UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

Form 10-Q

x QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended: June 30, 2009

OR

o TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from __________ to __________

Commission file number: 1-10026

ALBANY INTERNATIONAL CORP.
(Exact name of registrant as specified in its charter)

Delaware	14-0462060
(State or other jurisdiction of incorporation or organization)	(IRS Employer Identification No.)
1373 Broadway, Albany, New York	12204
(Address of principal executive offices)	(Zip Code)

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

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports) and (2) has been subject to such filing requirements for the past 90 days. Yes **x** No **o**

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes **x** No **o**

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or smaller reporting company.

Large accelerated filer	**x**	Accelerated filer	**o**
Non-accelerated filer	**o**	Smaller reporting company	**o**

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).
Yes **o** No **x**

The registrant had 27,551,529 shares of Class A Common Stock and 3,236,098 shares of Class B Common Stock outstanding as of June 30, 2009.

ALBANY INTERNATIONAL CORP.

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

Three Months Ended June 30, 2009	Three Months Ended June 30, 2008		Six Months Ended June 30, 2009	Six Months Ended June 30, 2008
$212,559	$297,201	Net sales	$421,764	$570,409
143,671	194,003	Cost of goods sold	282,845	372,281
68,888	103,198	Gross profit	138,919	198,128
64,633	86,940	Selling, technical, general and research expenses	132,252	169,328
33,810	1,732	Restructuring and other, net	50,989	7,094
(29,555)	14,526	Operating (loss)/income	(44,322)	21,706
6,086	5,880	Interest expense, net	11,920	11,277
(37,201)	2,114	Other (income)/expense, net	(37,020)	1,799
1,560	6,532	Income/(loss) from continuing operations before income taxes	(19,222)	8,630
4,339	1,293	Income tax expense	2,734	5,411
(2,779)	5,239	(Loss)/income before associated companies	(21,956)	3,219
35	58	Equity in income/(losses) of associated companies	315	(245)
(2,744)	5,297	(Loss)/income from continuing operations	(21,641)	2,974
		Discontinued operations:		
(10,000)	53	(Loss)/income from discontinued operations	(10,000)	313
-	97	Income tax expense	-	130
(10,000)	(44)	(Loss)/income from discontinued operations	(10,000)	183
($12,744)	$5,253	Net (loss)/income	($31,641)	$3,157
		(Loss)/income from continuing operations per share:		
($0.08)	$0.18	Basic	($0.71)	$0.10
($0.08)	$0.18	Diluted	($0.71)	$0.10
		(Loss)/income from discontinued operations per share:		
($0.33)	$0.00	Basic	($0.33)	$0.01
($0.33)	($0.01)	Diluted	($0.33)	$0.01
		Net (loss)/income per share:		
($0.41)	$0.18	Basic	($1.04)	$0.11
($0.41)	$0.17	Diluted	($1.04)	$0.11
		Shares used in computing earnings per share:		
30,723	29,760	Basic	30,386	29,686
30,723	30,051	Diluted	30,386	29,990
$0.12	$0.12	Dividends declared per share	$0.24	$0.23

The accompanying notes are an integral part of the financial statements

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

	June 30, 2009	December 31, 2008
ASSETS		
Cash and cash equivalents	$120,708	$106,571
Accounts receivable, net	170,843	204,157
Inventories	202,170	206,488
Income taxes receivable and deferred	26,885	26,319
Prepaid expenses and other current assets	9,886	11,341
Total current assets	530,492	554,876
Property, plant and equipment, net	541,526	536,576
Investments in associated companies	3,117	3,899
Intangibles	8,340	9,636
Goodwill	116,658	115,415
Deferred taxes	133,274	115,818
Cash surrender value of life insurance policies	49,043	47,425
Other assets	17,957	21,412
Total assets	$1,400,407	$1,405,057
LIABILITIES AND SHAREHOLDERS' EQUITY		
Notes and loans payable	$8,747	$12,597
Accounts payable	45,817	74,001
Accrued liabilities	147,729	116,361
Current maturities of long-term debt	11	13
Income taxes payable and deferred	4,109	7,205
Total current liabilities	206,413	210,177
Long-term debt	524,723	508,386
Other noncurrent liabilities	183,851	187,968
Deferred taxes and other credits	55,322	65,590
Total liabilities	970,309	972,121
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 36,048,268 in 2009 and 35,245,482 in 2008	36	35
Class B Common Stock, par value $.001 per share; authorized 25,000,000 shares; issued and outstanding 3,236,098 in 2009 and 2008	3	3
Additional paid in capital	381,458	363,918
Retained earnings	390,862	429,804
Accumulated items of other comprehensive income:		
Translation adjustments	(16,786)	(34,196)
Pension and post retirement liability adjustments	(67,176)	(67,757)
	688,397	691,807
Less treasury stock (Class A), at cost; 8,496,739 shares in 2009 and 8,523,139 shares in 2008	258,299	258,871
Total shareholders' equity	430,098	432,936
Total liabilities and shareholders' equity	$1,400,407	$1,405,057

The accompanying notes are an integral part of the financial statements

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

	Six Months Ended June 30, 2009	2008
OPERATING ACTIVITIES		
Net (loss)/income	($31,641)	$3,157
Adjustments to reconcile net (loss)/income to net cash (used in)/provided by operating activities:		
Equity in (earnings)/losses of associated companies	(315)	245
Depreciation	29,093	30,005
Amortization	4,406	2,364
Non cash interest expense	1,772	2,195
Gain on early retirement of debt	(39,453)	-
Settlement of accreted debt discount	(7,457)	-
Provision for deferred income taxes, other credits and long-term liabilities	(12,026)	(2,730)
Loss on disposal of property, plant and equipment	1,609	790
Provision for impairment of investment	2,624	-
Increase in cash surrender value of life insurance	(1,827)	(1,862)
Unrealized currency transaction gains	(6,004)	(1,975)
Provision for purchase price adjustment of discontinued operation	10,000	-
Stock option expense	70	85
Excess tax benefit of options exercised	-	(807)
Compensation and benefits paid or payable in Class A Common Stock	3,354	4,209
Changes in operating assets and liabilities, net of business acquisitions and divestitures:		
Accounts receivable	43,308	(5,757)
Inventories	8,537	425
Prepaid expenses and other current assets	1,863	1,311
Accounts payable	(29,103)	(15,246)
Accrued liabilities	19,165	5,347
Income taxes payable	(2,943)	3,373
Other, net	1,704	(2,500)
Net cash (used in)/provided by operating activities	(3,264)	22,629
INVESTING ACTIVITIES		
Purchases of property, plant and equipment	(26,299)	(73,560)
Purchased software	(1,873)	(7,404)
Cash received from life insurance policy terminations	239	-
Net cash used in investing activities	(27,933)	(80,964)
FINANCING ACTIVITIES		
Proceeds from borrowings	105,072	64,001
Principal payments on debt	(4,633)	(18,321)
Early retirement of debt	(46,502)	-
Proceeds from options exercised	-	2,759
Excess tax benefit of options exercised	-	807
Dividends paid	(7,202)	(6,514)
Net cash provided by financing activities	46,735	42,732
Effect of exchange rate changes on cash flows	(1,401)	1,410
Increase/(decrease) in cash and cash equivalents	14,137	(14,193)
Cash and cash equivalents at beginning of year	106,571	73,305
Cash and cash equivalents at end of period	$120,708	$59,112

The accompanying notes are an integral part of the financial statements

1. Basis of Presentation

In the opinion of management, the accompanying unaudited consolidated financial statements contain all adjustments, consisting of only normal, recurring adjustments, necessary for a fair presentation of results for such periods. The results for any interim period are not necessarily indicative of results for the full year. The preparation of financial statements for interim periods does not require all of the disclosures normally included in financial statements prepared in accordance with accounting principles generally accepted in the United States of America. Accordingly, certain information and footnote disclosures normally included in financial statements prepared in accordance with accounting principles generally accepted in the United States of America have been omitted. These consolidated financial statements should be read in conjunction with the Company’s Annual Report on Form 10-K as filed with the SEC for the year ended December 31, 2008, as supplemented by the Company’s Current Report on Form 8-K filed on May 1, 2009 to reflect certain retrospective adjustments relating to the adoption of Financial Accounting Standards Board Staff Position No. APB 14-1 (FSP 14-1) and the changes in the business segments as discussed in this Form 10-Q.

For purposes of preparing this Form 10-Q, the Company considered events through August 6, 2009. See Financial Instruments Footnote 11 for disclosure regarding third and fourth quarter note transactions. No material events have occurred since June 30, 2009, which have not been disclosed in these financial statements.

2. Reportable Segment Data

The following table shows data by reportable segment, reconciled to consolidated totals included in the financial statements:

(in thousands)	Three Months Ended June 30, 2009	Three Months Ended June 30, 2008	Six Months Ended June 30, 2009	Six Months Ended June 30, 2008
Net Sales				
Paper Machine Clothing	$145,533	$199,477	$284,607	$382,492
Albany Door Systems	30,530	48,845	64,856	93,977
Engineered Fabrics	21,629	27,255	43,199	55,365
Engineered Composites	7,379	13,977	16,464	25,065
PrimaLoft® Products	7,488	7,647	12,638	13,510
Consolidated total	$212,559	$297,201	$421,764	$570,409
Operating (loss)/income				
Paper Machine Clothing	($8,732)	$31,231	($1,471)	$53,770
Albany Door Systems	(1,639)	4,836	(1,411)	8,273
Engineered Fabrics	837	3,880	4,492	9,735
Engineered Composites	(2,372)	(217)	(4,880)	(2,035)
PrimaLoft® Products	2,594	1,718	3,683	2,830
Research expense	(5,767)	(8,288)	(11,377)	(14,159)
Unallocated expenses	(14,476)	(18,634)	(33,358)	(36,708)
Operating (loss)/income before reconciling items	(29,555)	14,526	(44,322)	21,706
Reconciling items:				
Interest expense, net	6,086	5,880	11,920	11,277
Other (income)/expense, net	(37,201)	2,114	(37,020)	1,799
Income/(loss) from continuing operations before income taxes	$1,560	$6,532	($19,222)	$8,630

In the third quarter of 2006, the Company announced the initial steps in its three-year restructuring and performance improvement plan. In addition to costs reported as restructuring in the Statement of Operations, the Company has incurred costs (referred to as performance improvement costs) that are related to terminations of employees or agreements, costs related to relocation of manufacturing equipment, and costs related to the implementation of a new enterprise resource planning system. The table below presents restructuring and performance improvement costs by reportable segment:

	Three Months Ended June 30, 2009			Six Months Ended June 30, 2009		
(in thousands)	Restructuring and other	Performance improvement costs	Total	Restructuring and other	Performance improvement costs	Total
Paper Machine Clothing	$27,923	$5,880	$33,803	$43,533	$11,803	$55,336
Albany Door Systems	1,900	99	$1,999	2,048	506	$2,554
Engineered Composites	110	205	$315	110	825	$935
PrimaLoft® Products	19	-	$19	61	-	$61
Engineered Fabrics	2,515	-	$2,515	2,515	-	$2,515
Unallocated	1,343	1,374	$2,717	2,722	3,574	$6,296
Consolidated total	$33,810	$7,558	$41,368	$50,989	$16,708	$67,697

	Three Months Ended June 30, 2008			Six Months Ended June 30, 2008		
(in thousands)	Restructuring and other	Performance improvement costs	Total	Restructuring and other	Performance improvement costs	Total
Paper Machine Clothing	$628	$8,958	$9,586	$7,031	$12,965	$19,996
Albany Door Systems	322	78	400	322	213	535
Research expenses	1,826	-	1,826	1,827	-	1,827
Unallocated	(1,044)	6,760	5,716	(2,086)	10,708	8,622
Consolidated total	$1,732	$15,796	$17,528	$7,094	$23,886	$30,980

There were no material changes in the total assets of the reportable segments during the three and six months ended June 30, 2009.

3. Pensions and Other Benefits

The Company sponsors defined benefit pension plans in various countries. The amount of contributions to the plans is based on several factors including the funding rules in each country. The Company expects to contribute approximately $13,000,000 to its postretirement and pension plans in 2009, compared to $17,700,000 in 2008. The Company's current year estimated contribution includes nothing to its US plan. In prior years the Company has also made contributions to the US pension plan, and that is possible again this year, particularly in light of the decline in the value of equities since October 2007. In the coming months, the Company will make the decision about the exact timing and amount. Contributions to the US plan over the last few years have ranged from zero to $20,000,000 per year. The Company also provides certain medical, dental and life insurance benefits ("Other Postretirement Benefits") for retired United States employees that meet program qualifications. The Company currently funds this plan as claims are paid.

The components of net periodic benefit cost for the six months ended June 30, 2009 and 2008 are, as follows:

(in thousands)	Pension Plans 2009	2008	Other Postretirement Benefits 2009	2008
Service cost	$2,202	$4,334	$563	$1,018
Interest cost	9,465	12,906	1,910	3,100
Expected return on plan assets	(10,261)	(10,390)	-	-
Amortization:				
Transition obligation	47	-	-	-
Prior service cost/(credit)	54	388	(2,163)	(1,904)
Net actuarial loss	1,016	1,238	1,390	1,778
Curtailment loss/(gain)	-	226	-	(2,693)
Net periodic benefit costs	$2,523	$8,702	$1,700	$1,299

On December 17, 2008, the Company amended its United States defined benefit plan to freeze benefit accruals under the plan. As a result of the freeze, employees covered by the Pension Plus plan will receive, at retirement, benefits already accrued through February 28, 2009, but no new benefits will accrue after that date. Benefit accruals under the Company's Supplemental Executive Retirement Plan ("SERP") were similarly frozen.

4. Restructuring

The Company has ongoing restructuring activities related to the reduction of manufacturing capacity, reduction of administrative personnel, and curtailment of benefits under pension and postretirement plans. The actions are part of a three-year restructuring and performance improvement plan and have affected each of the Company's reportable segments. The actions taken to reduce manufacturing capacity are driven by the need to balance the Company's manufacturing capacity with anticipated demand.

The following table summarizes charges reported in the Statement of Operations under "Restructuring and other, net" for the first six months of 2009:

Six months ended June 30, 2009 (in thousands)	Total restructuring costs incurred	Termination and other costs	Writedown of plant, equipment, and investment
Paper Machine Clothing	$43,533	$40,466	$3,067
Albany Door Systems	2,048	2,048	-
Engineered Composites	110	110	-
PrimaLoft® Products	61	61	-
Engineered Fabrics	2,515	2,515	-
Unallocated	2,722	2,722	-
Total	$50,989	$47,922	$3,067

The Company expects that substantially all of its accruals for restructuring liabilities will be paid out within one year. The table below presents a year to date summary of changes in restructuring liabilities:

(in thousands)	Restructuring charges accrued December 31, 2008	Restructuring accruals in 2009	Payments	Currency translation/other	Restructuring charges accrued June 30, 2009
Termination costs	$21,284	$43,707	($23,793)	$937	$42,135
Other restructuring costs	624	480	(817)	8	295
Total	$21,908	$44,187	($24,610)	$945	$42,430

5. Other (Income)/Expense, net

Other (income)/expense, net consists of the following:

(in thousands)	Three Months Ended June 30, 2009	Three Months Ended June 30, 2008	Six Months Ended June 30, 2009	Six Months Ended June 30, 2008
Currency transactions	($1,236)	$612	$228	$325
Amortization of debt issuance costs and loan origination fees	468	558	1,351	1,103
Gain on early retirement of debt	(36,631)	-	(39,453)	-
License fee/(income)	52	45	(103)	(180)
Other miscellaneous expense	146	899	957	551
Total	($37,201)	$2,114	($37,020)	$1,799

6. Discontinued Operations

In July 2008, the Company closed on the sale of its Filtration Technologies business, the principal operations of which were in Gosford, Australia, and Zhangjiagang, China. At closing, the Company received approximately $45,000,000, which resulted in a pre-tax gain of $5,413,000.

In evaluating the financial statement presentation, the Company concluded that the business met the definition of a discontinued operation, as defined in Statement of Financial Accounting Standards No. 144, “Accounting for Impairment or Disposal of Long-Lived Assets” (FAS No. 144) and, accordingly, the results of operations of this business have been reported as income from discontinued operations for all periods presented. For the six months ended June 30, 2008, Income from discontinued operations was $183,000. As permitted by FAS No. 144, cash flows of the discontinued operation were combined with cash flows from continuing operations in the consolidated statements of cash flows.

Results for the second quarter of 2009 include a charge of $10,000,000 representing an estimated purchase price adjustment related to the Company’s 2008 sale of its discontinued Filtration Technologies business. The charge results from a tentative agreement between the Company and the purchaser of the Filtration Technologies business to return a portion of the original $45,000,000 purchase price in exchange for a release of certain future claims under the related sale agreement.

7. Income Taxes

The following tables present components of income tax expense for the three and six month periods ending June 30, 2009 and 2008:

(in thousands)	Three Months Ended June 30, 2009	Three Months Ended June 30, 2008	Six Months Ended June 30, 2009	Six Months Ended June 30, 2008
Income tax based on ordinary (loss)/income from continuing operations before income taxes at estimated tax rates of 23% in 2009 and 14% in 2008.	($7,960)	$1,043	($13,320)	$1,215
Provision for change in estimated tax rates	(2,663)	(41)	-	-
Discrete tax expense:				
Provision for Extinguishment of Debt Gain	14,286	-	15,387	-
Provision for/resolution of tax audits and contingencies	676	291	667	4,196
Total income tax expense from continuing operations	$4,339	$1,293	$2,734	$5,411

The Company is currently under audit in the U.S. and non-U.S. taxing jurisdictions. In the second quarter of 2009, the Company recognized a decrease of $8,206,000 in the gross amounts of prior years unrecognized tax benefits due to settlements with tax authorities in the US and non-US taxing jurisdictions. Included in this decrease are unrecognized tax benefits of $7,000,000 that do not impact the effective tax rate.

In the Company’s Annual Report on Form 10-K for the period ending December 31, 2008, it was disclosed that tax benefits of approximately $23,096,000 claimed in Germany were under challenge and that a reassessment notice in the amount of $47,007,000 had been issued by the Canadian Revenue Agency. There has been no change to the Company’s view of its position with regard to either of these matters. As warranted, the Company will continue to assess its positions.

The Company records reserves for the outcome of these uncertainties in accordance with FASB Interpretation No. 48, “Accounting for Uncertainty in Income Taxes, an interpretation of FAS No. 109.” It is reasonably possible that a change in the reserve for these uncertainties could occur in the next twelve months. However, it is not possible to estimate a range at this time.

8. Earnings Per Share

Earnings per share are computed using the weighted average number of shares of Class A Common Stock and Class B Common Stock outstanding during the period. Diluted earnings per share include the effect of all potentially dilutive securities.

The amounts used in computing earnings per share, including the effect on income and the weighted average number of shares of potentially dilutive securities, are as follows:

	Three Months Ended June 30,		Six Months Ended June 30,	
(in thousands, except market price data)	2009	2008	2009	2008
Net (loss)/income	($12,744)	$5,253	($31,641)	$3,157
Weighted average number of shares:				
Weighted average number of shares used in calculating basic earnings per share	30,723	29,760	30,386	29,686
Effect of dilutive stock-based compensation awards:				
Stock options	-	261	-	274
Long-term incentive awards	-	30	-	30
Weighted average number of shares used in calculating diluted earnings per share	30,723	30,051	30,386	29,990
Effect of stock-based compensation awards that were not included in the computation of diluted earnings per share because to do so would be antidilutive	132	-	277	-
Average market price of common stock used for calculation of dilutive shares	$10.82	$34.33	$10.15	$ 34.53
Net (loss)/income per share:				
Basic	($0.41)	$0.18	($1.04)	$0.11
Diluted	($0.41)	$0.17	($1.04)	$0.11

As of June 30, 2009 and 2008, there was no dilution resulting from the convertible debt instrument, purchased call option, and warrant that are described in Note 11.

The following table presents the number of shares issued and outstanding:

	Class A Shares	Class B Shares	Less: Treasury Shares	Net shares Outstanding
December 31, 2008	35,245,482	3,236,098	(8,523,139)	29,958,441
March 31, 2009	35,970,944	3,236,098	(8,523,139)	30,683,903
June 30, 2009	36,048,268	3,236,098	(8,496,739)	30,787,627

9. Inventories

Inventories consist of the following:

(in thousands)	June 30, 2009	December 31, 2008
Finished goods	$95,004	$97,090
Work in process	60,360	57,582
Raw material and supplies	46,806	51,816
Total inventories	$202,170	$206,488

Inventories are stated at the lower of cost or market and are valued at average cost, net of reserves. The Company records a provision for obsolete inventory based on the age and category of the inventories.

10. Goodwill and Other Intangible Assets

The Company accounts for goodwill and other intangible assets under the provisions of Statement of Financial Accounting Standards No. 142 (FAS No. 142), "Goodwill and Other Intangible Assets". FAS No. 142 requires that goodwill and intangible assets with indefinite useful lives no longer be amortized, but instead tested for impairment at least annually. Goodwill represents the excess of the purchase price over the fair value of the net tangible and identifiable intangible assets acquired in each business combination. The Company's reporting units are consistent with the Company's operating segments. The Company completed its annual evaluation of goodwill by for its Paper Machine Clothing reporting unit and Albany Door System reporting unit as of June 30, 2009. The Company's assessment of goodwill impairment indicated that the fair value of each of the Company's reporting units exceeded its carrying value and therefore goodwill in each of the reporting units was not impaired.

Determining the fair value of a reporting unit is judgmental in nature and requires the use of significant estimates and assumptions, including revenue growth rates, operating margins, discount rates and future market conditions, among others. Goodwill and other long-lived assets are reviewed for impairment whenever events, such as significant changes in the business climate, plant closures, changes in product offerings, or other circumstances indicate that the carrying amount may not be recoverable.

To determine fair value, the Company utilized two market-based approaches and an income approach. Under the market-based approaches, the Company utilized information regarding the Company as well as publicly available industry information to determine earnings multiples and sales multiples. Under the income approach, the Company determined fair value based on estimated future cash flows of each reporting unit, discounted by an estimated weighted-average cost of capital, which reflects the overall level of inherent risk of a reporting unit and the rate of return an outside investor would expect to earn.

The Company is continuing to amortize certain patents, trade names, customer contracts and technology assets that have finite lives. The changes in intangible assets and goodwill from January 1, 2009 to June 30, 2009, were as follows:

(in thousands)	Balance at January 1, 2009	Amortization	Currency translation	Balance at June 30, 2009
Amortized intangible assets:				
Patents	$1,420	($242)	$10	$1,188
Trade names	1,164	(325)	7	846
Customer contracts	6,701	(726)	-	5,975
Technology	351	(20)	-	331
Total amortized intangible assets	$9,636	($1,313)	$17	$8,340
Unamortized intangible assets:				
Goodwill	$115,415	$ -	$1,243	$116,658

As of June 30, 2009, the balance of goodwill was $79,310,000 in the Paper Machine Clothing segment and $37,348,000 in the Albany Door Systems segment.

Estimated amortization expense of intangibles for the years ending December 31, 2009 through 2013 is as follows:

Year	Annual amortization (in thousands)
2009	$2,700
2010	2,600
2011	1,400
2012	900
2013	900

11. Financial Instruments

Long-term debt consists of:

(in thousands)	June 30, 2009	December 31, 2008
Convertible notes issued in March 2006 with fixed contractual interest rates of 2.25%, due in year 2026	$70,353	$158,019
Private placement with an interest rate of 6.84%, due in years 2013 through 2017	150,000	150,000
April 2006 revolving credit agreement with borrowings outstanding at an average interest rate of 2.68% in 2009 and 1.93% in 2008.	294,000	190,000
Various notes and mortgages relative to operations principally outside the United States, at an average rate of 4.81% in 2009 and 4.84% in 2008 due in varying amounts through 2021	10,381	10,380
Long term debt	524,734	508,399
Less: current portion	(11)	(13)
Long term debt, net of current portion	$524,723	$508,386

The weighted average interest rate for all debt was 4.45% as of June 30, 2009 and 4.58% as of December 31, 2008.

In October 2005, the Company entered into a Note Agreement and Guaranty (“the Prudential Agreement”) with the Prudential Insurance Company of America, and certain other purchasers, in an aggregate principal amount of $150,000,000, with interest at 6.84% and a maturity date of October 25, 2017. There are mandatory prepayments of $50,000,000 on October 25, 2013 and October 25, 2015. At the noteholders’ election, certain prepayments may also be required in connection with certain asset dispositions or financings. The notes may not otherwise be prepaid without a premium, under certain market conditions. The Note Agreement contains customary terms, as well as affirmative covenants, negative covenants and events of default comparable to those in the Company’s current principal revolving credit facility. For disclosure purposes, the Company is required to measure the fair value of outstanding debt on a recurring basis. The fair value of the note agreement was approximately $138,955,000, which was measured using active market interest rates.

In December 2008, the Company and Prudential amended the agreement to increase the allowed leverage ratio from 3.00 to 3.50, which is effective through December 2010, after which time the allowed leverage ratio changes to 2.50. The amendment to the agreement also requires that the Company pay a higher rate of interest. The maximum interest rate is 1.50% over the 5.34% in the original agreement. The Company anticipates it will pay interest on this loan at the rate of 6.84% in 2009.

In March 2006, the Company issued $180,000,000 principal amount of 2.25% convertible notes. The notes are convertible upon the occurrence of specified events and at any time on or after February 15, 2013, into cash up to the principal amount of notes converted and shares of the Company's Class A common stock with respect to the remainder, if any, of the Company's conversion obligation at a conversion rate of 22.7633 shares per $1,000 principal amount of notes (equivalent to a conversion price of $43.93 per share of Class A common stock). As of June 30, 2009, $78,937,000 principal amount of convertible notes were outstanding, with a fair value of approximately $47,757,000, which was measured using quoted prices in active markets. These amounts reflect the reduction in fair value as a result of the purchase made in March and April 2009 as described below.

Holders may convert their notes at any time on or after February 15, 2013. Before February 15, 2013, a holder may convert notes during the five-business day period immediately after any period of five consecutive trading days in which the trading price per note for each of such five days was less than 103% of the product of the last reported sale price of the Company's Class A common stock and the conversion rate on such day. Additionally, holders may convert prior to February 15, 2013 if the Company elects to distribute to all or substantially all of its Class A shareholders (a) rights or warrants to purchase shares of Class A common stock for less than their trading value, or (b) assets, debt securities or rights to purchase securities, which distribution has a per-share value exceeding 15% of the current trading value of the Class A common stock.

Converting holders are entitled to receive, upon conversion of their notes, (1) an amount in cash equal to the lesser of the principal amount of the note and the note's conversion value, and (2) if the conversion value of the note exceeds the principal amount, shares of the Company's Class A common stock in respect of the excess conversion value. The conversion rate of the notes (subject to adjustment upon the occurrence of certain events) is 22.7633 shares per $1,000 principal amount of notes (equivalent to a conversion price of $43.93 per share of Class A common stock). The exact amount payable upon conversion would be determined in accordance with the terms of the indenture pursuant to which the notes were issued and will be based on a daily conversion value calculated on a proportionate basis by reference to the volume-weighted average price of the Company's Class A common stock for each day during a twenty-five day period relating to the conversion.

The notes are not redeemable before March 15, 2013. On or after March 15, 2013, the Company may, at its option, redeem for cash all or part of the notes for a price equal to 100% of the principal amount of the notes to be purchased, plus any accrued and unpaid interest, including any additional interest, up to but excluding the redemption date.

On each of March 15, 2013 and March 15, 2021, holders may require the Company to purchase all or a portion of their notes at a purchase price equal to 100% of the principal amount of the notes to be purchased, plus any accrued and unpaid interest, including any additional interest, to but excluding the purchase date. Holders also have the right to require the Company to repurchase notes upon the occurrence of certain fundamental events, including, without limitation, (1) a person or group, other than the Standish family, becoming beneficial owner of shares of common stock carrying more than 50% of the voting power of our common stock, (2) consummation of an exchange offer, tender offer or similar event whereby our Class A common stock is converted into cash, securities or other property, or any sale, lease or other transfer of all or substantially all of our consolidated assets, (3) approval by our stockholders of a plan or proposal of liquidation or dissolution, or (4) the delisting of our Class A common stock under certain circumstances.

In connection with the sale of the notes, the Company entered into hedge and warrant transactions with respect to its Class A common stock. These transactions are intended to reduce the potential dilution upon conversion of the notes by providing the Company with the option, subject to certain exceptions, to acquire shares in an amount equal to the number of shares which the Company would be required to deliver upon conversion of the notes. These transactions had the economic effect to the Company of increasing the conversion price of the Notes to $52.25 per share.

Pursuant to the hedge transactions, if the Company delivers notice to the counterparties of any conversion of the Notes on or prior to March 15, 2013, the counterparties are in the aggregate obligated to deliver to the Company the number of shares of Class A common stock that the Company is obligated to deliver to the holders of the notes with respect to such conversion, exclusive of any shares deliverable by the Company by reason of any additional (or “make whole”) premium relating to the notes or by reason of any election by the Company to unilaterally increase the conversion rate. The note hedge and warrant transactions had a net cost of $14,700,000.

Pursuant to the warrant transactions, the Company sold a total of 4,123,986 warrants, each exercisable to buy a single share of Class A common stock at an initial strike price of $52.25 per share. The warrants are American-style warrants (exercisable at any time), and expire over a period of sixty trading days beginning on September 15, 2013. If the warrants are exercised when they expire, the Company may choose either net cash or net share settlement. If the warrants are exercised before they expire, they must be net share settled. If the Company elects to net cash settle the warrants, the Company will pay cash in an amount equal to, for each exercise of warrants, (i) the number of warrants exercised multiplied by (ii) the excess of the volume weighted average price of the Company’s Class A common stock on the expiration date of such warrants (the “Settlement Price”) over the strike price. Under net share settlement, the Company will deliver to the warrant holders a number of shares of the Company’s Class A common stock equal to, for each exercise of warrants, (x) the amount payable upon net cash settlement divided by (y) the Settlement Price.

During 2009 the Company entered into several agreements to exchange Company 2.25% Convertible Senior Notes due 2026 for cash plus an equivalent amount of the Company’s 2.25% Senior Notes due 2026 (the “New Notes”). In each case, the Company simultaneously entered into additional agreements to purchase the New Notes. Information pertinent to these transactions is noted below:

(in thousands)

Month of agreement	Month of settlement	Par value	Aggregate cost	Pretax gain on early retirement of debt
March 2009	March 2009	$7,074	$3,360	$2,822
April 2009	April 2009	93,989	53,515	36,631
May 2009	July 2009	30,500	18,887	7,500
May 2009	October 2009	20,000	13,100	4,500

The July and October 2009 pretax gains on early retirement of debt are estimates.

Financial Accounting Standards Board Staff Position No. APB 14-1 (FSP 14-1), requires that the liability and equity components of convertible debt instruments that may be settled in cash upon conversion (including partial cash settlement) be separately accounted for in a manner that reflects an issuer's nonconvertible debt borrowing rate. In the first quarter of 2009, the Company implemented FSP 14-1 and filed a Form 8-K on May 1, 2009 with restated income statement and balance sheet items for quarterly periods in 2008, as well as annual data for 2006, 2007, and 2008.

As of June 30, 2009, the carrying amounts of the debt and equity components of the Company's bifurcated convertible debt instrument were $70,361,000 and $28,760,000, respectively. The carrying values of the debt and equity components include reductions of $89,430,000 and $5,326,000, respectively, related to the Company's convertible note purchases in March and April 2009. The equity component is included in additional paid in capital in the equity section of the Company's balance sheet.

