefits to our customers. At the same time, our internal value activities improved efficiency in our operations and provided process gains in several areas. Value-focused activities are improving our results and will have a positive impact on our business in future quarters.

#### Europe

In Europe, paper and paperboard production increased, as most customer operations performed at over 90 percent capacity. In spite of the production increases, industry data indicate that year-to-date shipments of PMC in Europe declined. Our third-quarter net sales increased 8.9 percent over the same quarter in 2003, but remained flat excluding the effects of changes in currency translation rates, an improvement over the second quarter of 2004. Year-to-date net sales increased 6.8 percent and decreased 3.1 percent excluding the effect of changes in currency translation rates. The transition of production in connection with restructuring activities was carried out during the third quarter without disruption of supply to our customers. The expanded dryer fabric facility in Finland and the new engineered fabrics facility in France were officially dedicated during the quarter and are now fully operational. With the European organization focused on delivering value to our customers, we expect future quarters will benefit from the completion of the restructuring activities and performance improvements that new products provide for our customers.

#### Pacific

Third-quarter net sales in the Pacific region decreased 3.3 percent compared to the same period last year and 4.5 percent excluding the effect of changes in currency translation rates. Year-to-date net sales decreased 3.3 percent and 6.2 percent excluding the effect of changes in currency translation rates. Within the region, year-to-date results vary, as success in China and Korea has been offset by sales declines due to inventory and pricing practices in other countries. We are addressing these issues and expect the next several quarters to benefit from programs in place and the value derived from new technologies.

#### Albany Door Systems

(This segment includes sales and service of High Performance Doors and aftermarket sales to a wide variety of industrial customers.)

Net sales increased 11.0 percent compared to the third quarter of 2003 and 3.6 percent excluding the effect of changes in currency translation rates. Year-to-date net sales increased 12.6 percent and 3.9 percent excluding the effect of changes in currency translation rates. In spite of the negative impact of economic weakness in Germany, a major door market, year-on-year sales and earnings improved. We expect further sales and earnings benefits in future quarters resulting from the development of new products and markets and the completed efficiency improvements.

#### Applied Technologies

(This segment includes materials and structural-component businesses including insulation for personal outerwear and home furnishings (PrimaLoft); specialty materials and composite structures for aircraft and other applications (Techniweave); specialty filtration products for wet and dry applications (Industrial Process Technologies); and industrial insulation products (High Performance Materials).)

Net sales in this segment increased 28.5 percent compared to the same period in 2003 and 25.3 percent excluding the effect of changes in currency translation rates. Year-to-date net sales increased 32.6 percent and 25.6 percent excluding the effect of changes in currency translation rates. The increased sales in this segment reflect successful growth in a number of businesses, including industrial filtration, PrimaLoft(R) synthetic insulation, and Techniweave. Our industrial filtration business serves several wet and dry applications, including dry filtration products for power generation. Expansion of power generation capacity in Asia is creating new demand for these products, for which our regional production capability provides a strategic advantage. PrimaLoft's synthetic insulation outerwear and home furnishings markets in both North America and Europe continue to grow.

As PrimaLoft expands to additional applications, satisfied users are increasing the value of the brand. Techniweave has been successful with applications in aerospace and other industrial uses employing advanced materials, pre-formed shapes, and composite structures.

Looking Ahead

Mr. Schmeler continued, "In the third quarter, our paper and paperboard customers increased production in response to improved demand for their products. We are pleased with the much-needed relief for our customers and are optimistic for the coming quarters. While changes affecting the paper and paperboard industry and its suppliers over the last few years appear to be stabilizing, and should be beneficial in the long term, they have been difficult to manage and have resulted in unusual swings in our business. Although fully anticipating all of the effects of these changes has not been easy, we believe the Company is well positioned today as a result of our efforts. The opportunities presented by new PMC technologies are very positive as our focus on technological improvement continues.

"In our Applied Technologies segment, the success in filtration for power generation and the growth in PrimaLoft and Techniweave is encouraging. Technology for this segment contributes to our other businesses with respect to materials and processes.

"The Albany Door Systems segment results improved in the third quarter. New product introductions, after-market sales and service increases, and efficiency improvements have been implemented globally, and we expect to see continued improvement in coming quarters.

