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SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-K

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

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

OR

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: **0-16214**

ALBANY INTERNATIONAL CORP.

(Exact name of registrant as specified in its charter)

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

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

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

Title of each class	Name of each exchange on which registered
Class A Common Stock ($0.001 par value)	New York Stock Exchange and Pacific Stock Exchange

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

None

(Title of Class)

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

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. ☒

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

The aggregate market value of the Common Stock held by non-affiliates of the registrant on June 30, 2003, the last business day of the registrant's most recently completed second quarter, computed by reference to the price at which Common Stock was last sold on such a date, was $798,332,000.

DOCUMENTS INCORPORATED BY REFERENCE	PART
Portions of the Registrant's Annual Report to Shareholders for the year ended December 31, 2003.	II
Portions of the Registrant's Proxy Statement for the Annual Meeting of Shareholders to be held on May 6, 2004.	III

PART I

Item 1. BUSINESS

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

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

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

Industry Factors

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

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

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

International Operations

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

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

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

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

Marketing, Customers, and Backlog

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

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

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

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

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

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

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

Research and Development

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

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

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

Raw Materials and Inventory

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

Competition

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

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

Employees

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

Executive Officers of Registrant

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

Name	Age	Position
Frank R. Schmeler	65	Chairman of the Board and Chief Executive Officer

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Item 2. PROPERTIES

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

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

Item 3. LEGAL PROCEEDINGS

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

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

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

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

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

Brandon Drying Fabrics, Inc.

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

Mount Vernon

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

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

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

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

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

Other Proceedings

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

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

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

PART II

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

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

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

Item 6. SELECTED FINANCIAL DATA

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

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

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

Item 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

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

Report of Independent Auditors

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

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

Consolidated Balance Sheets-at December 31, 2003 and 2002

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

Notes to Consolidated Financial Statements

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

None.

Item 9A. CONTROLS AND PROCEDURES

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

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

PART III

Item 10. DIRECTORS AND EXECUTIVE OFFICERS OF THE REGISTRANT

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

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

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

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

Item 11. EXECUTIVE COMPENSATION

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

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

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

Equity Compensation Plan Information

Plan Category	Number of securities to be issued upon exercise of outstanding options, warrants, and rights	Weighted-average exercise price of outstanding options, warrants, and rights	Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a))
	(a)	(b)	(c)
Equity compensation plans approved by security holders	2,573,630	$ 18.37	436,615(1)(2)(3)
Equity compensation plans not approved by security holders	250,000	$ 25.56	—
Total	2,823,630	$ 19.01	436,615(1)(2)(3)

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

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

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

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

Item 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

None.

Item 14. PRINCIPAL ACCOUNTING FEES AND SERVICES

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

PART IV

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

(a)(1)	*Financial Statements.* The consolidated financial statements included in the Annual Report are incorporated by reference in Item 8.
(a)(2)	*Schedule.* The following financial statement schedule for each of the three years in the period ended December 31, 2003:
	Report of Independent Auditors on Financial Statement Schedule
	Schedule II—Valuation and Qualifying Accounts
(a)(3)	Exhibits
3(a)	Certificate of Incorporation of Registrant.(3)
3(b)	Bylaws of Registrant.(9)
4(a)	Article IV of Certificate of Incorporation of Registrant (included in Exhibit 3(a)).
4(b)	Specimen Stock Certificate for Class A Common Stock.(1)