Adopting FSP 14-1 had the impact of increasing interest expense by approximately $1,187,000 for the first quarter 2009. Due to the note transactions in March and April, reducing outstanding 2.25% Convertible Senior Notes due 2026, the effect of FSP 14-1 for the second quarter had the impact of increasing interest expense by approximately $585,000. The additional interest is non-cash and represents the difference between the rate at the time of the offering (2.25%) and the Company's non-convertible debt borrowing rate (5.59%). The non-cash interest is amortized into interest expense and increases the book value of the notes until the time that the notes can be redeemed on March 15, 2013. The Company has concluded that the amortization period of 7 years is appropriate because March 15, 2013 is the earliest date that the convertible noteholders can require the Company to buy back the notes.

Including amortization of non-cash interest, the effective interest rate on the convertible notes for the second quarterly periods of 2009 and 2008 was 5.59%. Unamortized non-cash interest was $12,752,000 at June 30, 2009 with a remaining amortization period of approximately 4 years.

The following table details interest expense on convertible debt:

	Three months-ended June 30,		Six months-ended June 30,	
(in thousands)	**2009**	**2008**	**2009**	**2008**
Contractual interest (2.25%)	$478	$1,009	$1,470	$2,008
Non-cash interest (3.34%)	585	1,117	1,772	2,195
Total (5.59%)	$1,063	$2,126	$3,242	$4,203

On April 14, 2006, the Company entered into a $460,000,000 five-year revolving credit agreement (the "Credit Agreement"), under which $294,000,000 was outstanding as of June 30, 2009. The applicable interest rate for borrowings under the agreement is LIBOR plus a spread, based on the Company's leverage ratio at the time of borrowing. The agreement includes covenants that could limit the Company's ability to purchase Common Stock, pay dividends, acquire other companies or dispose of its assets.

Reflecting, in each case, the effect of subsequent amendments to each agreement, the Company is required to maintain a leverage ratio of not greater than 3.50 to 1.00 under the Credit Agreement and under the Prudential Agreement. The Company is also required to maintain minimum interest coverage of 3.00 to 1.00 under each agreement. As of June 30, 2009, the Company's leverage ratio under the agreement was 2.40 to 1.00 and the interest coverage ratio was 6.59 to 1.00. The Company may purchase its Common Stock or pay dividends to the extent its leverage ratio remains at or below 3.50 to 1.00, and may make acquisitions for cash provided its

leverage ratio would not exceed 3.50 to 1.00 after giving pro forma effect to the acquisition. The Company's ability to borrow additional amounts under the credit agreement is conditional upon the absence of any defaults, as well as the absence of any material adverse change. Based on the maximum leverage ratio and the Company's consolidated EBITDA (as defined in the agreement), and without modification to any other credit agreements as of June 30, 2009, the Company would have been able to borrow an additional $167,108,000 under its credit agreements.

Indebtedness under the Note and Guaranty agreement, the convertible notes, and the revolving credit agreement is ranked equally in right of payment to all unsecured senior debt of the Company.

As of June 30, 2009, the Company issued letters of credit totaling $47,400,000 in respect of preliminary assessments for income tax contingencies.

The Company was in compliance with all debt covenants as of June 30, 2009.

Fair Value Measurements:

Financial Accounting Statement No. 157 issued by the Financial Accounting Standards Board establishes a hierarchy for inputs used in measuring fair value that maximizes the use of observable inputs and minimizes the use of unobservable inputs by requiring that the most observable inputs be used when available. The hierarchy is broken down into three general levels: Level 1 inputs are quoted prices in active markets for identical assets or liabilities; Level 2 inputs include data points that are observable such as quoted prices for similar assets or liabilities in active markets, quoted prices for identical assets or similar assets or liabilities in markets that are not active, and inputs (other than quoted prices) such as interest rates and yield curves that are observable for the asset and liability, either directly or indirectly; Level 3 inputs are unobservable data points for the asset or liability, and include situations in which there is little, if any, market activity for the asset or liability.

The following table presents the fair value hierarchy for the Company's financial assets and liabilities measured at fair value on a recurring basis as of June 30, 2009:

(in thousands)	**Total Fair Value at June 30, 2009**	**Quoted prices in active markets (Level 1)**	**Significant other observable inputs (Level 2)**	**Significant unobservable inputs (Level 3)**
Assets:				
Cash equivalents	$4,052	$4,052	-	-
Available for sale securities	709	709	-	-
Foreign currency contracts	2,040	2,040	-	-

Cash equivalents include short-term securities that are considered to be highly liquid and easily tradable. These securities are valued using inputs observable in active markets for identical securities.

Available for sale securities represent shares of common stock that are traded in an active market exchange. The shares are measured at fair value using closing stock prices and are recorded in the Consolidated Balance Sheets as Other assets. Because the securities are classified as available for sale, any resulting gain or loss is recorded to the shareholders' equity section of the balance sheet, rather than to the statements of

operations. When the security is sold or impaired, gains and losses are reported on the statement of operations. Investments are considered to be impaired when a decline in fair value is judged to be other-than-temporary.

Foreign currency contracts consist of foreign exchange forward contracts that are valued using market-based inputs obtained from independent pricing sources. The contracts are measured using market foreign exchange prices and are recorded in the Consolidated Balance Sheets as Accounts receivable. For all positions there is risk from the possible inability of the counterparties (major financial institutions) to meet the terms of the contracts and the risk of unfavorable changes in interest and currency rates, which may reduce the benefit of the contracts. However, for most forward exchange contracts, both the purchase and sale sides of the Company's exposures are with the same financial institution. The Company seeks to control risk by evaluating the creditworthiness of counterparties and by monitoring the currency exchange and interest rate markets, hedging risks in compliance with internal guidelines and reviewing all principal economic hedging contracts with designated directors of the Company.

Financial Accounting Statement No. 161 issued by the Financial Accounting Standards Board requires enhanced disclosures about derivative instruments, amending and expanding the disclosure requirements of Financial Accounting Statement No. 133 (FAS No. 133), to provide users of financial statements with enhanced understanding of (i) how and why an entity uses derivative instruments, (ii) how derivative instruments and related hedged items are accounted for under FAS No. 133 and its related interpretations, and (iii) how derivative instruments and related hedged items affect an entity's financial position, results of operations, and cash flows.

The Company operates in many geographic regions of the world, and more than half of the Company's business is in countries outside the United States. A substantial portion of the Company's sales is denominated in euros or other foreign currencies. As a result, changes in the relative values of U.S. dollars, euros and such other currencies impact reported net sales and operating income. If the value of the euro or other currencies were to decline relative to the U.S. dollar, the Company's reported net sales and operating income could decline. In some locations, the profitability of transactions is affected by the fact that sales are denominated in a currency different from the currency in which the costs to manufacture and distribute the products are denominated. These sales are typically denominated in U.S. dollars while the manufacturing costs are based mainly on local currencies, which could have a negative effect on earnings if the local currencies were to strengthen against the U.S. dollar. As a result, the Company enters into foreign currency contracts from time to time, which are generally less than 12 months in duration, in order to mitigate volatility in the Company's earnings that can be caused by changes in currency exchange rates. There were no foreign currency forward contracts designated as hedging instruments at June 30, 2009.

The following table presents foreign currency forward contract information as of June 30, 2009:

(in thousands)

		Contract Amount		
Buy currency:	**Sell currency:**	**Buy**	**Sell**	**Fair Value**
Mexican peso	U.S. dollar	$12,208	$13,658	$1,450
Australian dollar	U.S. dollar	3,000	3,232	232
South Korean won	U.S. dollar	3,912	4,270	358

12. Contingencies

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

Albany was defending against 16,060 claims as of July 23, 2009. This compares with 16,818 such claims as of May 1, 2009, 17,854 claims as of February 6, 2009, 18,385 claims as of October 27, 2008, 18,462 claims as of July 25, 2008, 18,529 claims as of May 2, 2008, 18,789 claims as of February 1, 2008, 18,791 claims as of October 19, 2007, 18,813 claims as of July 27, 2007, 19,120 claims as of April 27, 2007, 19,388 claims as of February 16, 2007, 19,416 claims as of December 31, 2006, 24,451 claims as of December 31, 2005, 29,411 claims as of December 31, 2004, 28,838 claims as of December 31, 2003, 22,593 claims as of December 31, 2002, 7,347 claims as of December 31, 2001, 1,997 claims as of December 31, 2000, and 2,276 claims as of December 31, 1999. These suits allege a variety of lung and other diseases based on alleged exposure to products previously manufactured by Albany. The following table sets forth the number of claims filed, the number of claims settled, dismissed or otherwise resolved, and the aggregate settlement amount during the periods presented:

Year ended December 31,	*Opening Number of claims*	*Claims Dismissed, Settled or Resolved*	*New Claims*	*Closing Number of Claims*	*Amounts Paid (thousands) to Settle or Resolve ($$)*
2005	*29,411*	*6,257*	*1,297*	*24,451*	*504*
2006	*24,451*	*6,841*	*1,806*	*19,416*	*3,879*
2007	*19,416*	*808*	*190*	*18,798*	*15*
2008	*18,798*	*523*	*110*	*18,385*	*52*
2009 to date	*18,385*	*2,358*	*33*	*16,060*	*78*

(The data reported in the above table (as well as elsewhere in this report) does not reflect a significant number of additional dismissals that have been granted in recent weeks but which the Company has not yet been able to reflect in its databases.)

Albany anticipates that additional claims will be filed against it and related companies in the future, but is unable to predict the number and timing of such future claims. These suits typically involve claims against from twenty to more than two hundred defendants, and the complaints usually fail to identify the plaintiffs' work history or the nature of the plaintiffs' alleged exposure to Albany's products. Pleadings and discovery responses in those cases in which work histories have been provided indicate claimants with paper mill exposure in approximately 10% of the total claims filed against Albany, and only a portion of those claimants have alleged time spent in a paper mill to which Albany is believed to have supplied asbestos-containing products.

As of July 23, 2009, approximately 11,358 of the claims pending against Albany were pending in Mississippi. Of these, approximately 10,816 are in federal court, at the multidistrict litigation panel ("MDL"), either through removal or original jurisdiction. (In addition to the 10,816 Mississippi claims pending against the Company at the MDL, there are approximately 509 claims pending against the Company at the MDL removed from various United States District Courts in other states.)

On May 31, 2007 the MDL issued an administrative order that required each MDL plaintiff to provide detailed information regarding, among other things, the alleged asbestos-related medical diagnoses. The order did not require exposure information with this initial filing. The deadline for submission of such filings was December 1, 2007, but the process continued for several months thereafter with defense counsel monitoring filing obligations and reviewing the submissions for compliance. On December 23, 2008, the MDL issued another administrative order providing a mechanism whereby defendants could seek dismissals against plaintiffs who failed to comply with the prior administrative order. The deadline for such motions was originally set as January 31, 2009, but was amended when the court began scheduling hearings based upon the original jurisdiction of the underlying claim. Filing deadlines were set as 30 days prior to the hearing dates, which were scheduled beginning in April 2009. The Company has already begun to see dismissals as a result of this procedure, including some which have yet to be fully processed and therefore not reflected in the table above. At this point, the Company cannot currently predict how many more dismissals will be granted through this process. Also in April 2009, the MDL also ordered that the claims of individual plaintiffs in mass joinder cases be severed and that the severed plaintiffs re-file their claims, accompanied by payment of the statutory filing fee. It is unclear how many of the severed plaintiffs will re-file their claims, though it can be expected that some claims will be abandoned.

With respect to the remaining claims where plaintiffs have complied with the original administrative order, the MDL expects to begin conducting settlement conferences, at which time the plaintiffs will be required to submit short position statements setting forth exposure information. The MDL has not yet begun the process of scheduling the settlement conferences, but it has instituted a procedure by which plaintiffs may request remand of their claims back to the court of original jurisdiction for trial. Since a settlement conference is a prerequisite to remand, it is expected that institution of this procedures will expedite the requests for settlement conferences. The Company believes that the effects of these administrative orders may not be fully known or realized for some time.

Based on past experience, communications from certain plaintiffs' counsel, and the advice of the Company's Mississippi counsel, the Company expects the percentage of Mississippi claimants able to demonstrate time spent in a paper mill to which Albany supplied asbestos-containing products during a period in which Albany's asbestos-containing products were in use to be considerably lower than the total number of claims still pending. However, due to the still large number of inactive claims pending in the MDL and the lack of alleged exposure information, the Company does not believe a meaningful estimate can be made regarding the range of possible loss with respect to these remaining claims.

As of July 23, 2009, the remaining 4,702 claims pending against Albany were pending in states other than Mississippi. Pleadings and discovery responses in those cases in which work histories have been provided indicate claimants with paper mill exposure in approximately 25% of total claims reported, and only a portion of those claimants have alleged time spent in a paper mill to which Albany is believed to have supplied asbestos-containing products. For these reasons, the Company expects the percentage of these remaining claimants able to demonstrate time spent in a paper mill to which Albany supplied asbestos-containing products during a period in which Albany's asbestos-containing products were in use to be considerably lower than the total number of pending claims. In addition, over half of these remaining non-Mississippi claims have not provided any disease information. Detailed exposure and disease information sufficient meaningfully to estimate a range of possible loss of a particular claim is typically not available until late in the discovery process, and often not until a trial date is imminent and a settlement demand has been received. For these reasons, the Company does not believe a meaningful estimate can be made regarding the range of possible loss with respect to these remaining claims.

It is the position of Albany and the other paper machine clothing defendants that there was insufficient exposure to asbestos from any paper machine clothing products to cause asbestos-related injury to any

plaintiff. Furthermore, asbestos contained in Albany's synthetic products was encapsulated in a resin-coated yarn woven into the interior of the fabric, further reducing the likelihood of fiber release. While the Company believes it has meritorious defenses to these claims, it has settled certain of these cases for amounts it considers reasonable given the facts and circumstances of each case. The Company's insurer, Liberty Mutual, has defended each case and funded settlements under a standard reservation of rights. As of July 23, 2009, the Company had resolved, by means of settlement or dismissal, 24,404 claims. The total cost of resolving all claims was $6,836,000. Of this amount, $6,791,000, or 99%, was paid by the Company's insurance carrier. The Company has approximately $130 million in confirmed insurance coverage that should be available with respect to current and future asbestos claims, as well as additional insurance coverage that it should be able to access.

Brandon Drying Fabrics, Inc.

Brandon Drying Fabrics, Inc. ("Brandon"), a subsidiary of Geschmay Corp., which is a subsidiary of the Company, is also a separate defendant in many of the asbestos cases in which Albany is named as a defendant. Brandon was defending against 8,139 claims as of July 23, 2009. This compares with 8,604 such claims as of May 1, 2009, 8,607 claims as of February 6, 2009, 8,664 such claims as of October 27, 2008, 8,672 claims as of July 25, 2008, 8,689 claims as of May 2, 2008, 8,741 claims as of February 1, 2008 and October 19, 2007, 9,023 claims as of July 27, 2007, 9,089 claims as of April 27, 2007, 9,189 claims as of February 16, 2007, 9,114 claims as of December 31, 2006, 9,566 claims as of December 31, 2005, 9,985 claims as of December 31, 2004, 10,242 claims as of December 31, 2003, 11,802 claims as of December 31, 2002, 8,759 claims as of December 31, 2001, 3,598 claims as of December 31, 2000, and 1,887 claims as of December 31, 1999. The following table sets forth the number of claims filed, the number of claims settled, dismissed or otherwise resolved, and the aggregate settlement amount during the periods presented:

Year ended December 31,	*Opening Number of claims*	*Claims Dismissed, Settled or Resolved*	*New Claims*	*Closing Number of Claims*	*Amounts Paid (thousands) to Settle or Resolve ($$)*
2005	*9,985*	*642*	*223*	*9,566*	*0*
2006	*9,566*	*1182*	*730*	*9,114*	*0*
2007	*9,114*	*462*	*88*	*8,740*	*0*
2008	*8,740*	*86*	*10*	*8,664*	*0*
2009 to date	*8,664*	*528*	*3*	*8,139*	*0*

(The data reported in the above table (as well as elsewhere in this report) does not reflect a significant number of additional dismissals that have been granted in recent weeks but which the Company has not yet been able to reflect in its databases.)

The Company acquired Geschmay Corp., formerly known as Wangner Systems Corporation, in 1999. Brandon is a wholly-owned subsidiary of Geschmay Corp. In 1978, Brandon acquired certain assets from Abney Mills ("Abney"), a South Carolina textile manufacturer. Among the assets acquired by Brandon from Abney were assets of Abney's wholly-owned subsidiary, Brandon Sales, Inc. which had sold, among other things, dryer fabrics containing asbestos made by its parent, Abney. It is believed that Abney ceased production of asbestos-containing fabrics prior to the 1978 transaction. Although Brandon manufactured and sold dryer fabrics under its own name subsequent to the asset purchase, none of such fabrics contained asbestos. Under the terms of the Assets Purchase Agreement between Brandon and Abney, Abney agreed to indemnify, defend, and hold Brandon harmless from any actions or claims on account of products manufactured by Abney and its related corporations prior to the date of the sale, whether or not the product was sold subsequent to the date of the sale. It appears that Abney has since been dissolved. Nevertheless, a representative of Abney has been notified of the pendency of these actions and demand has been made that it assume the defense of

these actions. Because Brandon did not manufacture asbestos-containing products, and because it does not believe that it was the legal successor to, or otherwise responsible for obligations of Abney with respect to products manufactured by Abney, it believes it has strong defenses to the claims that have been asserted against it. In some instances, plaintiffs have voluntarily dismissed claims against it, while in others it has entered into what it considers to be reasonable settlements. As of July 23, 2009, Brandon has resolved, by means of settlement or dismissal, 9,439 claims for a total of $152,499. Brandon's insurance carriers initially agreed to pay 88.2% of the total indemnification and defense costs related to these proceedings, subject to the standard reservation of rights. The remaining 11.8% of the costs had been borne directly by Brandon. During 2004, Brandon's insurance carriers agreed to cover 100% of indemnification and defense costs, subject to policy limits and the standard reservation of rights, and to reimburse Brandon for all indemnity and defense costs paid directly by Brandon related to these proceedings.

As of July 23, 2009, 6,821 (or approximately 84%) of the claims pending against Brandon were pending in Mississippi. For the same reasons set forth above with respect to Albany's Mississippi and other claims, as well as the fact that no amounts have been paid to resolve any Brandon claims since 2001, the Company does not believe a meaningful estimate can be made regarding the range of possible loss with respect to these remaining claims.

Mount Vernon

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

While the Company does not believe, based on currently available information and for the reasons stated above, that a meaningful estimate of a range of possible loss can be made with respect to such claims, based on its understanding of the insurance policies available, how settlement amounts have been allocated to various policies, its settlement experience, the absence of any judgments against the Company or Brandon, the ratio of paper mill claims to total claims filed, and the defenses available, the Company currently does not anticipate any material liability relating to the resolution of the aforementioned pending proceedings in excess of existing insurance limits. Consequently, the Company currently does not anticipate, based on currently available information, that the ultimate resolution of the aforementioned proceedings will have a material adverse effect on the financial position, results of operations or cash flows of the Company. Although the Company cannot predict the number and timing of future claims, based on the foregoing factors and the trends in claims against it to date, the Company does not anticipate that additional claims likely to be filed against it in the future will have a material adverse effect on its financial position, results of operations, or cash flows. The Company is aware that litigation is inherently uncertain, especially when the outcome is dependent primarily on determinations of factual matters to be made by juries. The Company is also aware that numerous other defendants in asbestos cases, as well as others who claim to have knowledge and expertise on the subject, have found it difficult to anticipate the outcome of asbestos litigation, the volume of future asbestos claims, and the anticipated settlement values of those claims. For these reasons, there can be no assurance that the foregoing conclusions will not change.

13. Changes in Stockholders' Equity

The following table summarizes changes in Stockholders' Equity:

(in thousands)	Class A Common Stock	Class B Common Stock	Additional paid in capital	Retained earnings	Accumulated items of other comprehensive income	Treasury stock	Total Shareholders' Equity
December 31, 2008	$35	$3	$363,918	$429,804	($101,953)	($258,871)	$432,936
Net (loss)	-	-	-	(31,641)	-	-	(31,641)
Shares contributed to ESOP	1	-	1,926	-	-	-	1,927
Dividends declared	-	-	-	(7,301)	-	-	(7,301)
Stock option expense	-	-	70	-	-	-	70
Compensation paid or payable in Class A Common Stock	-	-	1,428	-	-	-	1,428
Convertible notes purchased	-	-	(5,326)	-	-	-	(5,326)
Settlement of equity related tax issues	-	-	19,658	-	-	-	19,658
Amortization of adjustment of pension liability	-	-	-	-	581	-	581
Cumulative translation adjustment/other	-	-	(216)	-	17,410	572	17,766
June 30, 2009	$36	$3	$381,458	$390,862	($83,962)	($258,299)	$430,098

14. Comprehensive Income/(Loss)

Comprehensive income/(loss) consists of the following:

(in thousands)	Three Months Ended June 30, 2009	Three Months Ended June 30, 2008	Six Months Ended June 30, 2009	Six Months Ended June 30, 2008
Net (loss)/income	($12,744)	$5,253	($31,641)	$3,157
Other comprehensive income, before tax:				
Foreign currency translation adjustments	79,771	4,355	17,410	40,688
Amortization of pension liability adjustment	953	371	953	742
Pension and postretirement liability adjustments	-	(1,385)	-	(6,127)
Derivative valuation adjustment	-	414	-	(9,479)
Income taxes related to items of other comprehensive income:				
Amortization of pension liability adjustment	(372)	(145)	(372)	(290)
Pension and postretirement liability adjustments	-	540	-	2,362
Derivative valuation adjustment	-	(628)	-	3,246
Other comprehensive income, net of tax	80,352	3,522	17,991	31,142
Comprehensive income/(loss)	$67,608	$8,775	($13,650)	$34,299

15. Recent Accounting Pronouncements

In December 2008, the FASB issued FASB Staff Position (FSP) No.132 (R)-1, “Employers’ Disclosures about Pensions and Other Postretirement Benefits” (FSP 132R-1). FSP 132R-1 requires enhanced disclosures about the plan assets of a Company’s defined benefit pension and other postretirement plans. The enhanced disclosures required by this FSP are intended to provide users of financial statements with a greater understanding of: (1) how investment allocation decisions are made, including the factors that are pertinent to an understanding of investment policies and strategies; (2) the major categories of plan assets; (3) the inputs and valuation techniques used to measure the fair value of plan assets; (4) the effect of fair value measurements using significant unobservable inputs (Level 3) on changes in plan assets for the period; and (5) significant concentrations of risk within plan assets. FSP No. FAS 132(R)-1 is effective for financial statements issued for fiscal years ending after December 15, 2009. It is expected that the adoption of FSP No. FAS 132(R)-1 will not have a material effect on the Company’s financial statements.

In April 2009, the FASB issued FSP No. FAS 157-4, “Determining Fair Value When the Volume and Level of Activity for the Asset or the Liability Have Significantly Decreased and Identifying Transactions That Are Not Orderly”. FSP No. FAS 157-4 amends SFAS No. 157 to provide additional guidance on (i) estimating fair value when the volume and level of activity for an asset or liability have significantly decreased in relation to normal market activity for the asset or liability, and (ii) circumstances that may indicate that a transaction is not orderly. FSP No. FAS 157-4 also requires additional disclosures about fair value measurements in interim and annual reporting periods. FSP No. FAS 157-4 is effective for interim and annual reporting periods ending after June 15, 2009. The Company’s adoption of this Standard did not have a material effect on its financial statements.

In April 2009, the FASB issued FSP No. FAS 115-2 and FAS 124-2, “Recognition and Presentation of Other-Than-Temporary Impairments” (“FSP No. FAS 115-2”). FSP No. FAS 115-2 provides additional guidance on the timing of impairment recognition and greater clarity about the credit and noncredit components of impaired debt securities that are not expected to be sold. FSP No. FAS 115-2 also requires additional disclosures about impairments in interim and annual reporting periods. FSP No. FAS 115-2 is effective for interim and annual reporting periods ending after June 15, 2009. The Company’s adoption of this Standard did not have a material effect on its financial statements.

In April 2009, the FASB issued FSP No. FAS 107-1 and APB 28-1, “Interim Disclosures about Fair Value of Financial Instruments”. FSP No. FAS 107-1 and APB 28-1 amends SFAS No. 107, Disclosures about Fair Value of Financial Instruments, to require disclosures about fair value of financial instruments in interim as well as in annual financial statements. This FSP also amends Accounting Principles Board (“APB”) Opinion No. 28, Interim Financial Reporting, to require those disclosures in all interim financial statements. FSP No. FAS 107-1 and APB 28-1 is effective for interim reporting periods ending after June 15, 2009. The Company’s adoption of this Standard did not have a material effect on its financial statements.

In May 2009, the FASB issued Statement No. 165, “Subsequent Events” (“SFAS 165”), which establishes general standards of accounting for, and requires disclosure of, events that occur after the balance sheet date but before financial statements are issued or are available to be issued. The provisions of SFAS 165 were adopted for the quarter ended June 30, 2009. The adoption of these provisions did not have a material effect on the Company’s consolidated financial statements.

In June 2009, the FASB issued Statement No. 166, “Accounting for Transfers of Financial Assets, an amendment to FASB Statement No. 140” (“SFAS 166”). SFAS 166 eliminates the concept of a “qualifying special-purpose entity,” changes the requirements for derecognizing financial assets, and requires additional disclosures in order to enhance information reported to users of financial statements by providing greater

transparency about transfers of financial assets, including securitization transactions, and an entity's continuing involvement in and exposure to the risks related to transferred financial assets. SFAS 166 is effective for fiscal years beginning after November 15, 2009. The Company expects that adoption of SFAS 166 in fiscal year 2010 will not have a material effect on its financial statements.

In June 2009, the FASB issued Statement No. 167, "Amendments to FASB Interpretation No. 46(R)" ("SFAS 167"). The amendments include: (1) the elimination of the exemption for qualifying special purpose entities, (2) a new approach for determining who should consolidate a variable-interest entity, and (3) changes to when it is necessary to reassess who should consolidate a variable-interest entity. SFAS 167 is effective for the first annual reporting period beginning after November 15, 2009 and for interim periods within that first annual reporting period. The Company expects that adoption of SFAS 167 in fiscal year 2010 will not have a material effect on its financial statements.

In June 2009, the FASB issued Statement No. 168, "The FASB Accounting Standards Codification and the Hierarchy of Generally Accepted Accounting Principles- a replacement of FASB Statement No. 162" ("SFAS 168"). SFAS 168 replaces FASB Statement No. 162, The Hierarchy of Generally Accepted Accounting Principles, and establishes the FASB Accounting Standards Codification™ (the Codification) as the source of authoritative accounting principles recognized by the FASB to be applied by nongovernmental entities in the preparation of financial statements in conformity with generally accepted accounting principles (GAAP). SFAS 168 is effective for interim and annual periods ending after September 15, 2009. The Company will begin to use the new Codification when referring to GAAP in its Form 10-Q for the quarter ending September 30, 2009. The Company expects that adoption of SFAS 168 will not have a material effect on its financial statements.

ITEM 2. MANAGEMENT’S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following Management’s Discussion and Analysis (“MD&A”) is intended to help the reader understand the results of operations and financial condition of the Company. The MD&A is provided as a supplement to, and should be read in conjunction with, the Company’s Consolidated Financial Statements and the accompanying Notes.

Overview

Albany International Corp. (the Registrant, the Company, or we) and its subsidiaries are engaged in five business segments.

The Paper Machine Clothing segment includes fabrics and belts used in the manufacture of paper and paperboard (PMC or paper machine clothing). The Company designs, manufactures, and markets paper machine clothing for each section of the paper machine. It manufactures and sells more paper machine clothing worldwide than any other company. PMC consists of large permeable and non-permeable continuous belts of custom-designed and custom-manufactured engineered fabrics that are installed on paper machines and carry the paper stock through each stage of the paper production process. PMC products are consumable products of technologically sophisticated design that utilize polymeric materials in a complex structure. The design and material composition of PMC can have a considerable effect on the quality of paper products produced and the efficiency of the paper machines on which it is used. Principal products in the PMC segment include forming, pressing and dryer fabrics, and process belts. A forming fabric assists in sheet formation and conveys the very dilute sheet through the section. Press fabrics are designed to carry the sheet through the presses, where water pressed from the sheet is carried through the press nip in the fabric. In the dryer section, dryer fabrics manage air movement and hold the sheet against heated cylinders to enhance drying. Process belts are used in the press section to increase dryness and enhance sheet properties, as well as in other sections of the machine to improve runnability and enhance sheet qualities. The Company’s customers in the PMC segment are paper industry companies, some of which operate in multiple regions of the world. The Company’s products, manufacturing processes and distribution channels for PMC are substantially the same in each region of the world in which it operates.

Albany Door Systems (ADS) designs, manufactures, sells, and services high-speed, high-performance industrial doors worldwide, for a wide range of interior, exterior, and machine protection industrial applications. Already a high performance door leader, ADS added to its product offerings through its acquisitions of Aktor GmbH in 2008 and R-Bac Industries in 2007. The business segment also derives revenue from aftermarket sales and service.

The Company’s other reportable segments are emerging businesses that apply the Company’s core competencies in advanced textiles and materials to other industries, including specialty materials and composite structures for aircraft and other applications (Albany Engineered Composites); a variety of products similar to PMC for application in the corrugators, pulp, nonwovens, building products, tannery and textile industries (Albany Engineered Fabrics); and insulation for outdoor clothing, gloves, footwear, sleeping bags and home furnishings (PrimaLoft® Products). No class of similar products or services within these segments accounted for 10% or more of the Company’s consolidated net sales in any of the past three years.

Trends

The Company's primary segment, Paper Machine Clothing, accounted for approximately 67% of consolidated revenues during 2008. Paper machine clothing is purchased primarily by manufacturers of paper and paperboard. According to data published by RISI, Inc., world paper and paperboard production volumes grew at an annual rate of approximately 2.6% between 1999 and 2008. However, recent economic changes have led to uncertainty about paper and paperboard production volumes in the near term.

The paper and paperboard industry has been characterized by an evolving but essentially stable manufacturing technology based on the wet-forming papermaking process. This process, of which paper machine clothing is an integral element, requires a very large capital investment. Consequently, management does not believe that a commercially feasible substitute technology to paper machine clothing is likely to be developed and incorporated into the paper production process by paper manufacturers in the foreseeable future. For this reason, management expects that demand for paper machine clothing will continue into the foreseeable future.

The world paper and paperboard industry tends to be cyclical, with periods of healthy paper prices followed by increases in new capacity, which then leads to increased production and higher inventories of paper and paperboard, followed by a period of price competition and reduced profitability among the Company's customers. Although sales of paper machine clothing do not tend to be as cyclical, the Company may experience somewhat greater demand during periods of increased production and somewhat reduced demand during periods of lesser production.

The world paper and paperboard industry has experienced a significant period of consolidation and rationalization since 2000. During this period, a number of older, less efficient machines in areas where significant established capacity existed were closed or were the subject of planned closure announcements, while at the same time a number of newer, faster and more efficient machines began production or plans for the installation of such newer machines were announced in areas of growing demand for paper and paperboard (such as Asia and South America). Management anticipates that this trend is likely to continue in the near term.