"Increased operating expenses resulting from higher energy prices will have an impact on our operations in 2005. Our primary raw material for PMC is petroleum-based, and we anticipate that higher petroleum prices will result in increases in raw material, energy, and other costs in 2005. In addition, we will incur incremental audit fees of approximately \$1.4 million in the fourth quarter of 2004, resulting from compliance with requirements of the Sarbanes-Oxley Act.

"We continue to believe that our customers will place their business with suppliers that offer them the greatest value. The Albany Value Concept directs our efforts externally in the form of new and improved products and process support and internally through a focus on quality, consistency, and efficiency. These actions are aimed at producing continuing substantial benefits for our customers and improved returns to our shareholders."

The Company plans a live webcast to discuss third-quarter 2004 financial results on Friday, October 22, 2004, at 9:00 a.m. Eastern time. For access go to <http://www.albint.com>.

Albany International is the world's largest producer of paper machine clothing and high-performance doors with manufacturing plants strategically located to serve its customers throughout the world. Additional information about the Company and its businesses and products is available at <http://www.albint.com>.

This release contains certain items that may be considered to be non-GAAP financial measures. Such items are provided because management believes that, when presented together with the GAAP items to which they relate, they can provide additional useful information to investors regarding the Company's financial condition, results of operations, and cash flows.

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.

Forward-looking statements in this release or in the webcast, including statements about future sales, earnings, cash flows, possible uses for cash, pricing, markets, cost reductions, new products and process improvements, paper industry consolidation and outlook, capital expenditures, tax rates, energy and material costs, and depreciation and amortization are made pursuant to the safe harbor provisions of the Private Securities Litigation Reform Act of 1995. Such statements are based on current expectations and are subject to various risks and uncertainties, including, but not limited to, economic conditions affecting the paper industry and other risks and uncertainties set forth in the Company's 2003 Annual Report to Shareholders and subsequent filings with the Securities and Exchange Commission.

ALBANY INTERNATIONAL CORP.  
 CONSOLIDATED STATEMENTS OF OPERATIONS AND RETAINED EARNINGS  
 (unaudited)

(in thousands except per share data)

Three Months Ended		Nine Months Ended	
September 30,		September 30,	
2004	2003	2004	2003
\$222,848	\$213,392	\$681,363	\$656,609
Net sales			

135,603	127,109	Cost of goods sold	414,200	386,335
87,245	86,283	Gross profit	267,163	270,274
63,134	60,716	Selling, technical, general and research expenses	196,946	186,774
2,576	14,317	Restructuring, net	45,244	15,999
21,535	11,250	Operating income	24,973	67,501
3,533	3,910	Interest expense, net	11,073	11,316
2,053	(2,115)	Other expense/ (income), net	10,180	1,232
15,949	9,455	Income before income taxes	3,720	54,953
5,640	2,809	Income tax expense	5,753	11,243
10,309	6,646	Income/(loss) before associated companies	(2,033)	43,710
158	(96)	Equity in earnings/(losses) of associated companies	375	(191)
10,467	6,550	Net income/(loss)	(1,658)	43,519
416,594	420,995	Retained earnings, beginning of period	433,407	387,609
(2,536)	(2,328)	Dividends declared	(7,224)	(5,911)
\$424,525	\$425,217	Retained earnings, end of period	\$424,525	\$425,217
		Earnings per share - basic:		
\$0.33	\$0.20	Net income/(loss)	(\$0.05)	\$1.33
		Earnings per share - diluted:		
\$0.32	\$0.19	Net income/(loss)	(\$0.05)	\$1.31
32,160	33,064	Average number of shares used in basic earnings per share computations	32,947	32,705
32,732	33,766	Average number of shares used in diluted earnings per share computations	32,947	33,273
\$0.08	\$0.07	Dividends per share	\$0.22	\$0.18

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

	(unaudited) September 30, 2004	December 31, 2003
ASSETS		
Cash and cash equivalents	\$81,216	\$78,822
Accounts receivable, net	139,177	151,157
Note receivable	18,261	21,814
Inventories:		
Finished goods	90,441	93,787
Work in process	57,654	53,936
Raw material and supplies	31,902	29,805
	179,997	177,528
Deferred taxes	29,707	33,314
Prepaid expenses	8,322	8,067
Total current assets	456,680	470,702
Property, plant and equipment, net	354,963	370,280
Investments in associated companies	6,108	5,278
Intangibles	14,945	15,790
Goodwill	158,037	159,543
Deferred taxes	63,777	63,657
Cash surrender value of life insurance policies	33,766	32,399