Credit Agreement

10(i)(i)	Credit Agreement, dated as of August 11, 1999 (the "Credit Agreement"), among the Registrant, certain banks listed therein, the Chase Manhattan Bank as Administrative Agent, Chase Manhattan International Limited as London Agent, Citibank N.A. as Syndication Agent, and Banc One Capital Markets, Inc. as Documentation Agent.(8)
10(i)(ii)	Amendment No. 1, dated as of December 22, 1999, to the Credit Agreement.(10)
10(i)(iii)	Amendment No. 2, dated as of October 1, 2002, to the Credit Agreement.(11)
10(j)(i)	Receivables Sale Agreement, dated as of September 28, 2001, among the Registrant as the Collection Agent, Albany International Receivables Corporation as the Seller, ABN AMRO Bank N.V., as the Agent the Committed Purchasers party thereto, and Amsterdam Funding Corporation.(10)
10(j)(i)(a)	Amendment No. 1, dated as of September 27, 2002, to the Receivables Sale Agreement.(11)
10(j)(i)(b)	Amendment No. 2, dated as of October 25, 2002, to the Receivables Sale Agreement.(11)
10(j)(i)(c)	Amendment No. 3, dated as of September 26, 2003, to the Receivables Sale Agreement.(12)
10(j)(i)(c)	Amendment No. 4, dated as of December 31, 2003, to the Receivables Sale Agreement. Filed herewith.
10(j)(ii)	Purchase and Sale Agreement, dated as of September 28, 2001, among the Registrant, Geschmay Corp., Albany International Research Co., Albany International Techniweave, Inc., Albany International Canada Inc., M&I Door Systems Ltd., as Originators, and Albany International Receivables Corporation as Buyer.(11)
10(j)(ii)(a)	Amendment No. 1, dated as of March 1, 2002, to Exhibit A of the Purchase and Sale Agreement.(11)
10(j)(ii)(b)	Amendment No. 2, dated as of July 1, 2003, to Exhibit A of the Purchase and Sale Agreement.(12)
10(k)(I)	Five-Year Revolving Credit Agreement, dated as of January 8, 2004, among the Registrant, certain banks listed therein, JP Morgan Chase Bank as the Administrative Agent, J.P. Morgan Europe Limited as the London Agent, J.P. Morgan Securities Inc. as Lead Arranger and Sole Bookrunner, Fleet National Bank and ABN AMRO Bank N.V. as Co-Syndication Agents, and Sumitomo Mitsui Banking Corp., New York, and Wachovia Bank, N.A., as Co-Documentation Agents.(13)

Restricted Stock Units

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

Stock Options

10(m)(i)	Form of Stock Option Agreement, dated as of August 1, 1983, between the Registrant and each of five employees, together with schedule showing the names of such employees and the material differences among the Stock Option Agreements with such employees.(1)
10(m)(ii)	Form of Amendment of Stock Option Agreement, dated as of July 1, 1987, between the Registrant and each of the five employees identified in the schedule referred to as Exhibit 10(m)(i).(1)
10(m)(iii)	1988 Stock Option Plan.(2)
10(m)(iv)	1992 Stock Option Plan.(4)
10(m)(v)	1997 Executive Stock Option Agreement.(6)
10(m)(vi)	1998 Stock Option Plan.(7)
10(m)(vii)	1998 Stock Option Plan, as amended and restated as of August 7, 2003.(12)

Executive Compensation

10(n)	Pension Equalization Plan adopted April 16, 1986, naming two current executive officers and one former executive officer of Registrant as "Participants" thereunder.(1)
10(n)(i)	Supplemental Executive Retirement Plan, adopted as of January 1, 1994, as amended and restated as of June 30, 2002. Filed herewith.
10(n)(ii)	Annual Bonus Program.(1)
10(o)(I)	Form of Executive Deferred Compensation Plan adopted September 1, 1985, as amended and restated as of August 8, 2001.(10)
10(o)(ii)	Form of Directors' Deferred Compensation Plan adopted September 1, 1985, as amended and restated as of August 8, 2001.(10)
10(o)(iii)	Deferred Compensation Plan of Albany International Corp., as amended and restated as of August 8, 2001.(11)
10(o)(iv)	Centennial Deferred Compensation Plan, as amended and restated as of August 8, 2001.(10)
10(o)(v)	Directors Annual Retainer Plan, as amended and restated as of May 10, 2001.
10(o)(v)	Directors Annual Retainer Plan, as amended and restated as of August 7, 2003.(12)

Other Exhibits

10(p)	Code of Ethics. Filed herewith.
13	Selected pages of the Registrant's 2003 Annual Report. Filed herewith.
21	Subsidiaries of Registrant. Filed herewith.
23	Consent of PricewaterhouseCoopers LLP. Filed herewith.
24	Powers of Attorney. Filed herewith.