At the same time, technological advances in paper machine clothing, while contributing to the papermaking efficiency of customers, have lengthened the useful life of many of the Company's products and reduced the number of pieces required to produce the same volume of paper. As the Company introduces new value creating products and services, it is often able to charge higher prices or increase market share in certain areas as a result of these improvements. However, increased prices and share have not always been sufficient to offset completely a decrease in the number of fabrics sold.

The factors described above result in a steady decline in the number of pieces of paper machine clothing, while the average fabric size is increasing. The net effect of these trends in recent years was that the specific volume of paper machine clothing consumption (measured in kilograms or square meters) had been increasing at a rate of approximately 1% per year. For the first six months of 2009, however, the global recession contributed to a reduction of 26% in the Company's PMC sales, compared to the same period in 2008. Although there is evidence that the decline in sales has reached the bottom in some regions and some product lines, the Company is unable to determine whether overall consumption of PMC will increase or decrease in the short term.

During 2006, the Company reported that price competition in Western Europe had an adverse impact on the Company's operating results in the PMC segment. In the third and fourth quarters of 2006, and in the first two quarters of 2007, sales of paper machine clothing to customers in Western Europe were significantly lower

than the same quarter of the previous year. This also contributed to reduced operating income within this segment, as well as overall operating income, during those quarters.

The Company's response to that pricing disruption was to initiate a deliberate, intensive three-year process of restructuring and performance improvement initiatives. In PMC, the Company's strategy has been to offset the impacts of the maturation of the North American and Western European markets by (a) growing volume in these mature markets, (b) growing with the emerging markets in Asia and South America, and (c) reducing costs significantly through a company-wide, three-year restructuring and performance improvement program.

During this process of adjusting its manufacturing footprint to align with these regional markets, the Company has incurred restructuring charges. Specific charges reported have been incurred in connection with the reduction of PMC manufacturing capacity in the United States, Canada, Germany, Finland, France and Australia, and Doors segment manufacturing in Sweden and Germany. The Company has also incurred costs for idle capacity and equipment relocation that are related to the shutdown of these plants, and underutilized costs related to the new PMC plant in China. Expenses related to these items are included in "Cost of Goods Sold". In addition, the Company also incurred restructuring charges related to the centralization of PMC administrative functions in Europe, and reorganization of the Company's research and development function that has improved the Company's ability to bring value-added products to market faster.

In addition to these restructuring and restructuring-related activities, management has launched significant cost reduction and performance improvement initiatives. In 2006, the Company announced a plan to migrate its global enterprise resource planning system to SAP, and began a strategic procurement initiative designed to establish a world-class supply chain organization and processes that would lead to significant cost savings. Expenses incurred in connection with these actions are included in Selling Technical, General and Research (STG&R) expenses. These expenses were not allocated to the reportable segments because they are Corporate-wide initiatives.

The Company expects its three-year plan of restructuring and performance improvement initiatives to come to a conclusion by the end of 2009. The only remaining planned process improvement initiatives that will run through 2010 will be the conversion of the Company's Eurasia and Brazilian operations to SAP, and the relocation of equipment related to recent restructuring announcements.

The Albany Door Systems segment derives most of its revenue from the sale of high-performance doors, particularly to customers in Europe. The purchase of these doors is normally a capital expenditure item for customers and, as such, market opportunities tend to fluctuate with industrial capital spending. If economic conditions weaken, customers may reduce levels of capital expenditures, which could have a negative effect on sales and earnings in the Albany Door Systems segment. The Company's response to this trend includes expansion of its aftermarket business which tends to be more profitable than sales of new doors. The large amount of revenue derived from sales and manufacturing outside the United States could cause the reported financial results for the Albany Door Systems segment to be more sensitive than the other segments of the Company to changes in currency rates. Orders for new doors began to drop off at the end of the year and into January, and the Company experienced a substantial decline in product and aftermarket sales in the first half of 2009. Accordingly, the Company has been taking steps, across the business, to accelerate structural changes that permanently reduce costs.

The Engineered Fabrics segment derives its revenue from various industries that use fabrics and belts for industrial applications other than the manufacture of paper and paperboard. Approximately 40% of revenue in this segment is derived from sales to the nonwovens industry, which includes the manufacture of diapers, personal care and household wipes, and fiberglass-reinforced roofing shingles. Approximately 30% of segment revenue is derived from sales to markets that are adjacent to the paper industry, and 20% of revenue is derived from the building products market. Segment sales in the European and Pacific regions combined

are almost at the same level as sales within the Americas. Sales in the first half of 2009 were 22% lower than the same quarter of 2008, and management expects the top line weakness to continue through 2009, reflecting the effects of the global recession.

The Engineered Composites segment (AEC) serves primarily the aerospace industry, with custom-designed composite and advanced composite parts for static and dynamic applications. AEC has experienced significant growth in net sales during the last few years, due both to the introduction of new products as well as growth in demand and application for previously existing products. The global recession is forcing many of AEC's customers to sharply curtail production, which has led to a sharp decline in segment sales and operating income.

The PrimaLoft® Products segment includes sales of insulation for outdoor clothing, gloves, footwear, sleeping bags, and home furnishings. The segment has manufacturing and sales operations in the United States, Europe, and Asia. Reflecting global economic pressures, segment sales for the first half of 2009 were 6.5 percent lower than the same period of 2008.

Foreign Currency

The Company operates in many geographic regions of the world, and more than half of the Company's business is in countries outside the United States. A substantial portion of the Company's sales is denominated in euros or other foreign currencies. As a result, changes in the relative values of U.S. dollars, euros and such other currencies impact reported net sales and operating income. If the value of the euro or other currencies were to decline relative to the U.S. dollar, the Company's reported net sales and operating income could decline. In some locations, the profitability of transactions is affected by the fact that sales are denominated in a currency different from the currency in which the costs to manufacture and distribute the products are denominated. These sales are typically denominated in U.S. dollars while the manufacturing costs are based mainly on local currencies, which could have a negative effect on earnings if the local currencies were to strengthen against the U.S. dollar. As a result, the Company enters into foreign currency contracts from time to time, which are generally less than 12 months in duration, in order to mitigate volatility in the Company's earnings that can be caused by changes in currency exchange rates. There were no foreign currency forward contracts designated as hedging instruments at June 30, 2009.

Review of Operations

Total Company – three months ended June 30, 2009

In Q1 2009, the Company modified its business segment reporting by reclassifying global information systems expenses from each of the segments to unallocated expenses. Also during that quarter, the Company implemented Financial Accounting Standards Board Staff Position No. APB 14-1 (FSP 14-1). Prior year data has been modified to conform to the current year presentation. The Company filed a Form 8-K on May 1, 2009 with reclassified segment data and restated income statement and balance sheet items for quarterly periods in 2008, as well as annual data for 2006, 2007, and 2008.

Net sales were $212.6 million, an increase of 1.6 percent compared to Q1 2009 and a decrease of 28.5 percent compared to Q2 2008. Excluding the effect of changes in currency translation rates, net sales in Q2 2009 decreased 23.0 percent as compared to Q2 2008, as shown in Table 1 below:

Table 1

	Net Sales Three Months ended June 30,				
(in thousands)	2009	2008	Percent Change	Impact of Changes in Currency Translation Rates	Percent Change excluding Currency Rate Effect
Paper Machine Clothing	$145,533	$199,477	-27.0%	($9,247)	-22.4%
Albany Door Systems	30,530	48,845	-37.5	(4,225)	-28.8
Engineered Fabrics	21,629	27,255	-20.6	(2,330)	-12.1
Engineered Composites	7,379	13,977	-47.2	-	-47.2
PrimaLoft® Products	7,488	7,647	-2.1	(341)	2.4
Total	$212,559	$297,201	-28.5%	($16,143)	-23.0%

Gross profit was 32.4 percent of net sales in Q2 2009, compared to 34.7 percent in the same period of 2008. Cost-reduction initiatives helped to offset the effects of lower sales. As described in the paragraphs that follow Table 4, costs associated with idle-capacity and performance-improvement initiatives were $6.2 million in Q2 2009 and $7.9 million in Q2 2008.

Selling, technical, general, and research (STG&R) expenses were $64.6 million, or 30.4 percent of net sales, in Q2 2009 in comparison to $86.9 million or 29.3 percent of net sales in Q2 2008. Changes in currency translation rates had the effect of decreasing STG&R expenses by $6.9 million in comparison to Q2 2008. Q2 STG&R expenses include costs related to performance-improvement initiatives totaling $1.4 million in 2009 and $7.9 million in 2008. Revaluation of non-functional currency assets and liabilities resulted in losses of $1.7 million in Q2 2009 and $0.5 million in Q2 2008.

STG&R expenses were $67.6 million, or 32.3 percent of net sales, in Q1 2009. Q1 2009 STG&R expenses included costs related to performance-improvement initiatives totaling $2.2 million. Revaluation of non-functional currency assets and liabilities resulted in a gain of $1.9 million in Q1 2009.

Operating income/loss was a loss of $29.6 million in Q2 2009, compared to income of $14.5 million for the same period of 2008.

The following table presents Q2 segment operating income:

Table 2

(in thousands)	Operating (loss)/income Three Months ended June 30,	
	2009	2008
Paper Machine Clothing	($8,732)	$31,231
Albany Door Systems	(1,639)	4,836
Engineered Fabrics	837	3,880
Engineered Composites	(2,372)	(217)
PrimaLoft® Products	2,594	1,718
Research expenses	(5,767)	(8,288)
Unallocated expenses	(14,476)	(18,634)
Total	($29,555)	$14,526

Q2 segment operating income included the following expenses associated with restructuring and performance-improvement initiatives:

Table 3

(in thousands)	Q2 2009			
	Restructuring and Other, Net	Idle-capacity Costs	Performance-improvement Initiatives	Total
Paper Machine Clothing	$27,923	$3,099	$2,781	$33,803
Albany Door Systems	1,900	-	99	1,999
Engineered Fabrics	2,515	-	-	2,515
Engineered Composites	110	-	205	315
PrimaLoft® Products	19	-	-	19
Research expenses	-	-	-	-
Unallocated expenses	1,343	-	1,374	2,717
Total	$33,810	$3,099	$4,459	$41,368

Table 4

(in thousands)	Q2 2008			
	Restructuring and Other, Net	Idle-capacity Costs	Performance-improvement Initiatives	Total
Paper Machine Clothing	$628	$1,735	$7,225	$9,587
Albany Door Systems	322	-	78	400
Engineered Fabrics	-	-	-	-
Engineered Composites	-	-	-	-
PrimaLoft® Products	-	-	-	-
Research expenses	1,827	-	-	1,827
Unallocated expenses	(1,045)	-	6,759	5,714
Total	$1,732	$1,735	$14,062	$17,528

Q2 2009 restructuring costs totaled $33.8 million and included charges related to restructuring announced in June and July 2009. The Company has not yet completed a review for potential asset impairment associated with these recent announcements, and expects that review to result in non-cash restructuring charges in the third quarter.

Q2 2009 idle-capacity costs of $3.1 million were related to previously announced restructuring at PMC plants in the U.S. and Europe. As a result of the recent restructuring announcements, the Company expects idle-capacity costs to continue at least through the next two quarters.

Q2 2009 performance-improvement initiatives totaled $4.5 million, of which $3.1 million was reported in cost of goods sold, and $1.4 million was reported in STG&R expenses. Items reported in cost of goods sold include $1.3 million for equipment relocation and $1.1 million related to underutilized capacity at the new plant in Hangzhou, China. Included in underutilized expense and idle-capacity costs was $0.9 million of depreciation expense. Performance-improvement costs reported as STG&R expenses included $1.4 million related to the ongoing implementation of SAP.

Q2 2008 costs for restructuring and performance-improvement initiatives amounted to $17.5 million, of which $1.7 million was reported as restructuring, $7.9 million was included in cost of goods sold, and $7.9 million was included in STG&R expenses.

Cost reduction initiatives contributed to an improvement of $3.7 million in Q2 2009 Adjusted EBITDA, compared with Q1 2009. The Company estimates that cost reduction initiatives announced to date will contribute to an improvement in Adjusted EBITDA of $3.0 million per quarter by Q4 2009, growing to $7.0 million per quarter by Q2 2010. These estimates assume all other factors that influence EBITDA such as sales, currency, and inflation remain constant.

Research expense decreased $2.5 million due to reductions from restructuring and cost reduction initiatives. Unallocated expenses decreased by $4.2 million principally due to lower restructuring and performance expenses.

Interest expense increased to $6.1 million for Q2 2009, compared with $5.9 million for Q2 2008. The increase is due to slightly higher average levels of debt outstanding during 2009.

Other income/expense, net was income of $37.2 million in Q2 2009, including a $36.6 million or $0.73 per share gain on extinguishment of debt and income of $1.2 million related to revaluation of non-functional currency intercompany balances. Other income/expense, net was expense of $2.1 million for Q2 2008. Other income/expense, net was expense of $0.2 million in Q1 2009, including a $2.8 million or $0.06 per share gain on extinguishment of debt, which was partially offset by losses totaling $1.5 million related to revaluation of non-functional currency intercompany balances.

Q2 2009 income tax benefit/expense includes a provision of $14.3 million related to the gain on extinguishment of debt. Additionally, Q2 2009 results include a discrete tax charge of $0.7 million or $0.02 per share, and an income tax benefit in the quarter related to a change in the estimated tax rate that increased earnings by $2.7 million or $0.09 per share. Q2 2008 income tax expense includes discrete tax adjustments that decreased net income by $0.3 million or $0.01 per share.

Net loss per share was $0.41, after reductions of $1.04 from net restructuring charges, related idle-capacity costs, and costs related to continuing performance-improvement initiatives. A gain on extinguishment of debt increased earnings by $0.73 per share and tax adjustments increased earnings by $0.07 per share. Results for Q2 2009 also include a charge of $10 million, or $0.33 per share, representing an estimated purchase price

adjustment related to the Company’s 2008 sale of its discontinued Filtration Technologies business. The charge results from a tentative agreement between the Company and the purchaser of the Filtration Technologies business to return a portion of the original $45 million purchase price in exchange for a release of certain future claims under the related sale agreement.

Net Income per share for Q2 2008 was $0.18, after reductions of $0.47 from net restructuring charges, related idle-capacity costs, and costs related to performance-improvement initiatives and $0.01 for income tax adjustments.

Total Company – six months ended June 30, 2009

Net sales were $421.8 million, a decrease of 26.1 percent compared to the same period last year. Excluding the effect of changes in currency translation rates, net sales decreased 19.4 percent as shown in Table 5 below:

Table 5

(in thousands)	Net Sales Six Months ended June 30,		Percent Change	Impact of Changes in Currency Translation Rates	Percent Change excluding Currency Rate Effect
	2009	2008			
Paper Machine Clothing	$284,607	$382,492	-25.6%	($22,296)	-19.8%
Albany Door Systems	64,856	93,977	-31.0	(9,983)	-20.4
Engineered Fabrics	43,199	55,365	-22.0	(5,224)	-12.5
Engineered Composites	16,464	25,065	-34.3	-	-34.3
PrimaLoft® Products	12,638	13,510	-6.5	(472)	-3.0
Total	$421,764	$570,409	-26.1%	($37,975)	-19.4%

Gross profit was 32.9 percent of net sales compared to 34.7 percent in the same period of 2008. Cost-reduction initiatives helped to offset the effects of lower sales. As described in the paragraphs that follow Table 8, costs associated with idle-capacity and performance-improvement initiatives were $16.7 million in 2009 and $23.9 million in 2008.

Selling, technical, general, and research (STG&R) expenses were $132.3 million, or 31.4 percent of net sales, in 2009, in comparison to $169.3 million, or 29.7 percent of net sales, in 2008. Changes in currency translation rates had the effect of decreasing STG&R expenses by $14.7 million in comparison to 2008. STG&R expenses in 2009 include costs related to performance-improvement initiatives totaling $3.6 million in 2009 and $13.1 million in 2008. STG&R expenses were reduced by employee reductions due to restructuring activities along with reductions in travel and other expenses due to cost reduction initiatives. Revaluation of non-functional currency assets and liabilities resulted in a gain of $0.3 million in 2009 and a loss of $1.0 million in 2008.

Operating income/loss was a loss of $44.3 million compared to income of $21.7 million for the same period of 2008.

The following table presents second-quarter segment operating income:

Table 6

(in thousands)	Operating (loss)/income Six Months ended June 30,	
	2009	2008
Paper Machine Clothing	($1,471)	$53,770
Albany Door Systems	(1,411)	8,273
Engineered Fabrics	4,492	9,735
Engineered Composites	(4,880)	(2,035)
PrimaLoft® Products	3,683	2,830
Research expenses	(11,377)	(14,159)
Unallocated expenses	(33,358)	(36,708)
Total	($44,322)	$21,706

Operating income included the following expenses associated with restructuring and performance-improvement initiatives:

Table 7

(in thousands)	2009			
	Restructuring and Other, Net	Idle-capacity Costs	Performance-improvement Initiatives	Total
Paper Machine Clothing	$43,533	$6,178	$5,625	$55,336
Albany Door Systems	2,048	-	506	2,554
Engineered Fabrics	2,515	-	-	2,515
Engineered Composites	110	-	825	935
PrimaLoft® Products	61	-	-	61
Research expenses	-	-	-	-
Unallocated expenses	2,722	-	3,575	6,297
Total	$50,989	$6,178	$10,531	$67,698

Table 8

(in thousands)	2008			
	Restructuring and Other, Net	Idle-capacity Costs	Performance-improvement Initiatives	Total
Paper Machine Clothing	$7,031	$2,418	$10,547	$19,996
Albany Door Systems	322	-	213	535
Engineered Fabrics	-	-	-	-
Engineered Composites	-	-	-	-
PrimaLoft® Products	-	-	-	-
Research expenses	1,827	-	-	1,827
Unallocated expenses	(2,086)	-	10,708	8,622
Total	$7,094	$2,418	$21,468	$30,980

Restructuring costs in 2009 totaled $51.0 million and included charges related to restructuring of PMC operations in North America and Europe. Restructuring costs also included charges to restructure the Company’s Doors operations in Europe and Engineered Fabrics operations in Australia, Europe, and North America.

Idle-capacity costs in 2009 of $6.2 million were related to previously announced restructuring at PMC plants in the U.S. and Europe.

Costs associated with performance-improvement initiatives totaled $10.5 million in 2009, of which $6.9 million was reported in cost of goods sold, and $3.6 million was reported in STG&R expenses. Items reported in cost of goods sold include $3.3 million for equipment relocation and $2.9 million related to underutilized capacity at the new plant in Hangzhou, China. Included in underutilized expense and idle-capacity costs was $1.9 million of depreciation expense. Performance-improvement costs reported as STG&R expenses included $3.6 million related to the ongoing implementation of SAP.

Restructuring and performance-improvement initiatives costs in 2008 amounted to $31.0 million, of which $7.1 million was reported as restructuring, $10.9 million was included in cost of goods sold, and $13.0 million was included in STG&R expenses.

Research expense decreased $2.8 million due to reductions from restructuring and cost reduction initiatives. Unallocated expenses decreased by $3.3 million principally due to lower restructuring and performance expenses.

Interest expense increased to $11.9 million in 2009, compared with $11.3 million in 2008. The increase is due to higher average levels of debt outstanding during 2009.

Other income/expense, net was income of $37.0 million in 2009, including a $39.5 million or $0.79 per share gain on extinguishment of debt and expense of $0.7 million related to revaluation of non-functional currency intercompany balances. Other income/expense, net was expense of $1.8 million for 2008.

The effective tax rate before discrete tax items was 23% in 2009 and 20% in 2008. Included in income tax expense in 2009 includes a provision of $15.4 million related to the gain on extinguishment of debt. 2009 income tax expense also includes $0.7 million related to discrete tax items that increased earnings by $0.02 per share. Discrete tax adjustments decreased 2008 net income by $4.2 million or $0.14 per share.

Net loss per share was $1.04, after reductions of $1.71 from net restructuring charges, related idle-capacity costs, and costs related to continuing performance-improvement initiatives. A gain on extinguishment of debt increased earnings by $0.79 per share and discrete tax adjustments decreased earnings by $0.02 per share. Results in 2009 also include a charge of $10 million or $0.33 per share representing an estimated purchase price adjustment related to the Company’s 2008 sale of its discontinued Filtration Technologies business.

Net income per share for 2008 was $0.11, after reductions of $0.83 from net restructuring charges, related idle-capacity costs, and costs related to performance-improvement initiatives, and $0.14 for discrete income tax adjustments.

Paper Machine Clothing (PMC)

This segment includes Paper Machine Clothing and Process Belts used in the manufacture of paper and paperboard products.

Three months ended June 30, 2009

Q2 2009 global net sales decreased 27.0 percent compared to Q2 2008, but increased 4.6 percent compared to Q1 2009. Compared to Q1 2009, trade sales increased 2.6 percent in the Americas and 37.8 percent in Asia, while sales in Europe (in euros) declined 5.7 percent.

Cost reduction and other performance-improvement initiatives are ongoing throughout all facets of the PMC organization.

Six months ended June 30, 2009

Net sales decreased 25.6 percent compared to the same period of 2008. Excluding the effect of currency translation rates, net sales decreased 19.8 percent. The declines were primarily due to lower volume.

Gross profit as a percentage of net sales was 36.0 percent compared with 37.3 percent for 2008. The difference is principally due to lower sales offset in part by cost savings resulting from plant closings, related reductions in employee expense, and other performance-improvement initiatives. Geographically, the majority of the decline in gross profit percentage was in Europe and Asia. The decrease in those regions is principally due to the ramp-up of operations at the new plant in Hangzhou, China and an increase in idle capacity costs in Europe due to restructuring activities.

Segment operating income decreased from income of $53.8 million in 2008 to a loss of $1.5 million in 2009. Restructuring and performance improvement costs reduced operating income by $55.3 million in 2009 and $20.0 million in 2008. The remaining decrease in segment operating income is the result of lower gross margin offset by improvements in STG&R expenses due to employee reductions and cost savings initiatives.

Albany Door Systems (ADS)

This segment includes products, parts, and service sales of High Performance Doors to a variety of industrial customers.

Three months ended June 30, 2009

Compared to Q2 2008, net sales in Europe were down 32.0 percent; net sales in North America decreased 24.5 percent and net sales in Asia decreased 39.6 percent. Ongoing cost reduction initiatives resulted in a Q2 restructuring charge of $1.9 million. Operating income from aftermarket sales more than offset losses incurred by product sales.

Six months ended June 30, 2009

Net sales decreased 31.0 percent compared to the same period of 2008. Excluding the effect of currency translation rates, net sales decreased 20.4 percent. The declines were primarily due lower product sales experienced in the European and North American markets with less significant declines in aftermarket sales.

Gross profit as a percentage of net sales was 29.7 percent compared with 32.5 percent for 2008. The decrease is due to lower product and aftermarket sales. Segment operating income decreased from income of

$8.3 million in 2008 to a loss of $1.4 million in 2009. Segment operating income included restructuring and performance improvements costs of $2.6 million in 2009 and $0.5 million in 2008.

Albany Engineered Composites (AEC)

This segment includes sales of specialty materials and composite structures for aerospace and defense applications.

Three months ended June 30, 2009

Net sales decreased from $14.0 million in Q2 2008 to $7.4 million in Q2 2009, a decrease of 47.2 percent. Q2 2008 net sales included $3.1 million of sales to Eclipse Aviation. AEC reported an operating loss of $2.4 million in Q2 2009, including expenses of $0.3 million related to performance-improvement initiatives. The operating loss in Q2 2008 was $0.2 million.

Six months ended June 30, 2009

Net sales decreased from $25.1 million in 2008 to $16.5 million in 2009 or a decline of 34.3 percent. Sales during 2008 included $6.2 million in sales to Eclipse Aviation.

Gross profit as a percentage of net sales was a negative 16.6 percent compared with a positive 3.7 percent for 2008. The decrease is principally due to lower sales in 2009. Segment operating income decreased from a loss of $2.0 million in 2008 to a loss of $4.5 million in 2009. Segment operating income included restructuring and performance improvements costs of $0.9 million in 2009.

Albany Engineered Fabrics (EF)

This segment includes sales of a variety of products similar to PMC for application in the corrugator, pulp, nonwovens, building products, tannery, and textile industries.

Three months ended June 30, 2009

Compared to Q2 2008, net sales decreased 20.6 percent, while sales were flat compared to Q1 of 2009. Q2 2009 results include charges related to the restructuring of operations in Australia and Europe. Operating margins compared to Q2 2008, excluding restructuring and performance-improvement initiatives, improved due to continued efforts to reduce costs.

Six months ended June 30, 2009

Net sales decreased 22.0 percent compared to the same period of 2008. Excluding the effect of currency translation rates, net sales decreased 12.5 percent. The declines in sales were experienced throughout all product lines in the segment.

Gross profit as a percentage of net sales was 35.4 percent compared with 37.3 percent for 2008. The decrease was principally due to lower sales. Segment operating income decreased from $9.7 million in 2008 to $4.5 million in 2009. Segment operating income included restructuring and performance improvements costs of $2.5 million in 2009. The remaining decrease in operating income was the result of lower gross margin due to lower sales offset in part employee reductions due to restructuring activities.

PrimaLoft® Products

This segment includes sales of insulation for outdoor clothing, gloves, footwear, sleeping bags, and home furnishings.

Three months ended June 30, 2009

Net sales decreased 2.1 percent compared to the same period last year while the effect of cost reduction initiatives contributed to a 51.0 percent improvement in operating income.

Six months ended June 30, 2009

Net sales decreased 6.5 percent compared to the same period of 2008. Excluding the effect of currency translation rates, net sales decreased 3.0 percent.

Gross profit as a percentage of net sales was 50.7 percent compared with 47.3 percent for 2008. Segment operating income increased from $2.8 million in 2008 to $3.7 million in 2009. The increase in gross profit percentage and operating income is the result of cost reduction initiatives.

International Activities

The Company conducts more than half of its business in countries outside of the United States. As a result, the Company experiences transaction and translation gains and losses because of currency fluctuations. The Company periodically enters into foreign currency contracts to hedge this exposure (see Notes 5 and 11 of Notes to Consolidated Financial Statements). The Company believes that the risks associated with its operations and locations outside the United States are not other than those normally associated with operations in such locations.

Liquidity and Capital Resources

The Company finances its business activities primarily with cash generated from operations and borrowings, primarily under its 2.25% convertible notes issued in March 2006, 6.84% long-term indebtedness to Prudential Capital Group issued in October 2005, and its revolving credit agreement as described in Notes to Consolidated Financial Statements. Company subsidiaries outside of the United States may also maintain working capital lines with local banks, but borrowings under such local facilities tend not to be significant.

Net cash (used in)/provided by operating activities was ($3.3) million for the six months ended June 30, 2009, compared to $22.6 million for the same period of 2008

Capital spending during the second quarter of 2009 was $11.4 million, bringing the year-to-date total to $26.3 million. The Company is on track with its estimate for 2009 capital spending of $50.0 million, of which $30.0 million is a carryover from 2008. Depreciation and amortization were $14.5 million and $2.3 million for the second quarter of 2009 and are estimated to total $58.0 million and $10.0 million for 2009. For 2010, the Company expects depreciation and amortization to be close to current year levels, and for 2010 capital expenditures to be at or below depreciation.

In the second quarter the Company purchased $94.0 million principal amount of the 2.25% Convertible Senior Notes due in 2026 at a cost of $53.5 million, which had the effect of reducing debt on the balance sheet by

$29.2 million, and contributed $36.6 million to earnings. In the second quarter, the Company entered into additional transactions to purchase $30 million of the 2.25% Convertible Senior Notes in July, and $20 million of the 2.25% Convertible Senior Notes in October. The Company expects those transactions to result in gains of approximately $7 million in the third quarter, and $4 million in the fourth quarter. The combined effect of the four purchase agreements entered into by the Company in the first half of 2009 will result in the repurchase of $151.6 million principal value of convertible notes at a cost of $88.9 million, for a net reduction of $62.7 million in obligations which the Company would otherwise have been required to pay. This will reduce net debt on the balance sheet by approximately $45.0 million. After completing all of these buyback transactions, approximately $28.4 million principal value of the 2.25% Convertible Senior Notes will remain outstanding.

Earnings before interest, taxes, depreciation, and amortization (EBITDA) were $14.5 million in Q2 2009, and included expenses related to restructuring and performance-improvement initiatives totaling $40.5 million, a gain of $36.6 million related to extinguishment of debt, and a charge of $10 million representing an estimated purchase price adjustment related to the Company’s 2008 sale of its discontinued Filtration Technologies business. EBITDA for the same period last year was $28.9 million and included expenses related to restructuring and performance-improvement initiatives totaling $16.9 million.

Adjusted EBITDA was $28.3 million in Q2 2009 compared to $24.6 million in Q1 2009 and $45.9 million in Q2 2008 (see non-GAAP disclosure below). The improvement compared to Q1 2009 reflects the positive impact of lower STG&R expenses resulting from previously announced restructuring and performance-improvement initiatives.

The Company currently expects that its tax rate for the remainder of 2009 will be approximately 23 percent, before any discrete items. However, there is no assurance that this estimate will not change in future periods.

Under “Trends”, management discussed certain recent trends in its paper machine clothing segment that have had a negative impact on demand for the Company’s products within that segment, as well as its strategy for addressing these trends. Management also discussed pricing competition within this segment and the negative effect of such competition on segment sales and earnings. If these trends continue or intensify, and if management’s strategy for addressing them should prove inadequate, the Company’s operating cash flow could be adversely affected. In any event, although historical cash flows may not, for all of these reasons, necessarily be indicative of future cash flows, the Company believes that cash generated from operations and other resources will be sufficient for short and long-term liquidity.

In October 2005, the Company entered into a Note Agreement and Guaranty (“the Prudential Agreement”) with the Prudential Insurance Company of America, and certain other purchasers, in an aggregate principal amount of $150 million, with interest at 6.84% and a maturity date of October 25, 2017. There are mandatory prepayments of $50 million on October 25, 2013 and October 25, 2015. At the noteholders’ election, certain prepayments may also be required in connection with certain asset dispositions or financings. The notes may not otherwise be prepaid without a premium, under certain market conditions. The Note Agreement contains customary terms, as well as affirmative covenants, negative covenants and events of default comparable to those in the Company’s current principal revolving credit facility. For disclosure purposes, the Company is required to measure the fair value of outstanding debt on a recurring basis. The fair value of the note agreement was approximately $139 million, which was measured using active market interest rates.

In December 2008, the Company and Prudential amended the agreement to increase the allowed leverage ratio from 3.00 to 3.50, which is effective through December 2010, after which time the allowed leverage ratio changes to 2.50. The amendment to the agreement also requires that the Company pay a higher rate of interest. The maximum interest rate is 1.50% over the 5.34% in the original agreement. The Company anticipates it will pay interest on this loan at the rate of 6.84% in 2009.

In March 2006, the Company issued $180,000,000 principal amount of 2.25% convertible notes. The notes are convertible upon the occurrence of specified events and at any time on or after February 15, 2013, into cash up to the principal amount of notes converted and shares of the Company's Class A common stock with respect to the remainder, if any, of the Company's conversion obligation at a conversion rate of 22.7633 shares per $1,000 principal amount of notes (equivalent to a conversion price of $43.93 per share of Class A common stock). As of June 30, 2009, $78,937,000 principal amount of convertible notes were outstanding, with a fair value of approximately $47,757,000, which was measured using quoted prices in active markets. These amounts reflect the reduction in fair value as a result of the purchase made in March and April 2009 as described below.