Other assets	17,098	21,274
Total assets	\$1,105,374	\$1,138,923
LIABILITIES AND SHAREHOLDERS' EQUITY		
Notes and loans payable	\$6,179	\$5,250
Accounts payable	30,827	35,080
Accrued liabilities	141,552	122,550
Current maturities of long-term debt	1,324	1,949
Income taxes payable and deferred	20,211	13,682
Total current liabilities	200,093	178,511
Long-term debt	246,680	214,894
Other noncurrent liabilities	134,192	153,811
Deferred taxes and other credits	28,516	37,052
Total liabilities	609,481	584,268
Commitments and Contingencies	-	-
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 32,989,305 in 2004 and 32,548,938 in 2003	33	33
Class B Common Stock, par value \$.001 per share; authorized 25,000,000 shares; issued and outstanding 3,236,476 in 2004 and 3,236,476 in 2003	3	3
Additional paid in capital	291,955	280,734
Retained earnings	424,525	433,407
Accumulated items of other comprehensive income:		
Translation adjustments	(65,481)	(65,613)
Derivative valuation adjustment	(4,067)	(8,840)
Pension liability adjustment	(39,579)	(39,579)
	607,389	600,145
Less treasury stock (Class A), at cost (4,504,152 shares in 2004 and 2,190,038 shares in 2003)	111,496	45,490
Total shareholders' equity	495,893	554,655
Total liabilities and shareholders' equity	\$1,105,374	\$1,138,923

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

	Nine Months Ended September 30,	
	2004	2003
OPERATING ACTIVITIES		
Net (loss)/income	(\$1,658)	\$43,519
Adjustments to reconcile net (loss)/income to net cash provided by operating activities:		
Equity in (earnings)/losses of associated companies	(376)	191
Depreciation	39,691	38,742
Amortization	2,710	3,687
Provision for deferred income taxes, other credits and long- term liabilities	(19,488)	(6,731)
Provision for write-off of equipment	11,931	12,143
Provision for impairment of investment	4,000	-
Increase in cash surrender value of life insurance	(1,141)	(1,082)
Change in unrealized currency transaction gains and losses	8,150	(4,255)
Loss/(gain) on disposition of assets	842	(486)
Shares contributed to ESOP	4,546	4,451
Tax benefit of options exercised	1,322	1,291
Changes in operating assets and liabilities:		
Accounts receivable	3,542	6,008
Note receivable	3,553	(1,130)
Inventories	(2,800)	(1,444)
Prepaid expenses	(283)	(2,717)
Accounts payable	(4,126)	(5,831)
Accrued liabilities	19,131	11,859

Income taxes payable	6,626	(4,751)
Other, net	60	(1,392)
Net cash provided by operating activities	76,232	92,072
INVESTING ACTIVITIES		
Purchases of property, plant and equipment	(41,296)	(29,951)
Purchased software	(489)	(613)
Proceeds from sale of assets	3,944	4,336
Cash received from life insurance policy terminations	863	-
Premiums paid for life insurance policies	(1,089)	(1,118)
Net cash used in investing activities	(38,067)	(27,346)
FINANCING ACTIVITIES		
Proceeds from borrowings	53,388	40,582
Principal payments on debt	(21,295)	(54,304)
Purchase of treasury shares	(66,135)	-
Proceeds from options exercised	5,303	12,683
Debt issuance costs	(1,555)	-
Dividends paid	(7,034)	(5,367)
Net cash used in financing activities	(37,328)	(6,406)
Effect of exchange rate changes on cash flows	1,557	(13,614)
Increase in cash and cash equivalents	2,394	44,706
Cash and cash equivalents at beginning of year	78,822	18,799
Cash and cash equivalents at end of period	\$81,216	\$63,505

SOURCE Albany International Corp.

-0- 10/21/2004

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(AIN)

CO: Albany International Corp.

ST: New York

IN: FIN

SU: ERN CCA