31(a)	Certification of Frank R. Schmeler required pursuant to Rule 13a-14(a) or Rule 15d-14(a). Filed herewith.
31(b)	Certification of Michael C. Nahl required pursuant to Rule 13a-14(a) or Rule 15d-14(a). Filed herewith.
32(a)	Certification of Frank R. Schmeler and Michael C. Nahl required pursuant to Rule 13a-14(b) or Rule 15d-14(b) and Section 1350 of Chapter 63 of Title 18 of the United States Code. Furnished herewith.
(b)	Reports on Form 8-K were filed during the fourth quarter of 2003.
	On October 27, 2003, the Registrant furnished a news release with its earnings announcement for the third quarter of 2003 on Form 8-K to the Securities and Exchange Commission pursuant to Item 12, "Disclosure of Results of Operations and Financial Conditions."

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

(1) Previously filed as an Exhibit to the Registrant's Registration Statement on Form S-1, No. 33-16254, as amended, declared effective by the Securities and Exchange Commission on September 30, 1987, which previously filed Exhibit is incorporated by reference herein.

(2) Previously filed as an Exhibit to the Registrant's Current Report on Form 8-K dated August 8, 1988, which previously filed Exhibit is incorporated by reference herein.

(3) Previously filed as an Exhibit to the Registrant's Registration Statement on Form 8-A, File No. 1-10026, declared effective by the Securities and Exchange Commission on August 26, 1988 (as to The Pacific Stock Exchange, Inc.), and on September 7, 1988 (as to The New York Stock Exchange, Inc.), which previously filed Exhibit is incorporated by reference herein.

(4) Previously filed as an Exhibit to the Registrant's Current Report on Form 8-K dated January 18, 1993, which previously filed Exhibit is incorporated by reference herein.

(5) Previously filed as an Exhibit to the Registrant's Current Report on Form 8-K dated March 15, 1996, which previously filed Exhibit is incorporated by reference herein.

(6) Previously filed as an Exhibit to the Registrant's Annual Report on Form 10-K dated March 16, 1998, which previously filed Exhibit is incorporated by reference herein.

(7) Previously filed as an Exhibit to the Registrant's Quarterly Report on Form 10-Q dated August 10, 1998, which previously filed Exhibit is incorporated by reference herein.

(8) Previously filed as an Exhibit to the Registrant's Current Report on form 8-K dated September 21, 1999, which previously filed Exhibit is incorporated by reference herein.

(9) Previously filed as an Exhibit to the Registrant's Quarterly Report on Form 10-Q dated November 10, 1999, which previously filed Exhibit is incorporated by reference herein.

(10) Previously filed as an Exhibit to the Registrant's Quarterly Report on Form 10-Q dated November 12, 2001, which previously filed Exhibit is incorporated by reference herein.

(11) Previously filed as an Exhibit to the Registrant's Annual Report on Form 10-K dated March 21, 2003, which previously filed Exhibit is incorporated by reference herein.

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

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

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized on the 11th day of March, 2004.

ALBANY INTERNATIONAL CORP.

by /s/ MICHAEL C. NAHL

Michael C. Nahl
Principal Financial Officer
Senior Vice President and Chief Financial Officer

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

Signature	Title	Date
* (Frank R. Schmeler)	Chairman of the Board and Chief Executive Officer	March 11, 2004

/s/ MICHAEL C. NAHL (Michael C. Nahl)	Senior Vice President and Chief Financial Officer (Principal Financial Officer)	March 11, 2004
* (Richard A. Carlstrom)	Vice President—Controller (Principal Accounting Officer)	March 11, 2004
* (Thomas R. Beecher, Jr.)	Director	March 11, 2004
* (Charles B. Buchanan)	Director	March 11, 2004
* (James L. Ferris, Ph.D.)	Director	March 11, 2004
* (Erland E. Kailbourne)	Director	March 11, 2004
* (Francis L. McKone)	Director	March 11, 2004
* (Joseph G. Morone, Ph.D.)	Director	March 11, 2004
* (Christine L. Standish)	Director	March 11, 2004
* (John C. Standish)	Director	March 11, 2004