Holders may convert their notes at any time on or after February 15, 2013. Before February 15, 2013, a holder may convert notes during the five-business day period immediately after any period of five consecutive trading days in which the trading price per note for each of such five days was less than 103% of the product of the last reported sale price of the Company's Class A common stock and the conversion rate on such day. Additionally, holders may convert prior to February 15, 2013 if the Company elects to distribute to all or substantially all of its Class A shareholders (a) rights or warrants to purchase shares of Class A common stock for less than their trading value, or (b) assets, debt securities or rights to purchase securities, which distribution has a per-share value exceeding 15% of the current trading value of the Class A common stock.

Converting holders are entitled to receive, upon conversion of their notes, (1) an amount in cash equal to the lesser of the principal amount of the note and the note's conversion value, and (2) if the conversion value of the note exceeds the principal amount, shares of the Company's Class A common stock in respect of the excess conversion value. The conversion rate of the notes (subject to adjustment upon the occurrence of certain events) is 22.5351 shares per $1,000 principal amount of notes (equivalent to a conversion price of $44.38 per share of Class A common stock). The exact amount payable upon conversion would be determined in accordance with the terms of the indenture pursuant to which the notes were issued and will be based on a daily conversion value calculated on a proportionate basis by reference to the volume-weighted average price of the Company's Class A common stock for each day during a twenty-five day period relating to the conversion.

In May 2008, the Financial Accounting Standards Board issued Staff Position No. APB 14-1, Accounting for Convertible Debt Instruments that May be Settled in Cash Upon Conversion ("FSP APB 14-1"). FSP APB 14-1 requires that the liability and equity components of convertible debt instruments that may be settled in cash upon conversion (including partial cash settlement) be separately accounted for in a manner that reflects an issuer's nonconvertible debt borrowing rate.

As of June 30, 2009, the carrying amounts of the debt and equity components of the Company's bifurcated convertible debt instrument were $70.4 million and $28.8 million, respectively. The carrying values of the debt and equity components include reductions of $89.4 million and $5.3 million, respectively, related to the Company's convertible note purchases in March and April 2009. The equity component is included in additional paid in capital in the equity section of the Company's balance sheet.

Adopting FSP 14-1 had the impact of increasing interest expense by approximately $1.2 million for the first quarter 2009. Due to the note transactions in March and April, reducing outstanding 2.25% Convertible Senior Notes due 2026, the effect of FSP 14-1 for the second quarter had the impact of increasing interest expense by approximately $585 thousand. The additional interest is non-cash and represents the difference between the rate at the time of the offering (2.25%) and the Company's non-convertible debt borrowing rate (5.59%). The non-cash interest is amortized into interest expense and increases the book value of the notes until the time that the notes can be redeemed on March 15, 2013. The Company has concluded that the amortization period of 7 years is appropriate because March 15, 2013 is the earliest date that the convertible noteholders can require the Company to buy back the notes.

Including amortization of non-cash interest, the effective interest rate on the convertible notes for the second quarterly periods of 2009 and 2008 was 5.59%. Unamortized non-cash interest was $12.8 million at June 30, 2009 with a remaining amortization period of approximately 4 years.

The following table details interest expense on convertible debt:

	Three months-ended June 30,		Six months-ended June 30,	
(in thousands)	**2009**	**2008**	**2009**	**2008**
Contractual interest (2.25%)	$478	$1,009	$1,470	$2,008
Non-cash interest (3.34%)	585	1,117	1,772	2,195
Total (5.59%)	$1,063	$2,126	$3,242	$4,203

On April 14, 2006, the Company entered into a $460 million five-year revolving credit agreement (the “Credit Agreement”), under which $294 million was outstanding as of June 30, 2009. The applicable interest rate for borrowings under the agreement is LIBOR plus a spread, based on the Company’s leverage ratio at the time of borrowing. The agreement includes covenants that could limit the Company’s ability to purchase Common Stock, pay dividends, acquire other companies or dispose of its assets.

Reflecting, in each case, the effect of subsequent amendments to each agreement, the Company is required to maintain a leverage ratio of not greater than 3.50 to 1.00 under the Credit Agreement and under the Prudential Agreement. The Company is also required to maintain minimum interest coverage of 3.00 to 1.00 under each agreement. As of June 30, 2009, the Company’s leverage ratio under the agreement was 2.40 to 1.00 and the interest coverage ratio was 6.59 to 1.00. The Company may purchase its Common Stock or pay dividends to the extent its leverage ratio remains at or below 3.50 to 1.00, and may make acquisitions for cash provided its leverage ratio would not exceed 3.50 to 1.00 after giving pro forma effect to the acquisition. The Company’s ability to borrow additional amounts under the credit agreement is conditional upon the absence of any defaults, as well as the absence of any material adverse change. Based on the maximum leverage ratio and the Company’s consolidated EBITDA (as defined in the agreement), and without modification to any other credit agreements as of June 30, 2009, the Company would have been able to borrow an additional $167,108,000 under its loan agreements.

If the Company’s earnings were to decline as a result of continued difficult market conditions or for other reasons, it may impact the Company’s ability to maintain compliance with these covenants. If the Company determined that its compliance with these covenants may be under pressure, the Company may elect to take a number of actions, including reducing expenses in order to increase earnings, using available cash to repay all or a portion of the outstanding debt subject to these covenants or seeking to negotiate with lenders to modify the terms or to restructure the debt. Using available cash to repay indebtedness would make the cash unavailable for other uses and might affect the liquidity discussions and conclusions above. Entering into any modification or restructuring of the Company’s debt would likely result in additional fees or interest payments.

As of June 30, 2009, the Company has issued letters of credit totaling $47.4 million in respect of preliminary assessments for income tax contingencies.

Restructuring costs had a non-operational effect in the quarter of $33.8 million in connection with layoffs, plant closures and downsizings. Cash payments for restructuring activities were $25.0 million in 2009 and $12.7 million in 2008. Restructuring costs of $42.4 million are accrued on the balance sheet as of the end of the

second quarter. There will be approximately $25.0 to $30.0 million in cash payments in the second half of 2009 associated with the accrual for restructuring, and most of the remainder of the $42.4 million will be paid in the first half of 2010.

The Company expects to contribute approximately $13,000,000 to its postretirement and pension plans in 2009, compared to 17,700,000 in 2008. The Company's current year estimated contribution includes nothing to its US plan. In prior years the Company has also made contributions to the US pension plan, and that is possible again this year, particularly in light of the decline in the value of equities since October 2007. In the coming months, the Company will make the decision about the exact timing and amount. Contributions to the US plan over the last few years have ranged from zero to $20,000,000 per year.

Dividends have been declared each quarter since the fourth quarter of 2001, and second quarter dividends per share were $0.12 in 2009 and 2008. Decisions with respect to whether a dividend will be paid, and the amount of the dividend, are made by the Board of Directors each quarter. To the extent the Board declares cash dividends in the future, the Company would expect to pay such dividends out of operating cash flow. Future cash dividends will be dependent on debt covenants and on the Board's assessment of the Company's ability to generate sufficient cash flows.

In August 2006, the Company announced that the Board of Directors authorized management to purchase up to 2 million additional shares of its Class A Common Stock. The Board's action authorizes management to purchase shares from time to time, in the open market or otherwise, whenever it believes such purchase to be advantageous to the Company's shareholders, and it is otherwise legally permitted to do so. As of June 30, 2009, no share purchases had been made under the 2006 authorization.

Outlook

The Company's second quarter results were affected by several large, non-operational items, most notably the previously announced buyback of convertible debt, which had an unusually large effect on net income. But management observed three other developments that should have an enduring impact on future operating results:

- First, for the first time since Q2 2008, sequential quarter-to-quarter global sales increased and the end- markets in each of the Company's businesses showed signs of having bottomed.
- Second, the recently announced plant closures and reductions represent the final steps in the Company's three year restructuring program.
- Third, for the first time since Q2 2008, sequential quarter-to-quarter Adjusted EBITDA also improved, reflecting the growing impact of previously completed restructuring.

Ever since the third quarter of 2008, when it became clear that the economy was sliding into global recession, management's near term objective has been to take the steps necessary to generate strong free cash flow in 2010. Specifically, management's objective is to exit 2009 as a fundamentally more profitable business with the capacity for sustained and growing free cash flow in 2010, even if the recession extends beyond 2009. The three major Q2 developments -- the stabilizing sales outlook, the approaching completion of the restructuring process, and improving EBITDA -- indicate that the Company is firmly on track toward realizing that objective.

Sales in Q2 were 29 percent lower than in Q2 2008. But in this economic environment, year-over-year trends are less relevant than sequential quarter-to-quarter trends. And in Q2, sales were roughly flat compared to the previous quarter. Perhaps of greater significance, in Q2 management finally began to see evidence across all of the Company's businesses that the end-markets served appear to be bottoming. The only exceptions are Asia, especially China, where the paper industry is well off the bottom, and the newsprint markets in North America and Europe, which continue to erode. There was one other significant market development in Q2. Average prices of PMC orders in Europe were comparable to those of the previous quarter, suggesting that the Company may finally be entering a period of price stability in Europe.

Despite these signs of stabilization in the Company's markets, management still sees short term downside risk in its sales in PMC in the Americas and Europe. Primarily because of seasonal and inventory effects, orders in Q2 in these PMC markets declined. But there is no question that management sees growing evidence of an approaching end to the recessionary effect on sales. As for the nature of the recovery when sales finally do bottom, the available evidence suggests a "V" shaped recovery in PMC in Asia and in AEC, and an "L" shaped recovery in PMC in the Americas and Europe. The nature of recovery in ADS, Engineered Fabrics and PrimaLoft® products is still uncertain.

Q2 also marks the rapidly approaching completion of the Company's three year restructuring program. The magnitude of the restructuring and associated charges in Q2 was greater than had originally been planned, but as the recession drove sales to even lower levels in Q1 than had been anticipated, management took additional measures. While there will be more charges in Q3 and perhaps Q4 associated with the steps recently announced, cash charges will decline sharply. The only remaining planned process improvement initiatives that will run through 2010 will be the conversion of the Company's Eurasian and Brazilian operations to SAP and the relocation of equipment related to the recently announced restructuring.

Reflecting the growing impact of previously announced restructuring and process improvement initiatives, Q2 Adjusted EBITDA improved by almost $4 million compared to Q1 Adjusted EBITDA. Management now estimates that lower costs from restructuring and performance-improvement initiatives, including the recently announced measures, will lead to an additional improvement in EBITDA of about $3 million per quarter by Q4

2009, growing to $7 million per quarter by Q2 2010. These estimates assume all other factors that influence EBITDA, such as sales, currency and inflation remain constant.

In sum, developments in Q2 suggest the Company is on trend toward its 2010 objective. While there remains downside risk for sales in the short term because of seasonal and inventory effects, the signs of stabilization in the Company's end-markets, the announcements of the final steps in the Company's three year restructuring process, and the continued improvement in profitability all point in the same direction: barring unforeseen further deterioration in the Company's markets, management believes the Company is well on its way toward exiting 2009 as a fundamentally more profitable company. Coupled with an end to restructuring charges, and 2010 capital expenditure spending at or below depreciation, these higher levels of profitability should assure strong free cash flow in 2010, even if 2010 sales remain 20 percent below 2008 sales.

Non-GAAP Measures:

This Form 10-Q contains certain items, such as sales excluding currency effects, earnings before interest, taxes, depreciation, and amortization (EBITDA), costs associated with restructuring and performance-improvement initiatives, Adjusted EBITDA, net charges for special items, 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 registrant's financial condition, results of operations, and cash flows. 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 and performance-improvement measures, and in particular of the costs associated with the implementation of such measures, on the Company's net income (both absolute and on a per share basis), operating income, operating margins and EBITDA can give management and investors additional insight into quarterly performance, especially when compared to quarters in which such measures had a greater or lesser effect, or no effect.

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 EBITDA by adding Interest expense net, Income taxes, Depreciation and Amortization to Net income. Adjusted EBITDA is calculated by adding to EBITDA, costs associated with restructuring and performance improvement initiatives, and then adding or subtracting certain losses or gains. 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 the Company will continue to make capital and other investments in the future, it is currently in the process of concluding a period of significant investment in plant, equipment and software. Depreciation and amortization associated with these investments has a significant impact on the Company's net income. While other losses or gains have an impact on the Company's cash position, they are removed when calculating Adjusted EBITDA because doing so provides, 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, is not a measurement under GAAP and should be considered in addition to, but not as a substitute for, the information contained in the Company's statements of operations.

The following table contains the calculation of EBITDA and Adjusted EBITDA:

	Three Months ended		
	June 30,		March 31,
(in thousands)	2009	2008	2009
Net (loss)/income	($12,744)	$5,253	($18,897)
Interest expense, net	6,086	5,880	5,834
Income tax (benefit)/expense	4,339	1,390	(1,605)
Depreciation	14,520	15,217	14,573
Amortization	2,268	1,182	2,138
EBITDA	**14,469**	**28,922**	**2,043**
Restructuring and other, net	33,810	1,732	17,179
Idle-capacity costs	3,099	1,734	3,079
Depreciation included in idle-capacity costs	(919)	(592)	(936)
Performance-improvement initiatives	4,459	14,062	6,069
Gain on extinguishment of debt	(36,631)	-	(2,822)
Discontinued operations purchase price adjustment	10,000	-	-
Adjusted EBITDA	**$28,287**	**$45,858**	**$24,612**

The Company discloses certain income and expense items on a per share basis. The Company believes that such disclosures provide important insight of the 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 during the applicable reporting period and the weighted average number of shares outstanding for the period.

Quarter ended June 30, 2009

(in thousands, except per share amounts)	Pretax amounts	Tax Effect	After-tax Effect	Shares Outstanding	Per Share Effect
Special items:					
Restructuring and other, net	$33,810	$7,776	$26,034	30,723	$0.85
Idle-capacity and performance-					
improvement costs	7,558	1,738	5,820	30,723	0.19
Discontinued business purchase price					
adjustment	10,000	-	10,000	30,723	0.33
Gain on extinguishment of debt	(36,631)	(14,286)	(22,345)	30,723	(0.73)
Effect of change in estimated income tax rate			(2,663)	30,723	(0.09)
Other discrete tax adjustments	-		676	30,723	0.02
Total special items					$0.57

Six months ended June 30, 2009

(in thousands, except per share amounts)	Pretax amounts	Tax Effect	After-tax Effect	Shares Outstanding	Per Share Effect
Special items:					
Restructuring and other, net	$50,989	$11,727	$39,262	30,386	$1.29
Idle-capacity and performance-improvement costs	16,708	3,843	12,865	30,386	0.42
Discontinued business purchase price adjustment	10,000	-	10,000	30,386	0.33
Gain on extinguishment of debt	(39,453)	(15,387)	(24,066)	30,386	(0.79)
Other discrete tax adjustments	-		676	30,386	0.02
Total special items					$1.27

Quarter ended June 30, 2008

(in thousands, except per share amounts)	Pretax amounts	Tax Effect	After-tax Effect	Shares Outstanding	Per Share Effect
Special items:					
Restructuring and other, net	$1,732	$346	$1,386	29,760	$0.05
Idle-capacity and performance-improvement costs	15,796	3,159	12,637	29,760	0.42
Other discrete tax adjustments	-		291	29,760	0.01
Total special items					$0.48

Six months ended June 30, 2008

(in thousands, except per share amounts)	Pretax amounts	Tax Effect	After-tax Effect	Shares Outstanding	Per Share Effect
Special items:					
Restructuring and other, net	$7,094	$1,419	$5,675	29,686	$0.19
Idle-capacity and performance-improvement costs	23,886	4,777	19,109	29,686	0.64
Other discrete tax adjustments	-		4,196	29,686	0.14
Total special items					$0.97

Tax rate disclosures:

The Company discloses its tax rate before the effect of any discrete items as a forward looking estimate of the income tax rate that would be incurred in future quarters. Management believes that this information can provide valuable insight about possible future operating results or cash flows. The estimated tax rate is subject to many variables, including geographical distribution of income or loss, and the total amount of income or loss. The estimated tax rate does not take into account any discrete tax items that could arise in future quarters.

Recent Accounting Pronouncements

In December 2008, the FASB issued FASB Staff Position (FSP) No.132 (R)-1, "Employers' Disclosures about Pensions and Other Postretirement Benefits" (FSP 132R-1). FSP 132R-1 requires enhanced disclosures about the plan assets of a Company's defined benefit pension and other postretirement plans. The enhanced disclosures required by this FSP are intended to provide users of financial statements with a greater understanding of: (1) how investment allocation decisions are made, including the factors that are pertinent to an understanding of investment policies and strategies; (2) the major categories of plan assets; (3) the inputs and valuation techniques used to measure the fair value of plan assets; (4) the effect of fair value measurements using significant unobservable inputs (Level 3) on changes in plan assets for the period; and (5) significant concentrations of risk within plan assets. FSP No. FAS 132(R)-1 is effective for financial statements issued for fiscal years ending after December 15, 2009. It is expected that the adoption of FSP No. FAS 132(R)-1 will not have a material effect on the Company's financial statements.

In April 2009, the FASB issued FSP No. FAS 157-4, "Determining Fair Value When the Volume and Level of Activity for the Asset or the Liability Have Significantly Decreased and Identifying Transactions That Are Not Orderly". FSP No. FAS 157-4 amends SFAS No. 157 to provide additional guidance on (i) estimating fair value when the volume and level of activity for an asset or liability have significantly decreased in relation to normal market activity for the asset or liability, and (ii) circumstances that may indicate that a transaction is not orderly. FSP No. FAS 157-4 also requires additional disclosures about fair value measurements in interim and annual reporting periods. FSP No. FAS 157-4 is effective for interim and annual reporting periods ending after June 15, 2009. The Company's adoption of this Standard did not have a material effect on its financial statements.

In April 2009, the FASB issued FSP No. FAS 115-2 and FAS 124-2, "Recognition and Presentation of Other-Than-Temporary Impairments" ("FSP No. FAS 115-2"). FSP No. FAS 115-2 provides additional guidance on the timing of impairment recognition and greater clarity about the credit and noncredit components of impaired debt securities that are not expected to be sold. FSP No. FAS 115-2 also requires additional disclosures about impairments in interim and annual reporting periods. FSP No. FAS 115-2 is effective for interim and annual reporting periods ending after June 15, 2009. The Company's adoption of this Standard did not have a material effect on its financial statements.

In April 2009, the FASB issued FSP No. FAS 107-1 and APB 28-1, "Interim Disclosures about Fair Value of Financial Instruments". FSP No. FAS 107-1 and APB 28-1 amends SFAS No. 107, Disclosures about Fair Value of Financial Instruments, to require disclosures about fair value of financial instruments in interim as well as in annual financial statements. This FSP also amends Accounting Principles Board ("APB") Opinion No. 28, Interim Financial Reporting, to require those disclosures in all interim financial statements. FSP No. FAS 107-1 and APB 28-1 is effective for interim reporting periods ending after June 15, 2009. The Company's adoption of this Standard did not have a material effect on its financial statements.

In May 2009, the FASB issued Statement No. 165, "Subsequent Events" ("SFAS 165"), which establishes general standards of accounting for, and requires disclosure of, events that occur after the balance sheet date

but before financial statements are issued or are available to be issued. The provisions of SFAS 165 were adopted for the quarter ended June 30, 2009. The adoption of these provisions did not have a material effect on the Company's consolidated financial statements.

In June 2009, the FASB issued Statement No. 166, "Accounting for Transfers of Financial Assets, an amendment to FASB Statement No. 140" ("SFAS 166"). SFAS 166 eliminates the concept of a "qualifying special-purpose entity," changes the requirements for derecognizing financial assets, and requires additional disclosures in order to enhance information reported to users of financial statements by providing greater transparency about transfers of financial assets, including securitization transactions, and an entity's continuing involvement in and exposure to the risks related to transferred financial assets. SFAS 166 is effective for fiscal years beginning after November 15, 2009. The Company expects that adoption of SFAS 166 in fiscal year 2010 will not have a material effect on its financial statements.

In June 2009, the FASB issued Statement No. 167, "Amendments to FASB Interpretation No. 46(R)" ("SFAS 167"). The amendments include: (1) the elimination of the exemption for qualifying special purpose entities, (2) a new approach for determining who should consolidate a variable-interest entity, and (3) changes to when it is necessary to reassess who should consolidate a variable-interest entity. SFAS 167 is effective for the first annual reporting period beginning after November 15, 2009 and for interim periods within that first annual reporting period. The Company expects that adoption of SFAS 167 in fiscal year 2010 will not have a material effect on its financial statements.

In June 2009, the FASB issued Statement No. 168, "The FASB Accounting Standards Codification and the Hierarchy of Generally Accepted Accounting Principles- a replacement of FASB Statement No. 162" ("SFAS 168"). SFAS 168 replaces FASB Statement No. 162, The Hierarchy of Generally Accepted Accounting Principles, and establishes the FASB Accounting Standards Codification™ (the Codification) as the source of authoritative accounting principles recognized by the FASB to be applied by nongovernmental entities in the preparation of financial statements in conformity with generally accepted accounting principles (GAAP). SFAS 168 is effective for interim and annual periods ending after September 15, 2009. The Company will begin to use the new Codification when referring to GAAP in its Form 10-Q for the quarter ending September 30, 2009. The Company expects that adoption of SFAS 168 will not have a material effect on its financial statements.

Critical Accounting Policies and Assumptions

There have been no material changes to the Company's Critical Accounting Policies and Assumptions filed in the Company's 2008 Annual Report on Form 10-K.

Forward-looking statements

This quarterly report and the documents incorporated or deemed to be incorporated by reference in this quarterly report contain statements concerning our future results and performance and other matters that are "forward-looking" statements within the meaning of Section 27A of the Securities Act and Section 21E of the Securities Exchange Act of 1934, as amended (the "Exchange Act"). The words "believe," "expect," "anticipate," "intend," "plan," "project," "may," "will" and variations of such words or similar expressions are intended, but are not the exclusive means, to identify forward-looking statements. Because forward-looking statements are subject to risks and uncertainties, actual results may differ materially from those expressed or implied by the forward-looking statements.

There are a number of risks, uncertainties and other important factors that could cause actual results to differ materially from the forward-looking statements, including, but not limited to: changes in conditions in the

industry in which the Company's Paper Machine Clothing segment competes or in the papermaking industry in general could change; failure to remain competitive in the industry in which the Company's Paper Machine Clothing segment competes; material and petroleum-related costs could increase more or faster than anticipated; failure to receive, or a delay in receiving, the benefits from the Company's capital expenditures and investments; the strategies described in this report to address certain business or operational matters could fail to be effective, or their effectiveness could be delayed; other risks and uncertainties detailed from time to time in the Company's filings with the SEC.

Further information concerning important factors that could cause actual events or results to be materially different from the forward-looking statements can be found in "Trends," "Liquidity," "Outlook," and "Legal Proceedings" sections of this quarterly report, as well as in the "Risk Factors", section of the Company's most recent Annual Report on Form 10-K. Although the Company believes the expectations reflected in the Company's forward-looking statements are based upon reasonable assumptions, it is not possible to foresee or identify all factors that could have a material and negative impact on future performance. The forward-looking statements included or incorporated by reference in this quarterly report are made on the basis of management's assumptions and analyses, as of the time the statements are made, in light of their experience and perception of historical conditions, expected future developments and other factors believed to be appropriate under the circumstances.

Except as otherwise required by the federal securities laws, the Company disclaims any obligations or undertaking to publicly release any updates or revisions to any forward-looking statement contained or incorporated by reference in this report to reflect any change in the Company's expectations with regard thereto or any change in events, conditions or circumstances on which any such statement is based.

Item 3. Quantitative and Qualitative Disclosures about Market Risk

For discussion of the Company's exposure to market risk, refer to "Quantitative and Qualitative Disclosures About Market Risk" under Item 7A of form 10-K, which is included as an exhibit to this Form 10-Q.

Item 4. Controls and Procedures

(a) Disclosure controls and procedures.

The principal executive officers and principal financial officer, based on their evaluation of disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) as of the end of the period covered by this Quarterly Report on Form 10-Q, have concluded that the Company's disclosure controls and procedures are effective for ensuring that information required to be disclosed in the reports that it files or submits under the Securities Exchange Act of 1934 is recorded, processed, summarized and reported within the time periods specified in the Commission's rules and forms. Disclosure controls and procedures, include, without limitation, controls and procedures designed to ensure that information required to be disclosed in filed or submitted reports is accumulated and communicated to the Company's management, including its principal executive officer and principal financial officer as appropriate, to allow timely decisions regarding required disclosure.

(b) Changes in internal control over financial reporting.

There were no changes in the Company's internal control over financial reporting that occurred during the last fiscal quarter that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

PART II – OTHER INFORMATION

Item 1. LEGAL PROCEEDINGS

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

Albany was defending against 16,060 claims as of July 23, 2009. This compares with 16,818 such claims as of May 1, 2009, 17,854 claims as of February 6, 2009, 18,385 claims as of October 27, 2008, 18,462 claims as of July 25, 2008, 18,529 claims as of May 2, 2008, 18,789 claims as of February 1, 2008, 18,791 claims as of October 19, 2007, 18,813 claims as of July 27, 2007, 19,120 claims as of April 27, 2007, 19,388 claims as of February 16, 2007, 19,416 claims as of December 31, 2006, 24,451 claims as of December 31, 2005, 29,411 claims as of December 31, 2004, 28,838 claims as of December 31, 2003, 22,593 claims as of December 31, 2002, 7,347 claims as of December 31, 2001, 1,997 claims as of December 31, 2000, and 2,276 claims as of December 31, 1999. These suits allege a variety of lung and other diseases based on alleged exposure to products previously manufactured by Albany. The following table sets forth the number of claims filed, the number of claims settled, dismissed or otherwise resolved, and the aggregate settlement amount during the periods presented:

Year ended December 31,	*Opening Number of claims*	*Claims Dismissed, Settled or Resolved*	*New Claims*	*Closing Number of Claims*	*Amounts Paid (thousands) to Settle or Resolve ($$)*
2005	*29,411*	*6,257*	*1,297*	*24,451*	*504*
2006	*24,451*	*6,841*	*1,806*	*19,416*	*3,879*
2007	*19,416*	*808*	*190*	*18,798*	*15*
2008	*18,798*	*523*	*110*	*18,385*	*52*
2009 to date	*18,385*	*2,358*	*33*	*16,060*	*78*

(The data reported in the above table (as well as elsewhere in this report) does not reflect a significant number of additional dismissals that have been granted in recent weeks but which the Company has not yet been able to reflect in its databases.)

Albany anticipates that additional claims will be filed against it and related companies in the future, but is unable to predict the number and timing of such future claims. These suits typically involve claims against from twenty to more than two hundred defendants, and the complaints usually fail to identify the plaintiffs' work history or the nature of the plaintiffs' alleged exposure to Albany's products. Pleadings and discovery responses in those cases in which work histories have been provided indicate claimants with paper mill exposure in approximately 10% of the total claims filed against Albany, and only a portion of those claimants have alleged time spent in a paper mill to which Albany is believed to have supplied asbestos-containing products.

As of July 23, 2009, approximately 11,358 of the claims pending against Albany were pending in Mississippi. Of these, approximately 10,816 are in federal court, at the multidistrict litigation panel ("MDL"), either through removal or original jurisdiction. (In addition to the 10,816 Mississippi claims pending against the Company at the MDL, there are approximately 509 claims pending against the Company at the MDL removed from various United States District Courts in other states.)

On May 31, 2007 the MDL issued an administrative order that required each MDL plaintiff to provide detailed information regarding, among other things, the alleged asbestos-related medical diagnoses. The order did not require exposure information with this initial filing. The deadline for submission of such filings was December 1, 2007, but the process continued for several months thereafter with defense counsel monitoring filing obligations and reviewing the submissions for compliance. On December 23, 2008, the MDL issued another administrative order providing a mechanism whereby defendants could seek dismissals against plaintiffs who failed to comply with the prior administrative order. The deadline for such motions was originally set as January 31, 2009, but was amended when the court began scheduling hearings based upon the original jurisdiction of the underlying claim. Filing deadlines were set as 30 days prior to the hearing dates, which were scheduled beginning in April 2009. The Company has already begun to see dismissals as a result of this procedure, including some which have yet to be fully processed and therefore not reflected in the table above. At this point, the Company cannot currently predict how many more dismissals will be granted through this process. Also in April 2009, the MDL also ordered that the claims of individual plaintiffs in mass joinder cases be severed and that the severed plaintiffs re-file their claims, accompanied by payment of the statutory filing fee. It is unclear how many of the severed plaintiffs will re-file their claims, though it can be expected that some claims will be abandoned.

With respect to the remaining claims where plaintiffs have complied with the original administrative order, the MDL expects to begin conducting settlement conferences, at which time the plaintiffs will be required to submit short position statements setting forth exposure information. The MDL has not yet begun the process of scheduling the settlement conferences, but it has instituted a procedure by which plaintiffs may request remand of their claims back to the court of original jurisdiction for trial. Since a settlement conference is a prerequisite to remand, it is expected that institution of this procedures will expedite the requests for settlement conferences. The Company believes that the effects of these administrative orders may not be fully known or realized for some time.

Based on past experience, communications from certain plaintiffs' counsel, and the advice of the Company's Mississippi counsel, the Company expects the percentage of Mississippi claimants able to demonstrate time spent in a paper mill to which Albany supplied asbestos-containing products during a period in which Albany's asbestos-containing products were in use to be considerably lower than the total number of claims still pending. However, due to the still large number of inactive claims pending in the MDL and the lack of alleged exposure information, the Company does not believe a meaningful estimate can be made regarding the range of possible loss with respect to these remaining claims.

As of July 23, 2009, the remaining 4,702 claims pending against Albany were pending in states other than Mississippi. Pleadings and discovery responses in those cases in which work histories have been provided indicate claimants with paper mill exposure in approximately 25% of total claims reported, and only a portion of those claimants have alleged time spent in a paper mill to which Albany is believed to have supplied asbestos-containing products. For these reasons, the Company expects the percentage of these remaining claimants able to demonstrate time spent in a paper mill to which Albany supplied asbestos-containing products during a period in which Albany's asbestos-containing products were in use to be considerably lower than the total number of pending claims. In addition, over half of these remaining non-Mississippi claims have not provided any disease information. Detailed exposure and disease information sufficient meaningfully to estimate a range of possible loss of a particular claim is typically not available until late in the discovery process, and often not until a trial date is imminent and a settlement demand has been received. For these reasons, the Company does not believe a meaningful estimate can be made regarding the range of possible loss with respect to these remaining claims.

It is the position of Albany and the other paper machine clothing defendants that there was insufficient exposure to asbestos from any paper machine clothing products to cause asbestos-related injury to any

plaintiff. Furthermore, asbestos contained in Albany's synthetic products was encapsulated in a resin-coated yarn woven into the interior of the fabric, further reducing the likelihood of fiber release. While the Company believes it has meritorious defenses to these claims, it has settled certain of these cases for amounts it considers reasonable given the facts and circumstances of each case. The Company's insurer, Liberty Mutual, has defended each case and funded settlements under a standard reservation of rights. As of July 23, 2009, the Company had resolved, by means of settlement or dismissal, 24,404 claims. The total cost of resolving all claims was $6,836,000. Of this amount, $6,791,000, or 99%, was paid by the Company's insurance carrier. The Company has approximately $130 million in confirmed insurance coverage that should be available with respect to current and future asbestos claims, as well as additional insurance coverage that it should be able to access.

Brandon Drying Fabrics, Inc.

Brandon Drying Fabrics, Inc. ("Brandon"), a subsidiary of Geschmay Corp., which is a subsidiary of the Company, is also a separate defendant in many of the asbestos cases in which Albany is named as a defendant. Brandon was defending against 8,139 claims as of July 23, 2009. This compares with 8,604 such claims as of May 1, 2009, 8,607 claims as of February 6, 2009, 8,664 such claims as of October 27, 2008, 8,672 claims as of July 25, 2008, 8,689 claims as of May 2, 2008, 8,741 claims as of February 1, 2008 and October 19, 2007, 9,023 claims as of July 27, 2007, 9,089 claims as of April 27, 2007, 9,189 claims as of February 16, 2007, 9,114 claims as of December 31, 2006, 9,566 claims as of December 31, 2005, 9,985 claims as of December 31, 2004, 10,242 claims as of December 31, 2003, 11,802 claims as of December 31, 2002, 8,759 claims as of December 31, 2001, 3,598 claims as of December 31, 2000, and 1,887 claims as of December 31, 1999. The following table sets forth the number of claims filed, the number of claims settled, dismissed or otherwise resolved, and the aggregate settlement amount during the periods presented:

Year ended December 31,	*Opening Number of claims*	*Claims Dismissed, Settled or Resolved*	*New Claims*	*Closing Number of Claims*	*Amounts Paid (thousands) to Settle or Resolve ($$)*
2005	*9,985*	*642*	*223*	*9,566*	*0*
2006	*9,566*	*1182*	*730*	*9,114*	*0*
2007	*9,114*	*462*	*88*	*8,740*	*0*
2008	*8,740*	*86*	*10*	*8,664*	*0*
2009 to date	*8,664*	*528*	*3*	*8,139*	*0*

(The data reported in the above table (as well as elsewhere in this report) does not reflect a significant number of additional dismissals that have been granted in recent weeks but which the Company has not yet been able to reflect in its databases.)

The Company acquired Geschmay Corp., formerly known as Wangner Systems Corporation, in 1999. Brandon is a wholly-owned subsidiary of Geschmay Corp. In 1978, Brandon acquired certain assets from Abney Mills ("Abney"), a South Carolina textile manufacturer. Among the assets acquired by Brandon from Abney were assets of Abney's wholly-owned subsidiary, Brandon Sales, Inc. which had sold, among other things, dryer fabrics containing asbestos made by its parent, Abney. It is believed that Abney ceased production of asbestos-containing fabrics prior to the 1978 transaction. Although Brandon manufactured and sold dryer fabrics under its own name subsequent to the asset purchase, none of such fabrics contained asbestos. Under the terms of the Assets Purchase Agreement between Brandon and Abney, Abney agreed to indemnify, defend, and hold Brandon harmless from any actions or claims on account of products manufactured by Abney and its related corporations prior to the date of the sale, whether or not the product was sold subsequent to the date of the sale. It appears that Abney has since been dissolved. Nevertheless, a representative of Abney has been notified of the pendency of these actions and demand has been made that it assume the defense of

these actions. Because Brandon did not manufacture asbestos-containing products, and because it does not believe that it was the legal successor to, or otherwise responsible for obligations of Abney with respect to products manufactured by Abney, it believes it has strong defenses to the claims that have been asserted against it. In some instances, plaintiffs have voluntarily dismissed claims against it, while in others it has entered into what it considers to be reasonable settlements. As of July 23, 2009, Brandon has resolved, by means of settlement or dismissal, 9,439 claims for a total of $152,499. Brandon's insurance carriers initially agreed to pay 88.2% of the total indemnification and defense costs related to these proceedings, subject to the standard reservation of rights. The remaining 11.8% of the costs had been borne directly by Brandon. During 2004, Brandon's insurance carriers agreed to cover 100% of indemnification and defense costs, subject to policy limits and the standard reservation of rights, and to reimburse Brandon for all indemnity and defense costs paid directly by Brandon related to these proceedings.

As of July 23, 2009, 6,821 (or approximately 84%) of the claims pending against Brandon were pending in Mississippi. For the same reasons set forth above with respect to Albany's Mississippi and other claims, as well as the fact that no amounts have been paid to resolve any Brandon claims since 2001, the Company does not believe a meaningful estimate can be made regarding the range of possible loss with respect to these remaining claims.

Mount Vernon

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

While the Company does not believe, based on currently available information and for the reasons stated above, that a meaningful estimate of a range of possible loss can be made with respect to such claims, based on its understanding of the insurance policies available, how settlement amounts have been allocated to various policies, its settlement experience, the absence of any judgments against the Company or Brandon, the ratio of paper mill claims to total claims filed, and the defenses available, the Company currently does not anticipate any material liability relating to the resolution of the aforementioned pending proceedings in excess of existing insurance limits. Consequently, the Company currently does not anticipate, based on currently available information, that the ultimate resolution of the aforementioned proceedings will have a material adverse effect on the financial position, results of operations or cash flows of the Company. Although the Company cannot predict the number and timing of future claims, based on the foregoing factors and the trends in claims against it to date, the Company does not anticipate that additional claims likely to be filed against it in the future will have a material adverse effect on its financial position, results of operations, or cash flows. The Company is aware that litigation is inherently uncertain, especially when the outcome is dependent primarily on determinations of factual matters to be made by juries. The Company is also aware that numerous other defendants in asbestos cases, as well as others who claim to have knowledge and expertise on the subject, have found it difficult to anticipate the outcome of asbestos litigation, the volume of future asbestos claims, and the anticipated settlement values of those claims. For these reasons, there can be no assurance that the foregoing conclusions will not change.

Item 1A. Risk Factors.

There have been no material changes in risks since December 31, 2008. For discussion of risk factors, refer to Item 1A of the Company's Annual Report on Form 10-K for the year ended December 31, 2008.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

Management made no share purchases during the second quarter of 2009. Management remains authorized by the Board of Directors to purchase up to 2, million shares of its Class A Common Stock.

Item 3. Defaults Upon Senior Securities

None.

Item 4. Submission of Matters to a Vote of Security Holders

At the annual meeting of shareholders held May 29, 2009, there were three items subject to a vote of security holders. The first item was for the election of eight members of the Board of Directors of the Company, the second item was for approval of the Directors' Annual Retainer Plan, and the third item was the ratification of the selection of PricewaterhouseCoopers LLP as the Company's independent auditor.

In the vote for the election of eight members of the Board of Directors of the Company, the number of votes cast for, and the number of votes withheld from, each of the nominees were as follows:

	Number of Votes For		Number of Votes Withheld		Broker Non-Votes	
Nominee	Class A	Class B	Class A	Class B	Class A	Class B
Joseph G. Morone	23,260,286	32,339,440	914,991	-	-	-
Christine L. Standish	10,700,007	32,339,440	13,475,270	-	-	-
Erland E. Kailbourne	23,490,163	32,339,440	685,114	-	-	-
John C. Standish	11,884,490	32,339,440	12,290,787	-	-	-
Juhani Pakkala	14,236,726	32,339,440	9,938,551	-	-	-
Paula H. J. Cholmondeley	14,148,528	32,339,440	10,025,606	-	1,143	-
John F. Cassidy, Jr.	14,232,103	32,339,440	9,942,031	1,040	1,143	-
Edgar G. Hotard	23,396,583	32,339,440	777,551	-	1,143	-

In the vote for the approval of the Directors' Annual Retainer Plan, the number of votes cast for, the number of votes cast against, and the number cast as abstentions were as follows:

For	Against	Abstain
54,126,118	336,474	1,021,009

In the vote for the ratification of the selection of PricewaterhouseCoopers LLP as the Company's independent auditor, the number of votes cast for, the number of votes cast against, and the number cast as abstentions were as follows:

For	Against	Abstain
55,985,709	524,854	4,154

Item 5. Other Information

On August 5, 2009, the Company entered into an Executive Separation Agreement with departing Chief Financial Officer Michael C. Nahl. Mr. Nahl will step down as the Company's Chief Financial Officer effective upon the close of business on August 7, 2009. A copy of the agreement is filed with this report as **Exhibit 10(o) (xiv)** and is incorporated herein by reference.

Albany International Corp. (the "Company") has entered into Severance Agreements (collectively the "Severance Agreements") with various corporate officers or key executives including two named executive officers, but excluding its principal executive officer and principal financial officer (each a "Counterparty"). The Severance Agreements became effective August 5, 2009. The material terms of the Severance Agreements provide that in the event a Counterparty's employment is terminated by the Company at any time before December 31, 2012 for any reason other than Cause (as defined in the Severance Agreement), the Counterparty shall be entitled to receive his or her gross monthly base salary in effect at the time of termination, less applicable withholdings and deductions, for the period of months specified in the Severance Agreement (the "Severance Period"). The Severance Period differs among Counterparty, and ranges from 12 months to 18 months. For named executive officers Michael J. Joyce and Daniel A. Halftermeyer, the Severance Period is 18 months. In order to receive the severance benefits, the Counterparty is obligated to execute a release in favor of the Company at the time of termination. The Counterparty is also bound to a restrictive covenant during the Severance Period. A copy of the form of Severance Agreement is attached and being filed as exhibit **Exhibit 10(o) (xv)** to this report. The foregoing summary of provisions is not complete and reference is made to the exhibit for the complete terms.

In the second quarter, the Company entered into agreements to exchange $50.5 million principal amount of the Company's 2.25% Convertible Senior Notes due 2026 for cash plus any accrued unpaid interest, plus an equivalent amount of the Company's 2.25% Senior Notes due 2026 (the "New Notes"). The Company simultaneously entered into another agreement to purchase the New Notes. Closing for the exchange of $30.5 million principal amount of Convertible Notes took place in July and closing on the remaining $20.0 million is expected to take place in October. The Company expects these transactions to result in gains of approximately $7.5 million in the third quarter, and $4.5 million in the fourth quarter. A Form 8-K was filed with the SEC on May 22, 2009 describing these agreements. Attached to this Form 10-Q are **Exhibits 10.9 and 10.10**, which depict Securities Purchase and Exchange Agreements between Albany International Corp. and Citadel Equity Fund Ltd. related to these second quarter transactions.

Item 6. Exhibits

Exhibit No.	Description
10(o) (xiv)	Executive Separation Agreement between Albany International Corp. and Michael C. Nahl (filed herewith)
10(o) (xv)	Form of Severance Agreement between Albany International Corp. and certain corporate officers or key executives (filed herewith)
10.9	Securities Purchase Agreement between Albany International Corp. and Citadel Equity Fund Ltd. dated May 21, 2009.
10.10	Securities Exchange Agreement between Albany International Corp. and Citadel Equity Fund Ltd. dated May 21, 2009.
31.1	Certification of the Chief Executive Officer pursuant to Rule 13a-14(a)/15d-14(a) of the Exchange Act.
31.2	Certification of the Chief Financial Officer pursuant to Rule 13a-14(a)/15d-14(a) of the Exchange Act.
32.1	Certification pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (Subsections (a) and (b) of Section 1350, Chapter 63 of Title 18, United States Code)
99.1	Quantitative and qualitative disclosures about market risks as reported at December 31, 2008.

SIGNATURES

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 thereunto duly authorized.

ALBANY INTERNATIONAL CORP.

(Registrant)

Date: August 6, 2009

By/s/ Michael C. Nahl

Michael C. Nahl
Executive Vice President and Chief Financial Officer (Principal Financial Officer)

Exhibit 10(o)(xiv)

AGREEMENT

This Executive Separation Agreement (the "Agreement") is dated as of the 5th day of August, 2009, and is entered into by and between Albany International Corp., a Delaware corporation with offices and a principal place of business at 1373 Broadway, Albany, New York, ("Albany") and Michael C. Nahl, a resident of Albany County, New York ("Executive").

WITNESSETH

WHEREAS, Executive is employed by Albany as Executive Vice President and Chief Financial Officer and may serve as a director or officer of various Albany subsidiaries and affiliates, or as a fiduciary to various employee benefit plans; and

WHEREAS, Executive has notified Albany of his desire to voluntarily retire; and

WHEREAS, Albany seeks to retain Executive for the purposes of assisting in the orientation of his successor, to assist in the transition of his duties to the successor and to temporarily continue to offer advice and counsel in connection with important strategic initiatives and has requested that Executive delay his retirement in consideration for the benefits set forth herein;

WHEREAS, Albany and Executive seek to enter into this Agreement (the "Agreement") with the intent to establish a mutually acceptable retirement date and to settle all claims and issues that have been raised, or could have been raised in relation to Executive's employment with Albany or in relation to any positions he held with any of Albany's subsidiaries, affiliates, employee benefits plans or trusts, or in any way related to the termination of such employment and/or service;

NOW THEREFORE, in consideration of the promises and mutual agreements herein, it is hereby agreed as follows:

1. Executive acknowledges that he was given this Agreement on **June 16, 2009** and was afforded 21 days to consider same.

2. Executive was, and hereby is, advised to consult a lawyer before signing this Agreement and did in fact have the opportunity to obtain advice from counsel.

3. Executive may accept this Agreement only by signing, dating and delivering the Agreement to Albany (in the manner set forth in Paragraph 25) on or before Albany's normal close of business on **August 5, 2009**. **Time is of the essence with regard to this Paragraph 3.**

4. Executive may revoke this Agreement at any time within seven (7) days after signing and delivering it to Albany by notifying Albany in writing (in the manner set forth in Paragraph 25) of Executive's decision to revoke. **Time is of the essence with regard to this Paragraph 4.**

5. The effective date of this Agreement ("Effective Date") shall be the **8th day** after Executive signs and delivers the Agreement in accordance with Paragraph 3 above, unless Executive revokes the Agreement in accordance with Paragraph 4 above. If Executive revokes this Agreement in accordance with Paragraph 4 above, this Agreement will not become operative and will not be binding on Executive or Albany.

6. Executive elects to voluntarily retire, and his employment with Albany shall terminate, effective as of the close of business on **August 31, 2009**, (the "Retirement Date") unless terminated earlier in accordance with Paragraph 7 or 8 hereof. The Retirement Date may be accelerated or extended by mutual agreement of the parties, evidenced in writing. Effective as of the close of business on August 7, 2009, Executive shall no longer serve as Albany's Chief Financial Officer, but shall retain the title of Executive Vice President until the Retirement Date. Effective as of the Retirement Date, or the date of any earlier termination pursuant to Paragraph 7 or 8, Executive resigns all offices, directorships and any other positions held with Albany or any of Albany's subsidiaries or affiliates, or any of their employee benefit plans or trusts. Albany agrees to provide Executive with a positive written reference.

7. Nothing herein is intended to alter the at-will nature of Executive's employment relationship with Albany. Albany reserves the right to terminate Executive prior to the Retirement Date with or without cause. Cause shall be deemed to exist if Albany determines that Executive has:

(i) undertaken a position in competition with Albany;

(ii) caused substantial harm to Albany with intent to do so or as a result of gross negligence in the performance of his duties;

(iii) wrongfully and substantially enriched himself at the expense of Albany; or

(iv) been convicted of felony;

8. Executive reserves the right to terminate his employment with Albany at any time prior to the Retirement Date.

9. From the date hereof until the date Executive's employment with Albany terminates (either as of the Retirement Date or earlier), Executive shall continue to perform the duties of his current position and assist in the transition of his duties as directed by the Chief Executive Officer or the Board of Directors. Executive further covenants and agrees, for a reasonable time thereafter not to exceed twenty-four months, to provide the additional services set forth in **Schedule 9**. If such services are still needed after such twenty-four month period, the parties agree to negotiate a consulting agreement with terms mutually acceptable to both parties. During the remainder of Executive's employment with Albany, Albany shall continue to pay Executive at his current rate of compensation less (i) applicable withholdings and deductions required bylaw or otherwise agreed to by the parties, (ii) deductions of premiums due for any health care, life insurance or other insurance

coverage provided by or through Albany, (iii) 401(k) savings plan or other Albany benefit plan contributions and (iv) any other applicable withholdings. During the remainder of Executive's employment with Albany, Executive will be eligible to receive the standard package of employee benefits available to similarly situated Albany employees. Albany reserves the right to modify, supplement, amend or eliminate the standard benefits provided to its employees, including, without limitation, the eligibility requirements and/or premiums, deductibles, co-payments or other charges relating thereto.

10. Executive agrees that on or after the last date of his employment with Albany he shall execute an additional release in the form annexed hereto (the "Supplemental Release") covering the period from the date of Executive's execution of this Agreement through his last date of employment. Executive covenants and agrees that the obligations to be performed by Albany under this Agreement after the last date of Executive's employment shall be contingent upon the execution of the Supplemental Release. Failure to execute the Supplemental Release, however, will not affect the validity of the release contained in Paragraph 17 of this Agreement.

11. In the case that Executive's employment is terminated at the Retirement Date and not prior thereto as contemplated by Paragraph 7 or 8, Albany agrees to provide Executive with the following benefits to which he would not otherwise be entitled. Executive acknowledges and agrees that these benefits constitute adequate legal consideration for the promises and representations made by him in this Agreement, and are in lieu of any benefits payable under any severance plan now in existence or adopted prior to the Retirement Date:

(a) Albany will pay Executive the gross sum of $37,491.66 per month for a period of twelve (12) months from the Retirement Date, for a total of $449,900.00 in the first twelve (12) months following the Retirement Date, then the gross sum of $46,191.66 per month for an additional twelve (12) month period (combined, the "Payment Period") for a total of $1,004,200.00 in the first 24 months following the Retirement Date. The aforesaid monthly payments (the "Post-Retirement Payments") shall be paid net of all applicable withholdings and deductions required by law or otherwise agreed to by the parties. The Post-Retirement Payments will made by check, or direct deposit, on the 15th day of the month and will begin after the Retirement Date and after this Agreement becomes irrevocable and continue on or about the 15th day of every month thereafter until paid in full (and may contain *pro rata* payment for any partial month). In the event Executive dies before the last Post-Retirement Payment is made hereunder, the balance of such payments shall be paid to his spouse or, if he shall have no such spouse at that time, to his estate.

(b) Executive may elect, pursuant to the protections afforded by the Consolidated Omnibus Budget Reconciliation Act, to continue group health care coverage as is from time to time provided by or through Albany to all similarly situated eligible employees for up to eighteen (18) months by paying the then-applicable required contribution for such coverage. Notwithstanding the foregoing, the parties acknowledge that it may be more advantageous for Executive to elect retiree health

care benefits under the Albany International Corp. Health Care Plan as of the Retirement Date. In that event, Executive shall be responsible for the payment of the retiree contribution in accordance with the terms of that Plan.

(c) Albany reserves the right to modify, supplement, amend or eliminate the coverages described in subparagraph (b) above, including, without limitation, the eligibility requirements and/or premiums, deductibles, co-payments or other charges relating thereto.

(d) Albany shall pay Executive for any accrued, unused vacation pursuant to existing corporate policy at Executive's last rate of salary, less applicable withholdings and deductions required by law or otherwise agreed to by the parties. Said payment shall be made at the first normal pay date following the Retirement Date and irrevocability of this Agreement. Albany and Executive agree that has accrued 25 unused vacation days.

(e) Any stock options, restricted stock units or long-term incentive awards that have been previously awarded to Executive shall be treated in accordance with the terms of plans under which such awards were granted and/or the applicable award agreement.

(f) Effective as of the Retirement Date, or such earlier date as Executive's employment may be terminated in accordance with Paragraph 7 or 8, hereof, Executive will no longer be an employee of Albany, and will cease to accrue benefits under any pension, deferred compensation, 401(k), profit-sharing or other Albany employee welfare benefit plan.

(g) Executive shall be permitted to retain possession of his current Albany laptop, as well as his current mobile phone and Blackberry; provided that such devices will be cleansed of any Albany content by Albany GIS personnel, and any telecommunications or other services related to such device (or any other phone, mobile, data or computing devices) are to be provided by the Executive at his expense.

(i) Executive acknowledges and agrees that, except for this Agreement, Executive would have no right to receive all of the benefits described above.

12. In the event Executive's employment with Albany is terminated prior to the Retirement Date for cause, Executive shall not be entitled to, and Albany shall not be obligated to provide, any of the benefits described in Paragraph 11, and in such case the treatment of any stock options, restricted stock units or long term incentive awards will be in strict conformity with the terms of the plans under which such option or restricted stock units were granted. In the event Albany terminates Executive's employment prior to the Retirement Date without cause, Executive shall be entitled to receive the benefits described in Paragraph 11, including treatment of his stock options, restricted stock units and long term incentive awards as if the separation was a voluntary retirement after reaching the age of 62, provided however that the Payment Period shall begin as of the date of such termination and cease twenty-four (24) months thereafter.

13. In accordance with the terms of the Company's annual cash incentive program, Executive shall not be eligible for any bonus relating to his employment during 2009.

14. In the event Executive elects to begin receiving benefits under the Albany International Corp. Supplemental Executive Retirement Plan (“SERP Benefits”) at any time within the first six months after Executive’s Retirement Date, Albany shall, in accordance with Section 409A of the Code, delay payment, for up to six months, of the SERP Benefits that accrued after January 1, 2005. Albany shall pay Executive any SERP Benefit withheld pursuant Section 409A of the Code in a lump sum, along with the next regularly scheduled SERP benefit payment next following the expiration of the six month period described above.

15. It is the intent of the parties that this Agreement provides payments and benefits that satisfy the distribution requirements of Section 409A of Code. In the event any payments or benefits are deemed by the IRS to be non-compliant, this Agreement, at Executive’s option, shall be modified, to the extent practical, so as to make it compliant by altering the payments or the timing of their receipt. The methodology to effect or address any necessary modifications shall be subject to reasonable and mutual agreement between the parties.

16. As used in this Agreement, the term “Albany” means, individually and collectively, Albany, each subsidiary, parent company or affiliate of Albany, and their respective employee welfare benefit plans, employee pension benefit plans, successors and assigns (including all present and former shareholders, directors, officers, fiduciaries, agents, representatives and employees of those companies and other entities).

17. Subject to Executive’s right to revoke stated in Paragraph 4 above, by signing this Agreement, Executive immediately gives up and releases Albany from, and with respect to, any and all rights and claims that Executive may have against Albany, whether or not Executive presently is aware of such rights or claims. In addition, and without limiting the foregoing:

(a) Executive on behalf of himself, his agents, spouse, representatives, assignees, attorneys, heirs, executors and administrators, fully releases Albany and Albany’s past and present successors, assigns, parents, divisions, subsidiaries, affiliates, officers, directors, shareholders, employees, agents and representatives from any and all liability, claims, demands, actions, causes of action, suits, grievances, debts, sums of moneys, controversies, agreements, promises, damages, back and front pay, costs, expenses, attorneys fees, and remedies of any type, which Executive now has or hereafter may have, by reason of any matter, cause, act or omission arising out of or in connection with Executive’s employment or the termination of his employment with Albany, including, without limiting the generality of the foregoing, any claims, demands or actions arising under the Age Discrimination in Employment Act of 1967, the Older Worker’s Benefit Protection Act, the Employee Retirement Income Security Act of 1974, Title VII of the Civil Rights Act of 1964, the Civil Rights act of 1991, the Civil Rights Act of 1866, the Rehabilitation Act of 1973, the Americans with Disabilities Act of 1990, and any other federal, state or local statute, ordinance or common law of any state regarding employment, discrimination in employment, or

the termination of employment. Notwithstanding the foregoing, Executive is not waiving any right that cannot, as a matter of law, be voluntarily waived, including the right to file or participate in the adjudication of a claim of discrimination filed with any state or federal administrative agency, though Executive expressly waives any right to recover monetary damages as a result of any claim filed with any state or federal administrative agency.

(b) If Executive breaches any obligation under this Agreement, Executive agrees that Albany shall not be obligated to continue to make payments under Paragraph 11, and to reimburse Albany for any and all payments previously made pursuant to Paragraph 11.

(c) Notwithstanding the foregoing, nothing herein shall relieve Albany of any indemnification obligations it might owe to Executive by virtue of Executive's position as on officer of Albany under its certificate of incorporation, corporate Bylaws or other written agreement.

18. Executive acknowledges that as a consequence of his employment with Albany, proprietary and confidential information relating to the business of Albany may be or have been disclosed to or developed or acquired by Executive which is not generally known to the trade or the general public and which is of considerable value to Albany. Such information includes, without limitation, information about trade secrets, inventions, patents, licenses, research projects, costs, profits, markets, sales, customer lists, proprietary computer programs, proprietary records, and proprietary software; plans for future development, and any other information not available to the trade or the general public, including information obtained from or developed in conjunction with a third party that is subject to a confidentiality or similar agreement between Albany and such third party. During the remainder, if any, of, and after, his employment by Albany, Executive shall not use such information, as denoted above, for his own benefit, or for the benefit of any other employer or for any other purpose whatsoever other than the performance of his remaining work for Albany, if any, and Executive shall maintain all such information in confidence and shall not disclose any thereof to any person other than employees of Albany authorized to receive such information. This obligation is in addition to any similar obligations Executive may have pursuant to any other agreement, statute or common-law. Nothing herein, however, shall preclude Executive from describing his duties with Albany in future job interviews.

19. Executive acknowledges and recognizes the highly competitive nature of Albany's business and accordingly agrees as follows:

(a) For a period of two years following Executive's Retirement Date, whether on the Executive's own behalf or on behalf of or in conjunction with any person, firm, partnership, joint venture, association, corporation or other business, organization, entity or enterprise whatsoever ("Person"), directly or indirectly:

(i) engage in any business which is in competition with Albany or any of its subsidiaries or affiliates in the same geographical areas as Albany or any of its subsidiaries or affiliates are engaged in their business (a "Competitive Business");

(ii) enter into the employ of, or render any services to, any Person in respect of any Competitive Business;

(iii) acquire a financial interest in, or otherwise become actively involved with, any Competitive Business, directly or indirectly, as an individual, partner, shareholder, officer, director, principal, agent, trustee or consultant; provided, however, that in no event shall ownership of less than 2% of the outstanding capital stock of any corporation, in and of itself, be deemed a violation of this Agreement is such capital stock is listed on a national securities exchange or regularly traded in an over-the- counter market; or

(iv) interfere with, or attempt to interfere with, any business relationships (whether formed before or after the Retirement Date) between Albany or any of its subsidiaries or affiliates and their customers, clients, suppliers or investors.

(b) During the period of time ending two years after the Retirement Date Executive will not, whether on Executive’s own behalf or on behalf of or in conjunction with any Person, directly or indirectly:

(i) solicit or encourage any employee of Albany or any of its subsidiaries or affiliates to leave the employment of Albany or any of its subsidiaries or affiliates; or

(ii) hire any such employee who was employed by Albany or any of its subsidiaries or affiliates as of the Retirement Dates or, if later, within the six-month period prior to such date of hire.

(c) It is expressly understood and agreed that although Executive and Albany consider the restrictions in this Paragraph 19 to be reasonable, if a final determination is made by a court of competent jurisdiction or an arbitrator that the time or territory or any other restriction contained in this Agreement is an unenforceable restriction against Executive, the provisions of this Agreement shall not be rendered void but shall be deemed amended to apply as to such maximum time and territory and to such maximum extent as such court or arbitrator may determine or indicate to be enforceable.

20. Executive specifically agrees and promises that he will not directly or indirectly disparage Albany, (as defined in Paragraph 16) or any of Albany’s officers, directors, employees, attorneys or representatives, or any of Albany’s products or services in any manner, at any time, to any person or entity. Albany specifically agrees and promises that it will not directly or indirectly disparage Executive in any manner, at any time, to any person or entity. “Disparage” is defined as any utterance whatsoever either verbal, in writing, by gesture or any behavior of any kind, which criticizes or defames the goodwill or reputation of, or which is intended to embarrass or adversely affect, the other party. Notwithstanding the foregoing, nothing in this Section 20 (a) shall prohibit any of the Company’s executive officers nor any member of the Company's Board of Directors from making non-public statements to one another in the course of carrying out their duties as such, and (b) shall prohibit any person from making truthful statements when required by order of a court or other body having jurisdiction, or as otherwise may be required by law or legal process.

21. This Agreement does not constitute an admission by Albany of any liability to Executive, and Executive understands and agrees that Albany denies any such liability to Executive.

22. This Agreement constitutes the entire agreement between Albany and Executive relating to the subject matter thereof, and may not be amended or modified in any way whatsoever except in writing signed by the parties hereto. This Agreement shall not be in derogation of Executive's rights under any Albany stock, pension, retirement, QSERP, or other similar plan or agreement.

23. Albany and Executive intend for every provision of this Agreement to be fully enforceable. But, if a court with jurisdiction over this Agreement determines that all or part of any provision of this Agreement is unenforceable for any reason, Albany and Executive intend for each remaining provision and part to be fully enforceable as though the unenforceable provision or part had not been included in this Agreement.

24. Executive acknowledges that he has read this entire Agreement, that he fully understands its meaning and effect, and that he has voluntarily signed this Agreement.

25. Notices or other deliveries required or permitted to be given or made under this Agreement by Executive to Albany shall, except to the extent otherwise required by law, be deemed given or made if delivered by hand or by express mail or overnight courier service to Albany International Corp., 1373 Broadway, Albany, New York 12204, Attention: Charles J. Silva, Jr. Notice by Albany to Executive shall be given by hand of express mail or overnight courier service at Executive's last known address or any other address subsequently provided by Executive.

26. The terms of this Agreement are binding upon and shall be for the benefit of Executive and Albany, as well as their respective heirs, executors, administrators, successors and assigns.

27. Executive and Albany each agree that if an action is commenced by any party alleging breach of this Agreement, the non-prevailing party shall be liable to the prevailing party for any and all available legal and equitable relief, as well as reasonable attorneys' fees and costs associated with pursuing or defending such legal action.

28. Executive understands that the release contained in Paragraph 17 hereof is a general release, and represents that he has been advised to seek counsel on the legal and practical effect of a general release, and recognizes that he is executing and delivering this release, intending thereby to be legally bound by the terms and provisions thereof, of his own free will, without promises or threats or the exertion of duress. He also acknowledges that he has had adequate time to review it, have it explained to him, and understands its provisions.

[SIGNATURE PAGES FOLLOW]

IN WITNESS WHEREOF, Executive and a duly authorized representative of Albany have signed this Agreement as of the dates set forth below.

Albany International Corp.

Dated: August 5, 2009

By:/s/ Joseph G. Morone

Name: Joseph G. Morone
President and CEO

THE UNDERSIGNED FURTHER STATES THAT HE HAS CAREFULLY READ THE FOREGOING SETTLEMENT AGREEMENT AND KNOWS THE CONTENTS THEREOF AND SIGNS THE SAME AS HIS OWN FREE ACT. THIS SETTLEMENT AGREEMENT INCLUDES A RELEASE OF ALL KNOWN AND UNKNOWN CLAIMS.

Dated: August 5, 2009

/s/ Michael C. Nahl

Michael C. Nahl

FOR COMPANY USE ONLY

The foregoing Executive Separation Agreement, signed and dated by Executive, was received by me on behalf of Albany International Corp. this August 5, 2009.

/s/ Charles J. Silva, Jr.

Charles J. Silva, Jr.

SUPPLEMENTAL RELEASE

This supplemental release given to Albany International Corp. (“Albany”) by Michael C. Nahl (“Executive”) is executed in consideration for the covenants made by Albany in an Executive Separation Agreement signed by the Executive on _________.

The Executive and his heirs, assigns, and agents release, waive, and discharge Albany, its directors, officers, employees, subsidiaries, affiliates, and agents from each and every claim, action or right of any sort, known or unknown, arising on or before the date of this Supplemental Release.

(1) The foregoing release includes, but is not limited to, any claim of discrimination on the basis of race, sex, religion, marital status, sexual orientation, national origin, handicap or disability, age, veteran status, special disabled veteran status, citizenship status; any other claim based on a statutory prohibition; any claim arising out of or related to an express or implied employment contract, any other contract affecting terms and conditions of employment, or a covenant of good faith and fair dealing; all tort claims; and all claims for attorney’s fees or expenses.

(2) The Executive represents that he understands the foregoing release, that rights and claims under the Age Discrimination in Employment Act of 1967, as amended, are among the rights and claims against Albany he is releasing, and that he understands that he is not releasing any rights or claims arising after the date of this Supplemental Release.

(3) This Release shall not affect any rights of Executive pursuant to the aforesaid Release and Separation Agreement.

EXECUTIVE

_____________________________ DATE: ________________

Michael C. Nahl

WITNESS: ____________________

Post-Retirement Services

Executive shall provide any and all reasonable assistance requested by his successor or by Albany's Chief Executive Officer that relates to his current job duties, including, without limitation: (a) assistance in discussions, meetings or negotiations with lenders or other financial institutions, (b) assistance or participation in meetings with or presentations to investors and analysts, and (c) providing such information as may be in his possession relating to any financial or other business matters of Albany; in each case, from time to time as may reasonably be requested. Such assistance shall not exceed 32 hours per month.

Exhibit 10(o) (xv)

SEVERANCE AGREEMENT

THIS SEVERANCE AGREEMENT (the "Agreement"), is made and entered into this 5th day of August, 2009 (the "Effective Date") by and between Albany International Corp., a Delaware corporation with its principal place of business at 1373 Broadway, Albany, New York (the "Company"), and ____________________ ("Employee").

RECITALS

WHEREAS, Employee has been, and is currently, employed by the Company as an officer, or a key officer, in a critical managerial position; and

WHEREAS, Employee is employed by the Company on an at-will basis; and

WHEREAS, the Company wishes to encourage Employee's continued service and dedication to the performance of his or her duties; and

WHEREAS, Employee and the Company each believe it to be in their best interests to provide Employee with certain severance protections; and

WHEREAS, in order to induce Employee to remain in the employ of the Company, and in consideration for Employee's continued service to the Company, the Company agrees that Employee shall receive the benefits set forth in this Agreement in the event that Employee's employment with the Company is terminated in the circumstances described herein.

NOW, THEREFORE, in consideration of the mutual covenants and promises contained herein, and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto agree as follows:

1. Employment. The Company hereby agrees to continue Employee's current employment on an at-will basis in accordance with provisions contained herein below. Employee shall be based at the Company's headquarters in Albany, New York or such other place, as may be reasonably requested by the Company. Employee shall be subject to the supervision of, and shall have such authority as is delegated to him or her by the Chief Executive Officer, or the Board of Directors (the "Board"), as the case may be.

2. Effect of Termination Without Cause. If Employee's employment is terminated by the Company at any time before December 31, 2012 other than for *Cause* (as defined herein below), the Company shall pay to Employee, as severance, his or her gross monthly salary in effect as of the date of such termination (the "Termination Date"), less applicable withholdings and deductions required by law, or otherwise agreed to by the parties (the "Severance Amount") for a period of eighteen (18) months. The number of months over which the Severance Amount shall be paid shall hereinafter be referred to as the "Severance Period". The Severance Amount shall be paid in monthly installments during the Severance Period in accordance with the Company's customary payroll practices by check or direct deposit until paid in full and may contain a pro rata payment for any partial month or to account for any prepaid, but unearned salary. Notwithstanding the foregoing, any severance payments that otherwise would be due after the second anniversary of the Termination Date shall be paid in a lump sum on the Company's regular payroll date immediately preceding said second anniversary, together with any other severance payment due on that date.

Payment of the severance benefits provided for under this Agreement shall be contingent upon Employee's timely execution, and nonrevocation, of a General Release and Separation Agreement substantially in the

form attached hereto as Exhibit A. Payment of the severance benefits provided for under this Agreement shall not commence prior to the effective date of said General Release and Separation Agreement.

For the purposes of this Section 2, “Cause” shall be deemed to exist upon:

(i) the conviction of Employee for, or the entry of a plea of guilty or nolo contendere by Employee to, a felony charge or any crime involving moral turpitude;

(ii) Unlawful conduct on the part of Employee that may reasonably be considered to reflect negatively on the Company or compromise the effective performance of Employee’s duties as determined by the Company in its sole discretion;

(iii) Employee’s willful misconduct in connection with his or her duties or willful failure to use reasonable effort to perform substantially his or her responsibilities in the best interest of the Company (including, without limitation, breach by the Employee of this Agreement), except in cases involving Employee’s mental or physical incapacity or disability;

(iv) Employee’s willful violation of the Company’s Business Ethics Policy or any other Company policy that may reasonably be considered to reflect negatively on the Company or compromise the effective performance of Employee’s duties as determined by the Company in its sole discretion;

(v) fraud, material dishonesty, or gross misconduct in connection with the Company perpetrated by Employee;

(vi) Employee undertaking a position in competition with Company;

(vii) Employee having caused substantial harm to the Company with intent to do so or as a result of gross negligence in the performance of his or her duties; or

(viii) Employee having wrongfully and substantially enriched himself or herself at the expense of the Company.

3. Restrictive Covenants. Employee acknowledges the highly competitive nature of the Company’s business and in recognition thereof agrees as follows:

A. During the Severance Period, whether on Employee’s own behalf or on behalf of or in conjunction with any person, firm, partnership, joint venture, association, corporation or other business, organization, entity or enterprise whatsoever (“Person”), Employee shall not directly or indirectly:

(i) engage in any business which is in competition with the Company or any of its subsidiaries or affiliates in the same geographical areas as the Company or any of its subsidiaries or affiliates are engaged in their business (a “Competitive Business”);

(ii) enter into the employ of, or render any services to, any Person in respect of any Competitive Business;

(iii) acquire a financial interest in, or otherwise become actively involved with, any Competitive Business, directly or indirectly, as an individual, partner, shareholder, officer, director, principal, agent, trustee or consultant; provided, however, that in no event shall ownership of less than 2% of the outstanding capital stock of any corporation, in and of itself, be deemed a violation of this covenant if such capital stock is listed on a national securities exchange or regularly traded in an over-the-counter market; or

(iv) interfere with, or attempt to interfere with, any business relationships (whether formed before or after the Termination Date) between the Company or any of its subsidiaries or affiliates and their customers, clients, suppliers or investors.

B. During the Severance Period, whether on Employee's own behalf or on behalf of or in conjunction with any Person, Employee shall not directly or indirectly:

(i) solicit or encourage any employee of the Company or any of its subsidiaries or affiliates to leave the employment of the Company or any of its subsidiaries or affiliates; or

(ii) hire any such employee who was employed by the Company or any of its subsidiaries or affiliates as of the Termination Date or, if later, within the six-month period prior to such date of hire.

It is expressly understood and agreed that although the parties consider the restrictions in this Paragraph 3 to be reasonable, if a final determination is made by a court of competent jurisdiction that the time or territory or any other restriction contained in this paragraph is an unenforceable restriction against the Employee, the provisions of this paragraph shall not be rendered void but shall be deemed amended to apply as to such maximum time and territory and to such maximum extent as such court may determine to be enforceable.

4. Confidential Information. Employee acknowledges that as a consequence of his or her employment with the Company proprietary and confidential information relating to the Company's business may be, or have been, disclosed to or developed or acquired by the Employee which is not generally known to the trade or the general public and which is of actual or potential value to the Company ("Proprietary Information"). Such Proprietary Information includes, without limitation, information about trade secrets, inventions, patents, licenses, research projects, costs, profits, markets, sales, customer lists, proprietary computer programs, proprietary records, and proprietary software; plans for future development, and any other information not available to the trade or the general public, including information obtained from or developed in conjunction with a third party that is subject to a confidentiality or similar agreement between the Company and such third party. The Employee acknowledges and agrees that his or her relationship with the Company with respect to such Proprietary Information has been and shall be fiduciary in nature. Consequently, during the remainder of, and after, his or her employment by the Company, the Employee shall not use any Proprietary Information for his or her own benefit, or for the benefit of any other person or entity or for any other purpose whatsoever other than the performance of his or her work for the Company, and the Employee shall maintain all such information in confidence and shall not disclose any thereof to any person other than employees of the Company authorized to receive such information. This obligation is in addition to any similar obligations the Employee may have pursuant to any other agreement, statute or common-law. Nothing herein, however, shall preclude the Employee from describing his or her duties with the Company in future job interviews. After the fifth anniversary of the end of the Employee's employment by the Company, the term Proprietary Information shall be limited to information constituting trade secrets of the Company.

5. Non-disparagement. Employee specifically agrees and covenants that he or she will not directly or indirectly disparage the Company or any subsidiary or affiliate of the Company, or any of their respective officers, directors, employees, attorneys or representatives, or any of their respective products or services in any manner, at any time, to any person or entity. "Disparage" is defined as, but not limited to, any utterance whatsoever either verbal, in writing, by gesture or any behavior of any kind that might tend to or actually harm or injure the Company or any subsidiary or affiliate of the Company, whether intended or not.

6. Clawback. Employee shall forfeit any unpaid Severance Amount due pursuant to this Agreement and shall, upon demand, repay any Severance Amounts already paid hereunder if, after the Termination Date:

(i) there is a significant restatement of the Company's financial results, caused or substantially caused by the fraud or intentional misconduct of the Employee;

(ii) Employee breaches any provision of this Agreement, including, without limitation, the covenants set for in paragraphs 3, 4 and 5; or

(iii) the Company discovers conduct by Employee that would have permitted termination for Cause, provided that such conduct occurred prior to the Termination Date.

7. Remedies for Breach. The Company and Employee agree that a breach by Employee of the provisions of this Agreement may cause irreparable harm to the Company which will be difficult to quantify and for which money damages will not be adequate. Accordingly, the Employee agrees that the Company shall have the right to obtain an injunction against the Employee, without any requirement for posting any bond or other security, enjoining any such breach or threatened breach in addition to any other rights or remedies available to the Company on account of any breach or threatened breach of this Agreement. Employee and the Company each further agree that if an action is commenced by any party alleging breach of this Agreement, the non-prevailing party shall be liable to the prevailing party for any and all available legal and equitable relief, as well as reasonable attorneys' fees and costs associated with pursuing or defending such legal action.

8. Internal Revenue Code Section 409A.

(a) The payments and the payment schedules set forth herein are intended to be exempt from, or comply with, Section 409A of the Internal Revenue Code ("Section 409A"). Accordingly, the Agreement shall be interpreted and performed so as to be exempt from Section 409A, but if that is not possible, the Agreement shall be interpreted and performed so as to comply with Section 409A. In the event any payments or benefits are deemed by the IRS to be non-compliant, this Agreement, at Employee's option, shall be modified, to the extent practical, so as to make it compliant by altering the payments or the timing of their receipt. The methodology to effect or address any necessary modifications shall be subject to reasonable and mutual agreement between the parties.

(b) It is the intent of the parties that this Agreement provides payments and benefits that are either exempt from the distribution requirements of Section 409A of Code, or satisfy those requirements. Any distribution that is subject to the requirements of Section 409A may only be made based on the Employee's "separation from service" (as that term is defined under the final regulations under Section 409A).

(c) Notwithstanding anything to the contrary in this Agreement, in the event that (i) a distribution of benefits is subject to Section 409A, (ii) at the time the distribution would otherwise be made to the Employee, the Employee is a "specified employee" (as that term is defined in the final regulations under Section 409A), and (iii) the distribution would otherwise be made during the 6-month period commencing on the date of the Employee's separation from service, then such distribution will instead be paid to the Employee in a lump sum at the end of the 6-month period. The foregoing delay in the distribution of benefits shall be made in conformance with the final regulations under Section 409A.

9. Severability. Employee and the Company intend for every provision of this Agreement to be fully enforceable. But, if a court with jurisdiction over this Agreement determines that all or part of any provision of this Agreement is unenforceable for any reason, the Company and Employee intend for each remaining provision and part to be fully enforceable as though the unenforceable provision or part had not been included in this Agreement.

10. Entire Agreement. This Agreement and the exhibit hereto constitutes the entire agreement between the parties and supersedes all prior agreements and understandings, whether written or oral, relating to the subject matter of this Agreement.

11. Amendment. This Agreement may be amended or modified only by a written instrument executed by both the Company and Employee.

12. Governing Law. This Agreement shall be construed, interpreted and enforced in accordance with the laws of the State of New York, except to the extent preempted by federal law.

13. Term. This Agreement shall terminate on December 31, 2012; provided, however, that if Employee's employment is terminated by the Company on or before December 31, 2012 other than for cause, the parties' respective rights and obligations under this Agreement shall survive for a period of five (5) years following the termination of this Agreement

14. Successors and Assigns. This Agreement will be binding upon and inure to the benefit of (a) the heirs, executors, and legal representatives of Employee upon Employee's death, and (b) any successor of the Company. Any such successor of the Company will be deemed substituted for the Company under the terms of this Agreement for all purposes. For this purpose, "successor" means any person, firm, corporation, or other business entity which at any time, whether by purchase, merger, or otherwise, directly or indirectly acquires all or substantially all of the assets or business of the Company. None of the rights of Employee to receive any payment pursuant to this Agreement may be assigned or transferred except by will or the laws of descent and distribution. Any other attempted assignment, transfer, conveyance, or other disposition of any right of the Employee under this Agreement will be null and void.

15. Waiver of Jury Trial. The parties agree that they have waived, and hereby waive, their right to a jury trial with respect to any controversy, claim, or dispute arising out of or relating to this Agreement, or the breach thereof, or arising out of or relating to the employment of the Employee, or the termination thereof, including any claims under federal, state, or local law, and that any such controversy, claim, or dispute shall be heard and adjudicated in the state courts of the State of New York, in Albany County.

16. Non-admission of Liability. This Agreement does not constitute an admission by the Company of any liability to Employee, and Employee understands and agrees that the Company denies any such liability to Employee.

17. Headings. All captions and Section headings used in this Agreement are for convenient reference only and do not form a part of this Agreement.

IN WITNESS WHEREOF, Employee and a duly authorized representative of the Company have signed this Agreement as of the dates set forth below.

Employee	Albany International Corp.
____________________	By: ______________________________ Name: Joseph G. Morone President and CEO
Dated: ____________ , 2009	Dated: _____________ , 2009

EXHIBIT A

General Release and Separation Agreement

This General Release and Separation Agreement (the or this “Agreement”) is made and entered into this ____ day of ___________ , 20___ by and between Albany International Corp. (the “Company”) and ____________ (“Employee”).

In consideration of the acknowledgements and mutual covenants hereinafter set forth, and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto agree as follows:

1. Presentation of Agreement. Employee acknowledges that on ____________ ___, 20___ he or she was given this Agreement and was afforded _____ days to consider same.

2. Legal Advice. Employee was, and hereby is, advised to consult a lawyer before signing this Agreement.

3. Acceptance of Agreement. Employee may accept this Agreement only by signing, dating and delivering the Agreement to the Company (in the manner set forth in Section 12) on or before the Company’s normal close of business on ___________ ___, 20___. Time is of the essence with regard to this Section 3.

4. Revocation. Employee may revoke this Agreement at any time within seven (7) days after signing and delivering it to the Company by notifying the Company in writing (in the manner set forth in Section 12) of Employee’s decision to revoke. Time is of the essence with regard to this Section 4.

5. Effective Date. The effective date of this Agreement shall be the eighth (8th) day after Employee signs and delivers it to the Company in accordance with Section 3 above, unless Employee revokes the Agreement before then in accordance with Section 4 above. If Employee fails to accept this Agreement in accordance with Section 3 above, or timely revokes the Agreement in accordance with Section 4 above, the Agreement will not become effective and will not be binding on Employee or the Company.

6. Termination of Employment. Employee’s employment by the Company has been terminated effective ___________ ____, 20__. The parties agree that said termination of employment was a termination by the Company other than for Cause within the meaning of Section 2 of that certain Severance Agreement (the “Severance Agreement”) entered into by and between the parties with an effective date of July 13, 2009.

7. Severance Payments. In accordance with, and subject to, the terms of the Severance Agreement, the Company shall pay to Employee the Severance Amount as specified in the Severance Agreement.

8. Employee’s Acknowledgement. Employee acknowledges and agrees that, except for this Agreement, Employee would have no right to receive the benefits described in Section 7.

9. Defined Term. As used in this Agreement, the term “Albany” means, individually and collectively, Albany, each subsidiary and affiliate of Albany, and their respective employee welfare benefit plans, employee pension benefit plans, successors and assigns, as well as all present and former shareholders, directors, officers, fiduciaries, agents, representatives and employees of those companies and other entities.

10. General Release. By signing this Agreement Employee immediately gives up and releases Albany from, and with respect to, any and all rights and claims that Employee may have against Albany (except as expressly state in subsection 10(c) below), whether or not Employee presently is aware of such rights or claims or suspects them to exist. In addition, and without limiting the foregoing:

(a) The Employee on behalf of himself or herself, his or her agents, spouse, representatives, assignees, attorneys, heirs, executors and administrators, fully releases Albany and Albany’s past and present successors, assigns, parents, divisions, subsidiaries, affiliates, officers, directors, shareholders,

employees, agents and representatives from any and all liability, claims, demands, actions, causes of action, suits, grievances, debts, sums of moneys, controversies, agreements, promises, damages, back and front pay, costs, expenses, attorneys fees, and remedies of any type, which Employee now has or hereafter may have, by reason of any matter, cause, act or omission arising out of or in connection with Employee's employment or the termination of his or her employment with Albany prior to Employee signing this Agreement, including, without limiting the generality of the foregoing, any claims, demands or actions arising under the Age Discrimination in Employment Act of 1967, the Older Workers Benefit Protection Act, the Employee Retirement Income Security Act of 1974, Title VII of the Civil Rights Act of 1964, the Civil Rights act of 1991, the Civil Rights Act of 1866, the Rehabilitation Act of 1973, the Americans with Disabilities Act of 1990, and any other federal, state or local statute, ordinance or common law regarding employment, discrimination in employment, or the termination of employment. Notwithstanding the foregoing, Employee is not waiving any right that cannot, as a matter of law, be voluntarily waived, including the right to file a charge or complaint with, or participate in the adjudication of charge or complaint of discrimination filed with, any federal, state or local administrative agency, though Employee expressly waives any right to recover any money or obtain any other relief or benefit as a result of any complaint or charge being filed with any federal, state or local administrative agency.

The foregoing release includes, but is not limited to, any claim of discrimination on the basis of race, sex, religion, marital status, sexual orientation, national origin, handicap or disability, age, veteran status, special disabled veteran status, citizenship status; any other claim based on a statutory prohibition; any claim arising out of or related to an express or implied employment contract, any other contract affecting terms and conditions of employment, or any covenant of good faith and fair dealing; all tort claims; and all claims for attorney's fees or expenses.

The Employee represents that he or she understands the foregoing release, that rights and claims under the Age Discrimination in Employment Act of 1967, as amended, are among the rights and claims against Albany he or she is releasing, and that he or she understands that he or she is not releasing any rights or claims arising after the date Employee signs this Agreement.

(b) If Employee breaches any obligation under this Agreement, Employee agrees that Albany shall not be obligated to continue to make payments under Section 7, and that Employee shall reimburse Albany for all payments made pursuant to Section 7.

(c) Nothing in this Agreement, however, shall be deemed a waiver of any vested rights or entitlements Employee may have under any retirement or other employee benefit plans administered by Albany. Nor shall anything in this Agreement operate to release Albany from its obligations under this Agreement.

11. Non-admission of Liability. This Agreement does not constitute an admission by Albany of any liability to Employee, and Employee understands and agrees that Albany denies any such liability to Employee.

12. Notices. Notices or other deliveries required or permitted to be given or made under this Agreement by Employee to Albany shall, except to the extent otherwise required by law, be deemed given or made if delivered by hand or by express mail or overnight courier service to Albany International Corp., 1373 Broadway, Albany, New York 12204, Attention: _________________.

13. Headings. All captions and Section headings used in this Agreement are for convenient reference only and do not form a part of this Agreement.

IN WITNESS WHEREOF, Employee and a duly authorized representative of the Company have signed this Agreement as of the dates set forth below.

Employee	Albany International Corp.
____________________	By: _______________________________ Name: Joseph G. Morone President and CEO
Dated: ____________ , 20__	Dated: _____________ , 20__

EXHIBIT (10.9)

SECURITIES PURCHASE AGREEMENT

This SECURITIES PURCHASE AGREEMENT, dated as of May 21, 2009 (this "Agreement"), is by and between Albany International Corp., a corporation organized under the laws of Delaware (the "Company"), and Citadel Equity Fund Ltd., a company organized under the laws of the Cayman Islands (the "Noteholder").

WHEREAS, the Noteholder is the beneficial owner of $40,000,000 in aggregate principal amount of the Company's 2.25% Convertible Senior Notes Due 2026 (the "Convertible Notes");

WHEREAS, the Noteholder has requested that the Company exchange certain principal amounts of the Convertible Notes beneficially owned by the Noteholder for (i) equal aggregate principal amounts of the Company's 2.25% Senior Notes due 2026 (the "Securities") plus (ii) cash in the amount of $7.50 per $1,000 principal amount of Convertible Notes delivered for exchange available from cash on hand at the Company plus (iii) accrued but unpaid interest on the Convertible Notes delivered for exchange (each such transaction, an "Exchange"); and

WHEREAS, on each of the First Closing Date and the Second Closing Date, immediately following each Exchange, the Noteholder desires to sell, and the Company desires to purchase, upon the terms and subject to the conditions set forth in this Agreement, $20,000,000 in aggregate principal amount of the Securities beneficially owned by the Noteholder for certain purchase prices per Security set forth below, which purchase prices will be paid from cash on hand and/or a borrowing under the Company's Revolving Credit Facility (as defined below) (each such transaction, a "Repurchase").

NOW, THEREFORE, in consideration of the foregoing and the covenants, agreements and warranties contained herein, the sufficiency of which as consideration is hereby acknowledged, the parties agree as follows:

1. **Definitions.** When used herein, the following terms shall have the indicated meanings:

"Encumbrance" means any pledge, hypothecation, assignment, lien, restriction, charge, claim, security interest, option, preference, priority or other preferential arrangement of any kind or nature whatsoever.

"Exchange Agreement" means the Exchange Agreement dated as of the date hereof by and between the Company and the Noteholder.

"First Closing Date" means July 1, 2009, or such other date as the parties may mutually agree upon in writing.

"Purchase Price" means in respect of (i) the Securities purchased on the First Closing Date, an amount equal to $622.50 per $1,000 principal amount of Securities purchased on such date and (ii) the Securities purchased on the Second Closing Date (as defined below), an amount equal to $647.50 per $1,000 principal amount of the Securities purchased on such date.

“Revolving Credit Facility” means the credit facility established by the $460,000,000 Five-Year Revolving Credit Facility Agreement, dated as of April 14, 2006, among the Company, the lenders party thereto, JPMorgan Chase Bank, N.A., as Administrative Agent, and J.P. Morgan Europe Limited, as London Agent, as amended from time to time.

“Second Closing Date” means October 1, 2009, or such other date as the parties may mutually agree upon in writing.

2. **Sale and Purchase.** (a) Upon the terms and subject to the conditions of this Agreement, on each of the First Closing Date and the Second Closing Date (each such date, a “Closing Date”), the Noteholder shall sell to the Company free and clear of any and all Encumbrances, and the Company shall purchase from the Noteholder, $20,000,000 in aggregate principal amount of the Securities held by the Noteholder.

(b) Subject to the satisfaction or waiver of the conditions contained in this Agreement, the transactions contemplated by this Agreement shall occur at 10:00 a.m. (New York City time) on each Closing Date.

(c) On each Closing Date, the Company shall pay the Purchase Price to the Noteholder by wire transfer of immediately available funds to the following bank account (or to such other account as the Noteholder shall indicate to the Company in writing no less than three (3) business days before the relevant Closing Date):

Account Name:	Citadel Equity Fund
Bank:	Bank of New York
Attention:	Joe Franklin
Account Number:	8900-472-545
ABA Number:	021000018

against delivery of the Securities by the Noteholder to the Company for cancellation.

3. **Representations and Warranties of the Noteholder.** The Noteholder hereby represents and warrants on the date hereof:

(a) Organization; Requisite Authority. The Noteholder is a company duly organized, validly existing and in good standing under the laws of the Cayman Islands. The Noteholder has full power and authority to enter into this Agreement and to consummate the transactions contemplated hereby.

(b) Authorization; No Breach. The execution, delivery and performance of this Agreement have been duly authorized by the Noteholder. This Agreement, when executed and delivered by the Noteholder in accordance with the terms hereof, shall constitute a valid, binding and enforceable obligation of the Noteholder. The execution of this Agreement by the Noteholder and the consummation by the Noteholder of the transactions contemplated hereby do not and will not (i) require the consent, approval, authorization, order, registration or qualification of, or filing with, any governmental authority or court, or body or arbitrator having jurisdiction over the Noteholder; and (ii) constitute or result in a breach, violation or

default under any material note, bond, mortgage, deed, indenture, lien, instrument, contract, agreement, lease or license, whether written or oral, express or implied, or the Noteholder's charter, bylaws or other organizational document, or any statute, law, ordinance, decree, order, injunction, rule, directive, judgment or regulation of any court, administrative or regulatory body, governmental authority, arbitrator, mediator or similar body having jurisdiction over the Noteholder or cause the acceleration or termination of any obligation or right of the Noteholder under any such document.

(c) Beneficial Ownership. The Noteholder is the beneficial owner of the aggregate principal amount of the Securities set forth in Section 2(a), and such Securities are owned free and clear of all Encumbrances (other than Encumbrances that the Noteholder may have created in the ordinary course of its business in connection with financing its holdings). There are no proceedings relating to the Securities pending or, to the Noteholder's knowledge, threatened before any court, arbitrator or administrative or governmental body that would adversely affect the Noteholder's right to transfer the Securities to the Company and the Securities will be transferred to the Company, free and clear of any and all Encumbrances.

(d) Broker's Fees. Neither the Noteholder nor any person acting on behalf of the Noteholder has retained or authorized any investment banker, broker, finder or other intermediary to act on behalf of the Noteholder or incurred any liability for any banker's, broker's or finder's fees or commissions in connection with the transactions contemplated by this Agreement.

(e) Qualified Institutional Buyer. The Noteholder holds the Securities for its own account and it is a "qualified institutional buyer" within the meaning of Rule 144A under the Securities Act of 1933, as amended (the "Securities Act"). The Noteholder has not communicated with and will not communicate with any person in connection with the transactions contemplated by this Agreement and the Exchange Agreement. The Noteholder is a sophisticated institutional investor and has such knowledge and experience in financial and business matters as to be capable of evaluating the merits and risks of the Exchange and an investment in the Securities.

(f) Reporting Obligations. The Noteholder has no obligation to, and will not, report the sale of the Securities to the Company in a manner that would result in contemporaneous public disclosure of the transactions contemplated by this Agreement.

4. **Representations and Warranties of the Company**. The Company hereby represents and warrants as of the date hereof:

(a) Organization; Requisite Authority. The Company is a corporation duly organized, validly existing and in good standing under the laws of the State of Delaware. The Company possesses all requisite power and authority necessary to enter into this Agreement and to consummate the transactions contemplated by this Agreement, to own and operate its properties, and to conduct its business as described in the Company's statements, reports, schedules, forms and other documents filed by the Company with the Securities and Exchange Commission (the "SEC") since January 1, 2008 (the "SEC Documents") and as now being conducted.

(b) Authorization; No Breach. The execution, delivery and performance of this Agreement have been duly authorized by the Company. This Agreement, when executed and delivered by the Company in accordance with the terms hereof, shall constitute a valid, binding and enforceable obligation of the Company. The execution of this Agreement by the Company and the consummation by the Company of the transactions contemplated hereby do not and will not (i) require the consent, approval, authorization, order, registration or qualification of, or filing with, any governmental authority or court, or body or arbitrator having jurisdiction over the Company; and (ii) constitute or result in a breach, violation or default under any material note, bond, mortgage, deed, indenture, lien, instrument, contract, agreement, lease or license, whether written or oral, express or implied, or with the Company's charter, by-laws or other organizational document, or any statute, law, ordinance, decree, order, injunction, rule, directive, judgment or regulation of any court, administrative or regulatory body, governmental authority, arbitrator, mediator or similar body having jurisdiction over the Company or cause the acceleration or termination of any obligation or right of the Company under any such document.

(c) Reports and Financial Statements. The Company has filed all reports on Form 10-K, Form 10-Q, Form 8-K and all other reports required to be filed with the SEC pursuant to the Securities Exchange Act of 1934, as amended (the "Exchange Act"), since January 1, 2008, and all such filings, as may have been amended, complied in all material respects with the Exchange Act and the rules and regulations promulgated thereunder as of the date filed with the SEC or amended, as the case may be. None of the SEC Documents, as of their respective dates (as amended through the date hereof), contained any untrue statement of a material fact or omitted to state a material fact required to be stated therein or necessary to make the statements therein, in light of the circumstances under which they were made, not misleading.

(d) Broker's Fees. Neither the Company nor any person acting on behalf of the Company has retained or authorized any investment banker, broker, finder or other intermediary to act on behalf of the Company or incurred any liability for any banker's, broker's or finder's fees or commissions in connection with the transactions contemplated by this Agreement.

5. **Conditions Precedent to Obligations of the Company.** The obligations of the Company are subject to the satisfaction of the following conditions precedent:

(a) The representations and warranties of the Noteholder contained herein shall be true and correct as of each Closing Date as if made on each Closing Date.

(b) The Noteholder shall have complied with all of its covenants and agreements contained herein to be performed by it on or prior to each Closing Date.

(c) An Exchange under the Exchange Agreement shall have occurred and the Repurchase of the Securities issued under such Exchange shall not have occurred.

6. **Conditions Precedent to Obligations of the Noteholder.** The obligations of the Noteholder are subject to the satisfaction of the following conditions precedent:

(a) The representations and warranties of the Company contained herein shall be true and correct as of each Closing Date as if made on each Closing Date.

(b) The Company shall have complied with all of its covenants and agreements contained herein to be performed by it on or prior to each Closing Date.

(c) An Exchange under the Exchange Agreement shall have occurred and the Repurchase of the Securities issued under such Exchange shall not have occurred.

7. **Disclosure.** The Company shall disclose to the public generally, no later than four business days immediately following the date of this Agreement, such of the Confidential Information as is necessary to permit the Noteholder (including its affiliates and representatives) to purchase and sell (without contravening applicable securities or other law) any securities of the Company. For purposes of this Section 7, "Confidential Information" shall mean any non-public information that the Company or any of its representatives may have furnished to the Noteholder (including its affiliates and representatives), in either case whether oral, written, electronic or in some other form, including – without limitation – the existence of the transactions contemplated by this Agreement and the Exchange Agreement. In the event of the failure of the Company to make the disclosure contemplated by the first sentence of this Section 7, the Noteholder shall be authorized to make any such disclosure.

8. Termination. In the event the Exchange Agreement is terminated pursuant to the terms thereof, or the First Closing Date hereunder has not occurred for any other reason by July 10, 2009, or the First Closing Date and the Second Closing Date hereunder have not occurred for any other reason by October 10, 2009, either party may terminate this Agreement by notice to the other party, provided, however, that the party seeking to terminate this Agreement pursuant to this Section 8 shall not have such right if its failure to (i) fulfill any obligation under this Agreement or the Exchange Agreement, or (ii) act in good faith has been a significant cause of, or resulted in, the failure of the transactions contemplated by this Agreement or the Exchange Agreement to have occurred by such date.

9. **Miscellaneous**.

(a) **Further Assurances.** In case at any time after each Closing Date any further action is necessary or desirable to carry out the purposes of this Agreement or the transactions contemplated hereby, each of the parties will take such further action (including the execution and delivery of such further instruments and documents) as any other party may reasonably request.

(b) **Severability.** If any provision of this Agreement shall be held invalid, illegal or unenforceable, the validity, legality and enforceability of the other provisions hereof shall not be affected thereby.

(c) **Counterparts.** This Agreement may be executed in any number of counterparts (including by facsimile transmission), each of which shall be deemed an original, but all of which together shall constitute one and the same agreement.

(d) **Descriptive Headings; Interpretation**. The headings and captions used in this Agreement are for reference purposes only and shall not affect in any way the meaning or interpretation of this Agreement.

(e) **Entire Agreement.** This Agreement and the agreements and documents referred to herein contain the entire agreement and understanding between the parties with respect to the subject matter hereof and supersede all prior agreements and understandings, whether written or oral, relating to such subject matter in any way.

(f) **Amendment, Waiver.** This Agreement may be amended, modified or supplemented but only in a writing signed by the Noteholder and the Company. No waiver of any of the provisions or conditions of this Agreement or any of the rights of a party hereto shall be effective or binding unless such waiver shall be in writing and signed by the party claimed to have given or consented thereto.

(g) **Expenses.** Each party hereto will bear its own expenses in connection with the transactions contemplated hereby.

(h) **Notices.** Any notice, request, instruction or other document to be given hereunder by a party hereto shall be in writing and shall be deemed to have been given, (a) when received if given in person or by a courier or a courier service or (b) on the date of transmission if sent by electronic transmission:

(a) If to the Noteholder, addressed as follows:

Citadel Solutions LLC
131 S. Dearborn Street
Chicago, IL 60603
Attention: Kevin Newstead
Telephone: 312-443-5497
Facsimile: 312-267-7764

(b) If to the Company, addressed as follows:

Albany International Corp.
1373 Broadway
Menands, NY 12204
Attention: Charles J. Silva, Jr.
Telephone: 518-445-2277
Facsimile: 518-447-6575

or to such other person or address as a party hereto may designate for itself by notice given as herein provided.

(i) **APPLICABLE LAW; WAIVER OF JURY TRIAL**. THIS AGREEMENT SHALL BE GOVERNED BY AND CONSTRUED AND ENFORCED IN ACCORDANCE WITH THE LAWS OF THE STATE OF NEW YORK APPLICABLE TO CONTRACTS ENTERED

INTO AND TO BE PERFORMED IN SUCH STATE. THE PARTIES HERETO AGREE TO WAIVE ANY RIGHT TO TRIAL BY JURY IN ANY DISPUTE ARISING FROM OR RELATED TO THIS AGREEMENT.

(j) **Submission to Jurisdiction**. Each party agrees that any suit, action or proceeding brought by it against the other party arising out of or based upon this Agreement or the transactions contemplated hereby may be instituted in any state or federal court in The City of New York, New York, and waives any objection which it may now or hereafter have to the laying of venue of any such proceeding, and irrevocably submits to the non-exclusive jurisdiction of such courts in any suit, action or proceeding.

(k) **Specific Performance.** The parties acknowledge that money damages will not be a sufficient remedy for breach of this Agreement and that the parties hereto may obtain specific performance or other injunctive relief, without the necessity of posting a bond or security therefor.

(l) **No Construction Against Draftsperson**. The parties have participated jointly in the negotiation and drafting of this Agreement. In the event an ambiguity or question of intent or interpretation arises, this Agreement shall be construed as if drafted jointly by the parties, and no presumption or burden of proof shall arise favoring or disfavoring any party by virtue of the authorship of any of the provisions of this Agreement.

[Remainder of page intentionally left blank]

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be executed and delivered as of the date first above written.

ALBANY INTERNATIONAL CORP.

By: /s/ Michael C. Nahl

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

CITADEL EQUITY FUND LTD.

By: /s/ Erica L. Tarpey

Name: Erica L. Tarpey
Title: Authorized Signatory

Signature Page
Purchase Agreement

EXHIBIT (10.10)

EXCHANGE AGREEMENT

This Exchange Agreement (this "Agreement") is made and entered into as of May 21, 2009 by and between Albany International Corp., a Delaware corporation (the "Company"), and Citadel Equity Fund Ltd., a company organized under the laws of the Cayman Islands (the "Noteholder"). The Company and the Noteholder are sometimes collectively referred to herein as the "Parties" and individually as a "Party."

WHEREAS, the Noteholder is the beneficial owner of $40,000,000 in aggregate principal amount of the Company's 2.25% Convertible Senior Notes due 2026 (the "Convertible Notes");

WHEREAS, the Noteholder has requested that the Company exchange, and the Company is willing to exchange certain principal amounts of the Convertibles Notes beneficially owned by the Noteholder for (i) equal aggregate principal amounts of the Company's 2.25% Senior Notes due 2026 (the "New Notes"), in the form attached as Annex A hereto plus (ii) the Cash Payment (as defined below) available from cash on hand at the Company (each such transaction, an "Exchange"); and

WHEREAS, on each of the First Closing Date and the Second Closing Date (as defined below), immediately following each Exchange, the Noteholder desires to sell, and the Company desires to purchase, upon the terms and subject to the conditions set forth in a Securities Purchase Agreement, dated as of the date hereof (the "Securities Purchase Agreement"), between the Noteholder and the Company, in the form attached as Annex B hereto, $20,000,000 in aggregate principal amount of New Notes beneficially owned by the Noteholder for certain purchase prices per New Note set forth in the Securities Purchase Agreement, which purchase prices will be paid from cash on hand and/or a borrowing under the Company's $460,000,000 Five-Year Revolving Credit Facility Agreement, dated as of April 14, 2006, among the Company, the lenders party thereto, JPMorgan Chase Bank, N.A., as Administrative Agent, and J.P. Morgan Europe Limited, as London Agent, as amended from time to time.

NOW, THEREFORE, in consideration of the mutual covenants, agreements and understandings herein contained, the Parties hereby agree as follows:

SECTION 1. Exchange of Notes.

1.1 The Exchange. On and subject to the terms and conditions set forth in this Agreement, on each Closing Date (as defined below), the Noteholder shall sell, assign and transfer to the Company, free and clear of any and all Encumbrances, all right, title and interest in and to, and any and all claims in respect of or arising or having arisen as a result of, $20,000,000 in aggregate principal amount of Convertible Notes beneficially owned by the Noteholder in exchange for (i) the issuance by the Company of an equal aggregate principal amount of the New Notes and (ii) the payment by the Company of an amount in cash equal to $150,000, plus any accrued but unpaid interest through the relevant Closing Date on the

Convertible Notes delivered for Exchange (the "Cash Payment"), payable from cash on hand at the Company available for general corporate purposes.

1.2 Closing Date . The transactions contemplated hereunder shall take place at 10:00a.m. (New York City time) on each of July 1, 2009 and October 1, 2009, or at such other time or on such other date as the parties may mutually agree upon in writing (each such date, a "Closing Date"). On each Closing Date:

(a) the Noteholder shall deliver to the Company $20,000,000 in aggregate principal amount of Convertible Notes via book-entry delivery to the following account:

DTC Participant Name: Bank of New York
DTC Participant Number: 901
ID Agent: Citizens Bank #80901
ID Agent Account No.: 101400
Further Credit: Albany International Corp. #7011536

(b) the Company shall deliver to the Noteholder $20,000,000 in aggregate principal amount of New Notes via physical delivery.

(c) the Company shall make the Cash Payment by wire transfer in immediately available funds to the following bank account (or to such other account as the Noteholder shall indicate to the Company in writing no less than three (3) business days before the relevant Closing Date):

Account Name: Citadel Equity Fund
Bank: Bank of New York
Attention: Joe Franklin
Account Number: 8900-472-545
ABA Number: 021000018

SECTION 2. Conditions to the Obligations of the Noteholder. The obligations of the Noteholder to consummate the transactions contemplated hereby are subject to the satisfaction as of each Closing Date of the following conditions:

2.1 Representations and Warranties. The representations and warranties contained in Section 4 hereof shall be true and correct at and as of each Closing Date as though made on each Closing Date.

2.2 Compliance with Covenants. The Company shall have complied with all of its covenants and agreements contained herein to be performed by it on or prior to each Closing Date.

2.3 Securities Purchase Agreement. The Securities Purchase Agreement shall (i) have been duly executed and delivered by the Company, (ii) be in full force and effect and (iii) not have been modified, amended or terminated as of each Closing Date.

SECTION 3. Conditions to the Obligations of the Company. The obligations of the Company to consummate the transactions contemplated hereby are subject to the satisfaction as of each Closing Date of the following conditions:

3.1 Representations and Warranties. The representations and warranties contained in Section 5 hereof shall be true and correct at and as of each Closing Date as though made on each Closing Date.

3.2 Compliance with Covenants. The Noteholder shall have complied with all of its covenants and agreements contained herein to be performed by it on or prior to each Closing Date.

3.3 Securities Purchase Agreement. The Securities Purchase Agreement shall (i) have been duly executed and delivered by the Noteholder, (ii) be in full force and effect and (iii) not have been modified, amended or terminated as of each Closing Date.

SECTION 4. Representations and Warranties of the Company. As a material inducement to the Noteholder to enter into this Agreement, the Company hereby represents and warrants to the Noteholder that the following statements are true and correct as of the date of this Agreement.

4.1 Organization; Requisite Authority. The Company is a corporation duly organized, validly existing and in good standing under the laws of the State of Delaware. The Company possesses all requisite power and authority necessary to enter into this Agreement and to consummate the transactions contemplated by this Agreement, to own and operate its properties, and to conduct its business as described in the Company's statements, reports, schedules, forms and other documents filed by the Company with the Securities and Exchange Commission (the "SEC") since January 1, 2008 (the "SEC Documents") and as now being conducted.

4.2 Authorization; No Breach. The execution, delivery and performance of this Agreement have been duly authorized by the Company. This Agreement, when executed and delivered by the Company in accordance with the terms hereof, shall constitute a valid, binding and enforceable obligation of the Company. The execution of this Agreement by the Company and the consummation by the Company of the transactions contemplated hereby do not and will not (i) require the consent, approval, authorization, order, registration or qualification of, or filing with, any governmental authority or court, or body or arbitrator having jurisdiction over the Company; and (ii) constitute or result in a breach, violation or default under any material note, bond, mortgage, deed, indenture, lien, instrument, contract, agreement, lease or license, whether written or oral, express or implied, or the Company's charter, bylaws or other organizational document, or any statute, law, ordinance, decree, order, injunction, rule, directive, judgment or regulation of any court, administrative or regulatory body, governmental authority, arbitrator, mediator or similar body having jurisdiction over the Company or cause the acceleration or termination of any obligation or right of the Company under any such document.

4.3 Reports and Financial Statements. The Company has filed all reports on Form 10-K, Form 10-Q, Form 8-K and all other reports required to be filed with the SEC pursuant to the Securities Exchange Act of 1934, as amended (the "Exchange Act"), since January 1, 2008, and all such filings, as may have been amended, complied in all material respects with the Exchange Act and the rules and regulations promulgated thereunder as of the date filed with the SEC or amended, as the case may be. None of the SEC Documents, as of their respective dates (as amended through the date hereof), contained any untrue statement of a material fact or omitted to state a material fact required to be stated therein or necessary to make the statements therein, in light of the circumstances under which they were made, not misleading.

4.4 Broker's Fees. Neither the Company nor any person acting on behalf of the Company has retained or authorized any investment banker, broker, finder or other intermediary to act on behalf of the Company or incurred any liability for any banker's, broker's or finder's fees or commissions in connection with the transactions contemplated by this Agreement.

4.5 New Notes. The New Notes have been duly and validly authorized and, when executed and delivered to and paid for by the Noteholder under this Agreement, will constitute legal, valid and binding obligations of the Company (subject, as to enforcement remedies, to applicable bankruptcy, insolvency, moratorium, reorganization or similar laws affecting creditors' rights generally and by general equitable principles).

4.6 Private Placement. The Company acknowledges and agrees that the New Notes have not been and will not be registered under the U.S. Securities Act of 1933, as amended (the "Securities Act"), and may not be offered, sold, transferred or otherwise disposed of at any time except (i) to the Company or a subsidiary thereof or (ii) pursuant to another available exemption under the Securities Act. The Company has not made and will not make, directly or indirectly, offers or sales of the New Notes or any other securities, or solicit offers to buy the New Notes or any other securities, under circumstances that would require the registration of any of the New Notes under the Securities Act in connection with the transactions contemplated by this Agreement.

SECTION 5. Representations and Warranties of the Noteholder. As a material inducement to the Company to enter into this Agreement, the Noteholder hereby represents and warrants to the Company that the following statements are true and correct as of the date of this Agreement.

5.1 Organization; Requisite Authority. The Noteholder is a company duly organized, validly existing and in good standing under the laws of the Cayman Islands. The Noteholder has full power and authority to enter into this Agreement and to consummate the transactions contemplated hereby.

5.2 Authorization; No Breach. The execution, delivery and performance of this Agreement have been duly authorized by the Noteholder. This Agreement, when executed and delivered by the Noteholder in accordance with the terms hereof, shall constitute a valid,

binding and enforceable obligation of the Noteholder. The execution of this Agreement by the Noteholder and the consummation by the Noteholder of the transactions contemplated hereby do not and will not (i) require the consent, approval, authorization, order, registration or qualification of, or filing with, any governmental authority or court, or body or arbitrator having jurisdiction over the Noteholder; and (ii) constitute or result in a breach, violation or default under any material note, bond, mortgage, deed, indenture, lien, instrument, contract, agreement, lease or license, whether written or oral, express or implied, or the Noteholder's charter, bylaws or other organizational document, or any statute, law, ordinance, decree, order, injunction, rule, directive, judgment or regulation of any court, administrative or regulatory body, governmental authority, arbitrator, mediator or similar body having jurisdiction over the Noteholder or cause the acceleration or termination of any obligation or right of the Noteholder under any such document.

5.3 Ownership. The Noteholder is the beneficial owner of the aggregate principal amount of, and any and all accrued and unpaid interest on, the Convertible Notes, and such Convertible Notes are owned free and clear of all Encumbrances (other than Encumbrances that the Noteholder may have created in the ordinary course of its business in connection with financing its holdings). There are no proceedings relating to the Convertible Notes pending or, to the Noteholder's knowledge, threatened before any court, arbitrator or administrative or governmental body that would adversely affect the Noteholder's right to transfer the Convertible Notes to the Company and the Convertible Notes will be transferred to the Company, free and clear of any and all Encumbrances. For purposes of this Agreement, "Encumbrance" means any pledge, hypothecation, assignment, lien, restriction, charge, claim, security interest, option, preference, priority or other preferential arrangement of any kind or nature whatsoever.

5.4 Broker's Fees. Neither the Noteholder nor any person acting on behalf of the Noteholder has retained or authorized any investment banker, broker, finder or other intermediary to act on behalf of the Noteholder or incurred any liability for any banker's, broker's or finder's fees or commissions in connection with the transactions contemplated by this Agreement.

5.5 Qualified Institutional Buyer. The Noteholder is a "qualified institutional buyer," as defined in Rule 144A under the Securities Act, purchasing the New Notes for its own account or the account of such a qualified institutional buyer. The Noteholder has not communicated with and will not communicate with any person in connection with the transactions contemplated by this Agreement and the Securities Purchase Agreement. The Noteholder is a sophisticated institutional investor and has such knowledge and experience in financial and business matters as to be capable of evaluating the merits and risks of the Exchange and an investment in the New Notes.

5.6 Private Placement. The Noteholder acknowledges and agrees that the New Notes have not been and will not be registered under the Securities Act and may not be offered, sold, transferred or otherwise disposed of at any time except (i) to the Company or a subsidiary thereof or (ii) in accordance with another available exemption under the Securities Act. The Noteholder has not made and will not make directly or indirectly offers or sales of the New Notes, or solicit offers to buy the New Notes, under circumstances that would require the

registration of any of the New Notes under the Securities Act in connection with the transactions contemplated by this Agreement.

5.7 Reporting Obligations. The Noteholder has no obligation to, and will not, report the Exchange in a manner that would result in contemporaneous public disclosure of the transactions contemplated by this Agreement and the Securities Purchase Agreement.

SECTION 6. Disclosure. The Company shall disclose to the public generally, no later than four business days immediately following the date of this Agreement, such of the Confidential Information as is necessary to permit the Noteholder (including its affiliates and representatives) to purchase and sell (without contravening applicable securities or other law) any securities of the Company. For purposes of this Section 6, “Confidential Information” shall mean any non-public information that the Company or any of its representatives may have furnished to the Noteholder (including its affiliates and representatives), in either case whether oral, written, electronic or in some other form, including – without limitation – the existence of the transactions contemplated by this Agreement and the Securities Purchase Agreement. In the event of the failure of the Company to make the disclosure contemplated by the first sentence of this Section 6, the Noteholder shall be authorized to make any such disclosure.

SECTION 7. Termination.

7.1 Conditions of Termination. This Agreement may be terminated at any time prior to October 1, 2009 (or such other date designated in writing by the Parties to be the second Closing Date):

(a) by the mutual written consent of the Parties;

(b) by the Company if there has been a material misrepresentation or a material breach of warranty by the Noteholder in the representations and warranties set forth in this Agreement;

(c) by the Noteholder if there has been a material misrepresentation or a material breach of warranty by the Company in the representations and warranties set forth in this Agreement;

(d) by either Party if the Securities Purchase Agreement is terminated for any reason; or

(e) by either Party in the event that the First Closing Date hereunder has not occurred for any reason by July 10, 2009, or the First Closing Date and the Second Closing Date hereunder have not occurred for any reason by October 10, 2009;

provided, however, that insofar as termination under Section 7(d) or 7(e) is concerned, the Party seeking to terminate this Agreement pursuant to such Section shall not have such right if its failure to (i) fulfill any obligation under this Agreement or the Securities Purchase Agreement or (ii) act in good faith has been a significant cause of, or resulted in, the failure of the transactions

contemplated by this Agreement and/or the Securities Purchase Agreement to have occurred by such date.

SECTION 8. Miscellaneous.

8.1 Further Assurances. In case at any time after each Closing Date any further action is necessary or desirable to carry out the purposes of this Agreement or the transactions contemplated hereby, each of the Parties will take such further action (including the execution and delivery of such further instruments and documents) as any other Party may reasonably request.

8.2 Severability. If any provision of this Agreement shall be held invalid, illegal or unenforceable, the validity, legality and enforceability of the other provisions hereof shall not be affected thereby.

8.3 Counterparts. This Agreement may be executed in any number of counterparts (including by facsimile transmission), each of which shall be deemed an original, but all of which together shall constitute one and the same agreement.

8.4 Descriptive Headings; Interpretation. The headings and captions used in this Agreement are for reference purposes only and shall not affect in any way the meaning or interpretation of this Agreement.

8.5 Entire Agreement. This Agreement and the agreements and documents referred to herein contain the entire agreement and understanding between the Parties with respect to the subject matter hereof and supersede all prior agreements and understandings, whether written or oral, relating to such subject matter in any way.

8.6 Amendment, Waiver. This Agreement may be amended, modified or supplemented but only in a writing signed by the Noteholder and the Company. No waiver of any of the provisions or conditions of this Agreement or any of the rights of a party hereto shall be effective or binding unless such waiver shall be in writing and signed by the Party claimed to have given or consented thereto.

8.7 Expenses. Each Party will bear its own expenses in connection with the transactions contemplated hereby.

8.8 Notices. Any notice, request, instruction or other document to be given hereunder by a party hereto shall be in writing and shall be deemed to have been given, (a) when received if given in person or by a courier or a courier service or (b) on the date of transmission if sent by facsimile transmission:

If to the Company, addressed as follows:

Albany International Corp.
1373 Broadway
Menands, NY 12204

Attention: Charles J. Silva, Jr.
Telephone: 518-445-2277
Facsimile: 518-447-6575

If to the Noteholder, addressed as follows:

Citadel Solutions LLC
131 S. Dearborn Street
Chicago, IL 60603
Attention: Kevin Newstead
Telephone: 312-443-5497
Facsimile: 312-267-7764

8.9 APPLICABLE LAW; WAIVER OF JURY TRIAL. THIS AGREEMENT SHALL BE GOVERNED BY AND CONSTRUED AND ENFORCED IN ACCORDANCE WITH THE LAWS OF THE STATE OF NEW YORK APPLICABLE TO CONTRACTS ENTERED INTO AND TO BE PERFORMED IN SUCH STATE. THE PARTIES HERETO AGREE TO WAIVE ANY RIGHT TO TRIAL BY JURY IN ANY DISPUTE ARISING FROM OR RELATED TO THIS AGREEMENT.

8.10 Submission to Jurisdiction. Each Party agrees that any suit, action or proceeding brought by it against the other Party arising out of or based upon this Agreement or the transactions contemplated hereby may be instituted in any state or federal court in The City of New York, New York, and waives any objection which it may now or hereafter have to the laying of venue of any such proceeding, and irrevocably submits to the non-exclusive jurisdiction of such courts in any suit, action or proceeding.

8.11 Specific Performance. The Parties acknowledge that money damages will not be a sufficient remedy for breach of this Agreement and that the Parties hereto may obtain specific performance or other injunctive relief, without the necessity of posting a bond or security therefor.

8.12 No Construction Against Draftsperson. The Parties have participated jointly in the negotiation and drafting of this Agreement. In the event an ambiguity or question of intent or interpretation arises, this Agreement shall be construed as if drafted jointly by the Parties, and no presumption or burden of proof shall arise favoring or disfavoring any Party by virtue of the authorship of any of the provisions of this Agreement.

IN WITNESS WHEREOF, the Parties hereto have executed this Exchange Agreement on the date first written above.

ALBANY INTERNATIONAL CORP.

By: /s/ Michael C. Nahl

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

CITADEL EQUITY FUND LTD.

By: /s/ Christopher Ramsey

Name: Christopher Ramsey
Title: Authorized Signatory

ANNEX A

FORM OF NEW NOTE

THIS SECURITY HAS NOT BEEN AND WILL NOT BE BEEN REGISTERED UNDER THE UNITED STATES SECURITIES ACT OF 1933, AS AMENDED (THE “SECURITIES ACT”), AND MAY NOT BE OFFERED, SOLD OR OTHERWISE TRANSFERRED EXCEPT (I) TO THE COMPANY OR A SUBSIDIARY THEREOF OR (II) PURSUANT TO ANOTHER AVAILABLE EXEMPTION UNDER THE SECURITIES ACT. BY ITS ACQUISITION HEREOF, THE HOLDER AGREES THAT IT WILL NOT RESELL OR OTHERWISE TRANSFER THE SECURITY EVIDENCED HEREBY EXCEPT AS AFORESAID.

ALBANY INTERNATIONAL CORP.

2.25% Senior Notes due 2026

No. [•] $[•]

Albany International Corp., a corporation duly organized and validly existing under the laws of the State of Delaware (herein called the "**Company**," which term includes any successor corporation), for value received hereby promises to pay to the order of Citadel Equity Fund Ltd. (the "**Holder**"), or registered assigns, the principal amount of $[•] on March 15, 2026, as evidenced by this senior note.

This Note shall bear interest at the rate of 2.25% per year from [•], 2009, or from the most recent date to which interest had been paid or provided for to, but excluding, the next scheduled Interest Payment Date until March 15, 2013. As of March 15, 2013, this Note shall bear interest at the rate of 3.25% per year from March 15, 2013, to, but excluding, the next scheduled Interest Payment Date until the principal hereof shall have been paid or made available for payment. Interest is payable semi-annually in arrears on each March 15 and September 15, commencing September 15, 2009, to the holder of record at the close of business on the preceding March 1 and September 1 (whether or not such day is a Business Day), respectively. Interest on the Note shall be computed on the basis of a 360-day year comprised of twelve 30-day months.

Payment of the principal of and premium, if any (including the Redemption Price, Repurchase Price or Fundamental Change Repurchase Price, as the case may be), and accrued and unpaid interest on this Note shall be paid by wire transfer in immediately available funds in accordance with the wire transfer instruction supplied by the Holder to the Company.

Reference is made to the further provisions of this Note set forth on the reverse hereof and in the attached Annex of Terms (the "**Annex**"). Such further provisions shall for all purposes have the same effect as though fully set forth at this place. Any capitalized term used and not otherwise defined herein shall have the meaning assigned to such term in the Annex.

This Note shall be deemed to be a contract made under the laws of the State of New York, and for all purposes shall be construed in accordance with and governed by the laws of said State (without regard to the conflicts of laws provisions thereof).

[Remainder of page intentionally left blank]

IN WITNESS WHEREOF, the Company has caused this Note to be duly executed.

ALBANY INTERNATIONAL CORP.

By: ______________________________

Name:
Title:

Dated: ________________________

REVERSE OF NOTE

ALBANY INTERNATIONAL CORP.
2.25% Senior Notes due 2026

This Note is a duly authorized issue of securities of the Company, designated as its 2.25% Senior Notes due 2026 in the principal amount of $[•] (the“**Notes**”).

Subject to the terms and conditions set forth in the Annex, the Company will make all payments in respect of the Redemption Price, Repurchase Price, the Fundamental Change Repurchase Price, and the principal amount on the Maturity Date, as the case may be, to the Holder if it surrenders this Note to the Company to collect such payments in respect of the Note. The Company will pay in money of the United States that at the time of payment is legal tender for payment of public and private debts.

No reference herein to the Annex and no provision of this Note or of the Annex shall alter or impair the obligation of the Company, which is absolute and unconditional, to pay the principal of, premium, if any, and accrued and unpaid interest on this Note at the place, at the respective times, at the rate and in the lawful money herein prescribed.

In case an Event of Default, as defined in the Annex, shall have occurred and be continuing, the principal of, premium, if any, and interest on the Note may be declared, by the Holder, and upon said declaration shall become, due and payable, in the manner, with the effect and subject to the conditions provided in the Annex.

The Annex contains provisions permitting the Holder to waive any past Default or Event of Default under the Notes and its consequences except as provided in the Annex.

The Notes are issuable in definitive, registered form without coupons in denominations of $1,000 principal amount and integral multiples thereof. Without payment of any service charge but with payment of a sum sufficient to cover any tax or other governmental charge that may be imposed in connection with any registration or exchange of this Note, this Note may be exchanged for a like aggregate principal amount of Notes of other authorized denominations.

This Note is not subject to redemption through the operation of any sinking fund. Prior to March 15, 2013, this Note will not be redeemable at the Company’s option. Subject to the terms and conditions set forth in the Annex, beginning on March 15, 2013, the Company, at its option, may redeem this Note for cash at any time as a whole, or from time to time in part, at a price equal to the principal amount of this Note redeemed plus accrued and unpaid interest on the principal amount of this Note redeemed to (but excluding) the Redemption Date.

Subject to the terms and conditions set forth in the Annex, the Company shall become obligated to purchase, at the option of the Holder, all or any portion of this Note held by the Holder on March 15, 2013 and March 15, 2021, in integral multiples of $1,000 at a Repurchase Price equal to the principal amount of this Note repurchased.

Upon the occurrence of a Fundamental Change, the Holder has the right, at its option, to require the Company to repurchase all of the Holder’s Note or any portion thereof (in principal

amounts of $1,000 or integral multiples thereof) on the Fundamental Change Repurchase Date at a price equal to 100% of the principal amount the Holder elects to require the Company to repurchase, together with accrued and unpaid interest to but excluding the Fundamental Change Repurchase Date. The Company shall mail to the Holder a notice of the occurrence of a Fundamental Change and of the repurchase right arising as a result thereof on or before the fifth Business Day after the occurrence of such Fundamental Change.

Upon due presentment for registration of transfer of this Note to the Company, a new Note or Notes of authorized denominations for an equal aggregate principal amount will be issued to the transferee in exchange thereof, without charge except for any tax, assessments or other governmental charge imposed in connection therewith.

The Company may deem and treat the registered holder hereof as the absolute owner of this Note (whether or not this Note shall be overdue and notwithstanding any notation of ownership or other writing hereon), for the purpose of receiving payment hereof, or on account hereof and for all other purposes, and the Company shall not be affected by any notice to the contrary.

No recourse for the payment of the principal of or any premium or accrued and unpaid interest on this Note, or for any claim based hereon or otherwise in respect hereof, and no recourse under or upon any obligation, covenant or agreement of the Company, or because of the creation of any indebtedness represented hereby, shall be had against any incorporator, stockholder, employee, agent, officer, director or subsidiary, as such, past, present or future, of the Company or of any successor corporation or other entity, either directly or through the Company or any successor corporation or other entity, whether by virtue of any constitution, statute or rule of law or by the enforcement of any assessment or penalty or otherwise, all such liability being, by the acceptance hereof and as part of the consideration for the issue hereof, expressly waived and released.

ANNEX OF TERMS

ARTICLE 1
DEFINITIONS

"**Business Day**" means each Monday, Tuesday, Wednesday, Thursday and Friday that is not a day on which the banking institutions in The City of New York are authorized or obligated by law or executive order to close or be closed.

"**Capital Stock**" means, for any entity, any and all shares, interests, rights to purchase, warrants, options, participations or other equivalents of or interests in (however designated) stock issued by that entity.

"**close of business**" means 5:00 p.m. (New York City time).

"**Common Equity**" of any Person means Capital Stock of such Person that is generally entitled to (1) vote in the election of directors of such Person or (2) if such Person is not a corporation, vote or otherwise participate in the selection of the governing body, partners, managers or others that will control the management or policies of such Person.

"**Common Stock** " means shares of Class A common stock of the Company, par value $0.001 per share, at the date of the Notes or shares of any class or classes resulting from any reclassification or reclassifications thereof and that have no preference in respect of dividends or of amounts payable in the event of any voluntary or involuntary liquidation, dissolution or winding up of the Company and that are not subject to redemption by the Company; provided that if at any time there shall be more than one such resulting class, the shares of each such class then so issuable shall be substantially in the proportion that the total number of shares of such class resulting from all such reclassifications bears to the total number of shares of all such classes resulting from all such reclassifications.

"**Default**" means any event that is, or after notice or passage of time, or both, would be, an Event of Default.

"**Event of Default**" shall have the meaning specified in Section 3.01.

"**Exchange Act**" means the Securities Exchange Act of 1934, as amended, and the rules and regulations promulgated thereunder.

"**Fundamental Change**" means the occurrence after the original issuance of the Notes of any of the following events:

(i) any "**person**" or "**group**" (within the meaning of Section 13(d) of the Exchange Act) other than a Standish Holder, the Company, its Subsidiaries or the employee benefit plans of the Company or any such Subsidiary, files a Schedule TO or any schedule, form or report under the Exchange Act disclosing that such person or group has become the direct or indirect "**beneficial owner**," as defined in Rule 13d-3 under the

Exchange Act, of the Company's Common Equity representing more than 50% of the voting power of the Company's Common Equity;

(ii) consummation of any share exchange, exchange offer, tender offer, consolidation, merger or binding share exchange of the Company pursuant to which the Common Equity will be converted into cash, securities or other property or any sale, lease or other transfer in one transaction or a series of transactions of all or substantially all of the consolidated assets of the Company and its Subsidiaries, taken as a whole, to any Person other than one of the Company's Subsidiaries; *provided, however,* that (A) a transaction where the holders of more than 50% of all classes of the Company's Common Equity immediately prior to such transaction own, directly or indirectly, more than 50% of all classes of Common Equity of the continuing or surviving corporation or transferee immediately after such event shall not be a Fundamental Change, or (B) if at least 90% of the consideration, excluding cash payments for fractional shares, in the share exchange, exchange offer, tender offer, consolidation, merger, binding share exchange, sale, lease or other transfer consists of shares of Publicly Traded Securities, and as a result of such share exchange, exchange offer, tender offer, consolidation, merger, binding share exchange sale, lease or other transfer, the Notes become convertible into such Publicly Traded Securities, excluding cash payments for fractional shares, such event shall not be a Fundamental Change;

(iii) the stockholders of the Company approve any plan or proposal for the liquidation or dissolution of the Company;

(iv) (A) the Common Stock ceases to be listed on a national securities exchange or quoted on the Nasdaq National Market (at a time when the Nasdaq National Market is not a U.S. national securities exchange) other than in connection with a transaction or series of transactions described in clause (iv)(B) of this definition; or (B) the Common Stock ceases to be listed on a national securities exchange or quoted on the Nasdaq National Market (at a time when the Nasdaq National Market is not a U.S. national securities exchange) in connection with any transaction or series of transactions in which one or more Standish Holders acquires all or substantially all of the shares of Common Stock.

For purposes of this definition, whether a "**person**" is a "**beneficial owner**" shall be determined in accordance with Rule 13d-3 under the Exchange Act and "**person**" includes any syndicate or group that would be deemed to be a "**person**" under Section 13(d)(3) of the Exchange Act.

"**Fundamental Change Company Notice**" shall have the meaning specified in Section 4.02(b).

"**Fundamental Change Expiration Time**" shall have the meaning specified in Section 4.02(b)(vi).

"**Fundamental Change Repurchase Date**" shall have the meaning specified in Section 4.02.

“**Fundamental Change Repurchase Notice**” shall have the meaning specified in Section 4.02(a)(i).

“**Fundamental Change Repurchase Price**” shall have the meaning specified in Section 4.02.

“**Holder”** means any person in whose name a particular Note is registered on the Note Register.

“**Interest Payment Date**” means each March 15 and September 15 of each year, beginning on September 15, 2009.

“**Maturity Date**” means March 15, 2026.

“**Note Register”** means the register of Notes maintained by the Company.

“**Permitted Beneficiary**” means, as to any natural person, such person’s spouse, such person’s issue, a spouse of such person’s issue, a whole or half brother or sister of such person and/or a cousin of such person.

“**Permitted Transfer**” means (1) a transfer of Class B common stock of the Company by the holder thereof to another holder of Class B common stock of the Company; (2) a transfer of Class B common stock of the Company resulting from the death of the holder thereof to another holder of Class B common stock of the Company; (3) if Class B common stock of the Company is held by a trust, (i) a transfer pursuant to the terms of the governing trust instrument as in effect when the transferred Class B common stock of the Company was acquired by that trust or (ii) a transfer to another trust that was established by the same settlor or by a parent, grandparent or Permitted Beneficiary of said settlor and that has as its Primary Beneficiaries the settlor and/or one or more of the parents, grandparents or Permitted Beneficiaries of the settlor; (4) a bona fide pledge of Class B common stock of the Company; *provided* that any action by the pledgee (other than a Person described in clause (1) or clause (2) of the definition of Standish Holder or in clause (1), (2), (3), (5), (6) or (7) of this definition) in the nature of a foreclosure or other transfer shall not constitute a Permitted Transfer; (5) a transfer of Class B common stock of the Company by a holder who is a natural person to a Permitted Beneficiary of such holder or to a trust that has as its Primary Beneficiaries such holder and/or one or more Permitted Beneficiaries of such holder or to a trust having one or more organizations described in Section 170(2) of the Internal Revenue Code of 1986 (or any successor provision thereto) as an income beneficiary for a fixed period of years and having as its other Primary Beneficiaries such holder and/or one or more Permitted Beneficiaries of such holder; (6) a transfer of Class B common stock of the Company by the holder thereof to a nominee for such holder, or by a nominee for a holder of such shares to such holder or to another nominee for such holder; or (7) a transfer of Class B common stock of the Company by the corporation which is the holder thereof to another corporation (i) which owns all of the capital stock of such holder or all of the capital stock of a corporation which owns all of the capital stock of such holder, (ii) all of the capital stock of which is owned by such holder or by a corporation all of the capital stock of which is owned by such holder, or (iii) all of the capital stock of which is owned by a corporation which owns all of the capital stock of such holder or all of the capital stock of a corporation which owns all of the capital stock of such holder.

“**Person**” means an individual, a corporation, a limited liability company, an association, a partnership, a joint venture, a joint stock company, a trust, an unincorporated organization or a government or an agency or a political subdivision thereof.

“**Primary Beneficiaries**” shall mean beneficiaries of a trust, other than contingent remaindermen, who have, in the aggregate, a beneficial interest in at least 85% of the income and principal of the trust.

“**Publicly Traded Securities**” means shares of common stock traded on a national securities exchange or quoted on the Nasdaq National Market (at a time when the Nasdaq National Market is not a U.S. national securities exchange) or that will be so traded or quoted when issued or exchanged in connection with a Fundamental Change described in clause (ii) of the definition thereof.

“**Record Date**” in respect of any payment pursuant to the terms of the Notes means the date that is fifteen (15) days prior to the date of the applicable payment.

“**Redemption Date**” means the date specified for redemption of the Notes in accordance with the terms of the Notes.

“**Redemption Price**” shall have the meaning set forth in Section 2.01.

“**Standish Holder**” means (1) any of the five Persons who were listed as “Reporting Persons” on the Schedule 13D/A (with respect to which the Company was the issuer) filed with the Commission on December 3, 2004, namely: J.S. Standish Company (a Delaware corporation), J. Spencer Standish, Thomas R. Beecher Jr. as sole trustee of trusts for the benefit of John C. Standish and Christine L. Standish, and of the Standish Delta Trust, John C. Standish or Christine L. Standish (all individuals); (2) any of the trusts identified in Item 5 of such Schedule 13D/A as holding shares of common stock of the Company that are deemed for the purposes of such Schedule to be beneficially owned by such Reporting Persons; and (3) any Person to whom one of the five Persons or trusts described above transfers any of his, her or its shares of Class B common stock of the Company, so long as such transfer is a Permitted Transfer.

“**Subsidiary**” of the Company means (i) a corporation a majority of whose Capital Stock with voting power, under ordinary circumstances, to elect directors is at the time, directly or indirectly, owned by the Company, by the Company and one or more Subsidiaries of the Company or by one or more Subsidiaries of the Company or (ii) any other Person (other than a corporation) in which the Company, one or more Subsidiaries of the Company or the Company and one or more Subsidiaries of the Company, directly or indirectly, at the date of determination thereof, has greater than a 50% ownership interest.

ARTICLE 2
Redemption of Notes

Section 2.01. *Company's Right to Redeem.*

Prior to March 15, 2013, the Notes will not be redeemable at the Company's option. On or after March 15, 2013, the Company, at its option, may redeem the Notes for cash at any time as a whole, or from time to time in part, at a price (the "**Redemption Price**") equal to 100% of the principal amount of the Notes to be redeemed plus accrued and unpaid interest on the Notes to be redeemed to (but excluding) the Redemption Date; *provided*, *however*, that, if the Redemption Date falls after a Record Date and on or prior to the succeeding Interest Payment Date, the Redemption Price shall be equal to 100% of the principal amount of the Notes to be redeemed and the full amount of interest due on such Interest Payment Date shall be payable on such Interest Payment Date to the Holder of the Notes on the Record Date relating to such Interest Payment Date. No sinking fund is provided for the Notes. Provisions of this Annex that apply to redemption also apply to portions of the Notes called for redemption.

Section 2.02. *Notice of Redemption.*

At least 45 days but not more than 60 days before a Redemption Date, the Company shall mail a notice of redemption by first-class mail, postage prepaid, to the Holder.

The notice shall identify the Notes to be redeemed and shall state:

(1) the Redemption Date;

(2) the Redemption Price;

(3) that the Notes called for redemption must be surrendered to the Company to collect the Redemption Price;

(4) on and after the Redemption Date (i) the Notes will cease to be outstanding, (ii) interest will cease to accrue on the Notes, and (iii) all other rights of the Holder of the Notes will terminate other than the right to receive the Redemption Price upon delivery of the Notes; and

(5) if fewer than all of the outstanding Notes are to be redeemed, the certificate numbers, if any, and principal amounts of the particular Notes to be redeemed.

Section 2.03. *Effect of Notice of Redemption.*

Once notice of redemption is mailed, the Notes called for redemption become due and payable on the Redemption Date and at the Redemption Price stated in the notice. Upon surrender to the Company, the Notes shall be paid at the Redemption Price stated in the notice.

Section 2.04. *Payment of Redemption Price.*

Payment for the Notes surrendered for redemption will be made promptly after the later of (x) the Redemption Date with respect to such Notes and (y) the time of delivery of such Notes to the Company by the Holder, by wire transfer of immediately available funds to the account of the Holder.

On and after the Redemption Date (i) the Notes will cease to be outstanding, (ii) interest will cease to accrue on the Notes, and (iii) all other rights of the Holder will terminate other than the right to receive the Redemption Price upon delivery of the Notes.

Section 2.05. *Notes Redeemed in Part.*

Upon surrender of a Note that is redeemed in part, the Company shall execute and deliver to the holder a new Note in an authorized denomination equal in principal amount to the unredeemed portion of the Note surrendered. In the event of any redemption in part, the Company will not be required to (i) issue, register the transfer of or exchange any Note during a period beginning at the opening of business 15 days before any notice of redemption is given to the Holder of any Note to be redeemed, or (ii) register the transfer of or exchange any Note so selected for redemption, in whole or in part, except the unredeemed portion of any Note being redeemed in part.

Section 2.06. *No Redemption Upon Acceleration.*

Notwithstanding the foregoing, the Company may not redeem the Notes if the principal amount of the Notes has been accelerated, and such acceleration has not been rescinded, on or prior to such Redemption Date (except in the case of an acceleration resulting from a default by the Company in the payment of the Redemption Price with respect to the Notes).

ARTICLE 3
DEFAULTS

Section 3.01. *Events of Default.*

The following events shall be "**Events of Default**" with respect to the Notes:

(a) default in any payment of interest on any Note when due and payable and the default continues for a period of thirty days;

(b) default in the payment of principal of any Note when due and payable at its Maturity Date, upon redemption, upon required repurchase, upon declaration of acceleration or otherwise;

(c) failure by the Company to issue a Fundamental Change Company Notice in accordance with Section 4.02 when due;

(d) failure by the Company for 60 days after written notice from the Holder has been received by the Company to comply with any of its other agreements contained in the Note or this Annex, which notice shall state that it is a "Notice of Default" hereunder;

(e) default by the Company or any Subsidiary of the Company in the payment of the principal or interest on any mortgage, agreement or other instrument under which there may be outstanding, or by which there may be secured or evidenced, any debt for money borrowed in

excess of $25 million in the aggregate of the Company and/or any such Subsidiary, whether such debt now exists or shall hereafter be created, resulting in such debt becoming or being declared due and payable, and such acceleration shall not have been rescinded or annulled within 30 days after written notice of such acceleration has been received by the Company or such Subsidiary;

(f) a final judgment for the payment of $25 million or more rendered against the Company or any Subsidiary of the Company, which judgment is not fully covered by insurance or not discharged or stayed within 90 days after (i) the date on which the right to appeal thereof has expired if no such appeal has commenced, or (ii) the date on which all rights to appeal have been extinguished;

(g) the Company or any Subsidiary of the Company that is a “significant subsidiary” (as defined in Regulation S-X under the Exchange Act) or any group of Subsidiaries of the Company that in the aggregate would constitute a “significant subsidiary” shall commence a voluntary case or other proceeding seeking liquidation, reorganization or other relief with respect to the Company or any such Subsidiary or group of Subsidiaries or its debts under any bankruptcy, insolvency or other similar law now or hereafter in effect or seeking the appointment of a trustee, receiver, liquidator, custodian or other similar official of the Company or any such Subsidiary or group of Subsidiaries or any substantial part of its property, or shall consent to any such relief or to the appointment of or taking possession by any such official in an involuntary case or other proceeding commenced against it, or shall make a general assignment for the benefit of creditors, or shall fail generally to pay its debts as they become due; or

(h) an involuntary case or other proceeding shall be commenced against the Company or any Subsidiary of the Company that is a “significant subsidiary” (as defined in Regulation S-X under the Exchange Act) or any group of Subsidiaries of the Company that in the aggregate would constitute a “significant subsidiary” seeking liquidation, reorganization or other relief with respect to the Company or such Subsidiary or group of Subsidiaries or its debts under any bankruptcy, insolvency or other similar law now or hereafter in effect or seeking the appointment of a trustee, receiver, liquidator, custodian or other similar official of the Company or such Subsidiary or group of Subsidiaries or any substantial part of its property, and such involuntary case or other proceeding shall remain undismissed and unstayed for a period of ninety consecutive days.

In case one or more Events of Default shall have occurred and be continuing (whatever the reason for such Event of Default and whether it shall be voluntary or involuntary or be effected by operation of law or pursuant to any judgment, decree or order of any court or any order, rule or regulation of any administrative or governmental body), then, and in each and every such case (other than an Event of Default specified in Section 3.01(g) or Section 3.01(h) with respect to the Company), unless the principal of the Notes shall have already become due and payable, the Holder, by notice in writing to the Company may declare 100% of the principal of and premium, if any, and accrued and unpaid interest on the Notes to be due and payable immediately, and upon any such declaration the same shall become and shall be immediately due and payable, anything in this Annex or in the Notes contained to the contrary notwithstanding. If an Event of Default specified in Section 3.01(g) or Section 3.01(h) occurs and is continuing with respect to the Company, the principal of the Notes and accrued and unpaid interest shall be

immediately due and payable. This provision, however, is subject to the conditions that if, at any time after the principal of the Notes shall have been so declared due and payable, and before any judgment or decree for the payment of the monies due shall have been obtained or entered as hereinafter provided, the Company shall pay installments of accrued and unpaid interest upon the Notes and the principal of and premium, if any, on the Notes that shall have become due otherwise than by acceleration (with interest on overdue installments of accrued and unpaid interest (to the extent that payment of such interest is enforceable under applicable law) and on such principal and premium, if any, at the rate borne by the Notes at such time) and if (1) rescission would not conflict with any judgment or decree of a court of competent jurisdiction and (2) any and all Events of Defaults under the Notes, other than the nonpayment of principal of and premium, if any, and accrued and unpaid interest on Notes that shall have become due solely by such acceleration, shall have been cured or waived pursuant to Section 3.03, then and in every such case the Holder by written notice to the Company may waive all Defaults or Events of Default with respect to the Notes and rescind and annul such declaration and its consequences and such Default shall cease to exist, and any Event of Default arising therefrom shall be deemed to have been cured for every purpose of the Notes; but no such waiver or rescission and annulment shall extend to or shall affect any subsequent Default or Event of Default, or shall impair any right consequent thereon.

Section 3.02. *Notice of Defaults.*

The Company shall, within ninety (90) days after the occurrence and continuance of a Default, mail to the Holder at its address as shall appear on the Note Register, notice of all Defaults, unless such Defaults shall have been cured or waived before the giving of such notice.

Section 3.03. *Waiver.*

The Holder may waive any past Default or Event of Default hereunder and its consequences. Upon any such waiver the Company and the Holder shall be restored to their former positions and rights hereunder; but no such waiver shall extend to any subsequent or other Default or Event of Default or impair any right consequent thereon. Whenever any Default or Event of Default hereunder shall have been waived as permitted by this Section 3.03, said Default or Event of Default shall for all purposes of the Notes be deemed to have been cured and to be not continuing; but no such waiver shall extend to any subsequent or other Default or Event of Default or impair any right consequent thereon.

ARTICLE 4
Repurchase of Notes at Option of Holders

Section 4.01. *Repurchase at Option of Holders.*

The Note or portions thereof shall be purchased by the Company at the option of the Holder for cash on March 15, 2013 and March 15, 2021 (each, a “**Repurchase Date**”), at a purchase price (the “**Repurchase Price**”) equal to 100% of the principal amount of the Notes to be repurchased. The Company shall pay any accrued and unpaid interest thereon to (but excluding) such Repurchase Date to the holders at the close of business on the Record Date

immediately preceding such Repurchase Date. Not later than 20 Business Days prior to any Repurchase Date, the Company shall mail a notice (the "**Company Notice**") by first class mail to the Holder. The Company Notice shall include a form of repurchase notice to be completed by a holder and shall state:

(i) the last date on which the Holder may exercise its repurchase right pursuant to this Section 4.01;

(ii) the Repurchase Price;

(iii) that the Notes must be surrendered to the Company to collect payment;

(iv) that the Repurchase Price for the Notes as to which a Repurchase Notice has been given and not withdrawn will be paid promptly following the later of the Repurchase Date and the time of surrender of such Notes as described in (iii);

(v) the procedures the Holder must follow to exercise its repurchase rights and a brief description of those rights; and

(vi) the procedures for withdrawing a Repurchase Notice.

The purchase of the Notes hereunder shall be made, at the option of the Holder, upon delivery to the Company by the Holder of a written notice of repurchase in the form set forth on the attached Exhibit I (a "**Repurchase Notice**") during the period beginning at any time from the opening of business on the date that is 20 Business Days prior to the relevant Repurchase Date until the close of business on the second Business Day prior to the Repurchase Date stating:

(i) the certificate number of the Notes that the Holder will deliver to be purchased,

(ii) the portion of the principal amount of the Notes to be purchased, which portion must be in principal amounts of $1,000 or an integral multiple of $1,000, and

(iii) that such Notes shall be purchased by the Company as of the Repurchase Date pursuant to the terms and conditions specified in the Notes.

No Repurchase Notice with respect to the Notes may be tendered by the Holder thereof if the Holder has also tendered a Fundamental Change Repurchase Notice and not validly withdrawn such Fundamental Change Repurchase Notice in accordance with Section 4.03.

The Company shall purchase from the Holder, pursuant to this Section 4.01, a portion of a Notes if the principal amount of such portion is $1,000 or an integral multiple of $1,000. Provisions of this Annex that apply to the purchase of all of the Notes also apply to the purchase of such portion of the Notes.

Any purchase by the Company contemplated pursuant to the provisions of this Section 4.01 shall be consummated by the delivery of the consideration to be received by the Holder promptly following the later of the Repurchase Date and the time of delivery of the Notes.

Notwithstanding anything herein to the contrary, the Holder shall have the right to withdraw, in whole or in part, its Repurchase Notice at any time prior to the close of business on the second Business Day prior to the Repurchase Date by delivery of a written notice of withdrawal to the Company in accordance with Section 4.03 below.

(b) Notwithstanding the foregoing, the Notes may not be repurchased by the Company at the option of the Holder if the principal amount of the Notes has been accelerated, and such acceleration has not been rescinded, on or prior to the Repurchase Date (except in the case of an acceleration resulting from a default by the Company in the payment of the Repurchase Price with respect to the Notes).

(c) In connection with any purchase offer, the Company will (to the extent applicable):

(i) comply with the provisions of Rule 13e-4, Rule 14e-1 and any other tender offer rules under the Exchange Act,

(ii) file a Schedule TO or any successor or similar schedule, if required under the Exchange Act, and

(iii) otherwise comply with all federal and state securities laws in connection with any offer by the Company to purchase the Notes.

Section 4.02. *Repurchase at Option of Holders Upon a Fundamental Change.*

(a) If there shall occur a Fundamental Change at any time prior to maturity of the Notes, then the Holder shall have the right, at its option, to require the Company to repurchase the Notes for cash, or any portion thereof that is an integral multiple of $1,000 principal amount, on the date (the "**Fundamental Change Repurchase Date**") specified by the Company that is not less than twenty (20) Business Days and not more than thirty five (35) Business Days after the date of the Fundamental Change Company Notice (as defined below) at a repurchase price equal to 100% of the principal amount thereof, together with accrued and unpaid interest thereon to, but excluding, the Fundamental Change Repurchase Date (the "**Fundamental Change Repurchase Price**"). If such Fundamental Change Repurchase Date falls after a Record Date for the payment of interest, and on or prior to the corresponding Interest Payment Date, the Company shall instead pay the principal amount to the Holder surrendering the Notes for repurchase pursuant to this Section 4.02, and pay the full amount of accrued and unpaid interest payable on such Interest Payment Date to the Holder on the close of business on the corresponding Record Date. Repurchases of Notes under this Section 4.02 shall be made, at the option of the holder thereof, upon:

(i) delivery to the Company by the Holder of a duly completed notice in the form set forth on the attached <u>Exhibit II</u> (the "**Fundamental Change Repurchase**

Notice") prior to the close of business on the second Business Day prior to the Fundamental Change Repurchase Date; and

(ii) delivery of the Notes to the Company at any time after delivery of the Fundamental Change Repurchase Notice (together with all necessary endorsements), such delivery being a condition to receipt by the Holder of the Fundamental Change Repurchase Price therefore; *provided* that such Fundamental Change Repurchase Price shall be so paid pursuant to this Section 4.02 only if the Note so delivered to the Company shall conform in all respects to the description thereof in the related Fundamental Change Repurchase Notice.

The Fundamental Change Repurchase Notice shall state:

(A) the certificate numbers of Notes to be delivered for purchase;

(B) the portion of the principal amount of the Notes to be repurchased, which must be $1,000 or an integral multiple thereof; and

(C) that the Notes are to be repurchased by the Company pursuant to the applicable provisions of the Notes;

Any purchase by the Company contemplated pursuant to the provisions of this Section 4.02 shall be consummated by the delivery of the consideration to be received by the Holder promptly following the later of the Fundamental Change Repurchase Date and the time of the delivery of the Notes.

Notwithstanding anything herein to the contrary, the Holder delivering the Fundamental Change Repurchase Notice contemplated by this Section 4.02 shall have the right to withdraw, in whole or in part, such Fundamental Change Repurchase Notice at any time prior to the close of business on the second Business Day prior to the Fundamental Change Repurchase Date by delivery of a written notice of withdrawal to the Company in accordance with Section 4.03 below.

(b) As promptly as practicable after the occurrence of the effective date for a Fundamental Change, and in no event more than five Business Days after the effective date of the Fundamental Change, the Company shall mail to the Holder a notice (the "**Fundamental Change Company Notice**") of the effective date of the Fundamental Change and of the repurchase right at the option of the Holder arising as a result thereof. Such mailing shall be by first class mail.

Each Fundamental Change Company Notice shall specify:

(i) the events causing the Fundamental Change;

(ii) the effective date of the Fundamental Change;

(iii) the last date on which the Holder may exercise the repurchase right;

(iv) the Fundamental Change Repurchase Price;

(v) the Fundamental Change Repurchase Date;

(vi) that the Holder must exercise the repurchase right on or prior to the close of business on the Fundamental Change Repurchase Date (the "**Fundamental Change Expiration Time**");

(vii) that the Holder shall have the right to withdraw the Notes surrendered prior to the Fundamental Change Expiration Time; and

(viii) the procedures that the Holder must follow to require the Company to repurchase its Notes.

No failure of the Company to give the foregoing notices and no defect therein shall limit the Holder's repurchase rights or affect the validity of the proceedings for the repurchase of the Notes pursuant to this Section 4.02.

(c) Notwithstanding the foregoing, the Notes may not be repurchased by the Company at the option of the Holder upon a Fundamental Change if the principal amount of the Notes has been accelerated, and such acceleration has not been rescinded, on or prior to the Fundamental Change Repurchase Date (except in the case of an acceleration resulting from a default by the Company in the payment of the Fundamental Change Repurchase Price with respect to the Notes).

(d) In connection with any purchase offer, the Company will (to the extent applicable):

(i) comply with the provisions of Rule 13e-4, Rule 14e-1 and any other tender offer rules under the Exchange Act,

(ii) file a Schedule TO or any successor or similar schedule, if required under the Exchange Act, and

(iii) otherwise comply with all federal and state securities laws in connection with any offer by the Company to purchase the Notes.

Section 4.03. *Withdrawal of Repurchase Notice or Fundamental Change Repurchase Notice.*

A Repurchase Notice or Fundamental Change Repurchase Notice, as the case may be, may be withdrawn by means of a written notice of withdrawal delivered to the Company at any time prior to the close of business on the second Business Day prior to the Repurchase Date or prior to the close of business on the second Business Day prior to the Fundamental Change Repurchase Date, as the case may be, specifying:

(i) the certificate number of the Notes in respect of which such notice of withdrawal is being submitted,

(ii) the principal amount of the Notes with respect to which such notice of withdrawal is being submitted, and

(iii) the principal amount, if any, of such Notes that remains subject to the original Repurchase Notice or Fundamental Change Repurchase Notice, as the case may be, which portion must be in principal amounts of $1,000 or an integral multiple of $1,000.

Section 4.04. *Payment of Repurchase Price or Fundamental Change Repurchase Price.*

Payment for the Notes surrendered for repurchase (and not withdrawn) prior to the Repurchase Date or Fundamental Change Expiration Time will be made promptly after the later of (x) the Repurchase Date or Fundamental Change Repurchase Date, as the case may be, with respect to such Notes (provided the Holder has satisfied the conditions in Sections 4.01 and 4.02, as applicable) and (y) the time of the delivery of such Notes to the Company by the Holder in the manner required by Section 4.01 or Section 4.02, as applicable, by wire transfer of immediately available funds to the account of the Holder.

(a) Following the Repurchase Date or Fundamental Change Repurchase Date, as the case may be, (i) the Notes will cease to be outstanding, (ii) interest will cease to accrue on the Notes, and (iii) all other rights of the Holder will terminate (other than the right to receive the Repurchase Price or Fundamental Change Repurchase Price, as the case may be, and previously accrued but unpaid interest upon delivery of the Notes).

(b) Upon surrender of a Note that is to be repurchased in part pursuant to Section 4.01 or 4.02, the Company shall execute and deliver to the Holder a new Note in an authorized denomination equal in principal amount to the unrepurchased portion of the Note surrendered.

EXHIBIT I

[FORM OF REPURCHASE NOTICE]

To: Albany International Corp.

The undersigned registered owner of this Note hereby requests and instructs Albany International Corp. to repay the entire principal amount of this Note, or the portion thereof (that is $1,000 principal amount or an integral multiple thereof) below designated, in accordance with the terms and conditions of the Annex referred to in this Note at the Repurchase Price to the registered holder hereof.

The certificate numbers of the Notes to be repurchased are as set forth below:

Dated: ____

____

____
Signature(s)

____
Social Security or Other Taxpayer Identification Number

Principal amount to be repaid (if less than all): $______,000

NOTICE: The above signature(s) of the holder(s) hereof must correspond with the name as written upon the face of the Note in every particular without alteration or enlargement or any change whatever.

EXHIBIT II

[FORM OF FUNDAMENTAL CHANGE REPURCHASE NOTICE]

To: Albany International Corp.

The undersigned registered owner of this Note hereby acknowledges receipt of a notice from Albany International Corp. (the "**Company**") as to the occurrence of a Fundamental Change with respect to the Company and requests and instructs the Company to repay the entire principal amount of this Note, or the portion thereof (that is $1,000 principal amount or an integral multiple thereof) below designated, in accordance with the applicable provisions of the Annex referred to in this Note, together with accrued and unpaid interest, to, but excluding, such date, to the registered holder hereof.

The certificate numbers of the Notes to be repurchased are as set forth below:

Dated: ____

____

____
Signature(s)

____
Social Security or Other Taxpayer Identification Number

Principal amount to be repaid (if less than all):$______,000

NOTICE: The above signature(s) of the holder(s) hereof must correspond with the name as written upon the face of the Note in every particular without alteration or enlargement or any change whatever.

ANNEX B

[Form of Securities Purchase Agreement]

EXHIBIT (31.1)
CERTIFICATION PURSUANT TO
RULE 13A-14 OF THE SECURITIES EXCHANGE ACT OF 1934,
AS ADOPTED PURSUANT TO
SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Joseph G. Morone, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Albany International Corp.;

2. Based on my knowledge, this quarterly report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this quarterly report;

3. Based upon my knowledge, the financial statements, and other financial information included in this quarterly report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this quarterly report;

4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15 (e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and we have:

    a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this quarterly report is being prepared;

    b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

    c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report, based on such evaluation; and

    d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting, and

5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of registrant's board of directors:

    a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting, which are reasonably likely to adversely affect the registrant's ability to record, process, summarize, and report financial data and

    b) Any fraud, whether or not material, that involves management or other employees who have significant role in the registrant's internal control over financial reporting.

Date: August 6, 2009

By /s/ Joseph G. Morone

Joseph G. Morone

President and Chief Executive Officer

(Principal Executive Officer)

EXHIBIT (31.2)
CERTIFICATION PURSUANT TO
RULE 13A-14 OF THE SECURITIES EXCHANGE ACT OF 1934,
AS ADOPTED PURSUANT TO
SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Michael C. Nahl, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Albany International Corp.;

2. Based on my knowledge, this quarterly report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this quarterly report;

3. Based upon my knowledge, the financial statements, and other financial information included in this quarterly report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this quarterly report;

4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15 (e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and we have:

   a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this quarterly report is being prepared;

   b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report, based on such evaluation; and

   d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting, and

5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of registrant's board of directors:

   a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting, which are reasonably likely to adversely affect the registrant's ability to record, process, summarize, and report financial data and

   b) Any fraud, whether or not material, that involves management or other employees who have significant role in the registrant's internal control over financial reporting.

Date: August 6, 2009

By s/ Michael C. Nahl

Michael C. Nahl
Executive Vice President and Chief Financial Officer
(Principal Financial Officer)

EXHIBIT (32.1)
CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report of Albany International Corp. (the Company) on Form 10-Q for the period ending June 30, 2009, as filed with the Securities and Exchange Commission on the date hereof (the Report), Joseph G. Morone, President and Chief Executive Officer, and Michael C. Nahl, Executive Vice President and Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that:

(1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities and Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Dated: August 6, 2009

By /s/ Joseph G. Morone

Joseph G. Morone
President and Chief Executive Officer
(Principal Executive Officer)

By /s/ Michael C. Nahl

Michael C. Nahl
Executive Vice President and Chief Financial Officer
(Principal Financial Officer)

EXHIBIT (99.1)

MARKET RISK SENSITIVITY – AS OF DECEMBER 31, 2008

The Company has market risk with respect to foreign currency exchange rates and interest rates. The market risk is the potential loss arising from adverse changes in these rates as discussed below.

The Company has manufacturing plants and sales transactions worldwide and therefore is subject to foreign currency risk. This risk is composed of both potential losses from the translation of foreign currency financial statements and the remeasurement of foreign currency transactions. To manage this risk, the Company periodically enters into forward exchange contracts either to hedge the net assets of a foreign investment or to provide an economic hedge against future cash flows. The total net assets of non-U.S. operations and long-term intercompany loans denominated in non-functional currencies subject to potential loss amount to approximately $755 million. The potential loss in fair value resulting from a hypothetical 10% adverse change in quoted foreign currency exchange rates amounts to $75.5 million. Furthermore, related to foreign currency transactions, the Company has exposure to non-functional currency balances totaling $116.6 million. This amount includes, on an absolute basis, exposures to foreign currency assets and liabilities. On a net basis, the Company had approximately $27.9 million of foreign currency liabilities as of December 31, 2008. As currency rates change, these non-functional currency balances are revalued, and the corresponding adjustment is recorded in the income statement. A hypothetical change of 10% in currency rates could result in an adjustment to the income statement of approximately $2.8 million. Actual results may differ.