* (Allan Stenshamn)	Director	March 11, 2004
* (Barbara P. Wright)	Director	March 11, 2004
* (Hugh J. Murphy)	Director	March 11, 2004

*By /s/ MICHAEL C. NAHL

Michael C. Nahl
Attorney-in-fact

REPORT OF INDEPENDENT AUDITORS

ON FINANCIAL STATEMENT SCHEDULE

To the Board of Directors of Albany International Corp.

Our audits of the consolidated financial statements referred to in our report dated January 27, 2004 appearing in the 2003 Annual Report to Shareholders of Albany International Corp. (which report and consolidated financial statements are incorporated by reference in this Annual Report on Form 10-K) also included an audit of the financial statement schedule listed in Item 15(a)(2) of this Form 10-K. In our opinion, the financial statement schedule presents fairly, in all material respects, the information set forth therein when read in conjunction with the related consolidated financial statements.

/s/ PricewaterhouseCoopers LLP

Albany, New York
January 27, 2004

SCHEDULE II

ALBANY INTERNATIONAL CORP. AND SUBSIDIARIES
VALUATION AND QUALIFYING ACCOUNTS
(Dollars in thousands)

Column A	Column B	Column C	Column D	Column E
Description	**Balance at Beginning of Period**	**Charged to Expense**	**Other(A)**	**Balance at End of Period**
Allowance for doubtful accounts				
Year ended December 31:				
2003	$ 11,790	$ 2,841	$ (5,958)	$ 8,673
2002	$ 10,488	$ 2,651	$ (1,349)	$ 11,790
2001	$ 7,688	$ 4,878	$ (2,078)	$ 10,488

(A) Includes accounts written off as uncollectible, recoveries, and the effect of currency exchange rates. The decrease in 2003 includes the reduction of the allowance in North America that is no longer required because the accounts receivable in that region are sold, without recourse. See Note 6, of Notes to Consolidated Financial Statements.

QuickLinks

EXHIBIT 10(j)(i)(c)

FOURTH AMENDMENT
DATED AS OF JANUARY 8, 2004
TO RECEIVABLES SALE AGREEMENT
DATED AS OF SEPTEMBER 28, 2002

THIS FOURTH AMENDMENT (the *"Amendment"*), dated as of January 8, 2004, is entered into among Albany International Receivables Corporation (the *"Seller"*), Albany International Corp. (the "*Initial Collection Agent*," and, together with any successor thereto, the *"Collection Agent"*), , ABN AMRO Bank N.V., as agent for the Purchaser (the *"Agent"*), the committed purchasers party thereto (the *"Committed Purchasers"*) and Amsterdam Funding Corporation, a Delaware corporation (*"Amsterdam"*);

WITNESSETH:

WHEREAS, the Seller, Collection Agent, Agent , Committed Purchasers and Amsterdam have heretofore executed and delivered a Receivables Sale Agreement, dated as of September 28, 2001 (as amended, supplemented or otherwise modified through the date hereof, the *"Sale Agreement"*),

WHEREAS, the parties hereto desire to amend the Sale Agreement as provided herein;

NOW, THEREFORE, for good and valuable consideration, the receipt and adequacy of which are hereby acknowledged, the parties hereto hereby agree that the Sale Agreement shall be and is hereby amended as follows:

Section 1. The defined term *"Credit Agreement"* appearing in Schedule I to the Sale Agreement is hereby amended in its entirety and as so amended shall read as follows:

> *"Credit Agreement"* means the FIVE-YEAR REVOLVING CREDIT FACILITY AGREEMENT, dated as of January 8, 2004, among ALBANY INTERNATIONAL CORP., the Borrowing Subsidiaries from time to time party hereto, the Lenders party hereto, JPMORGAN CHASE BANK, as Administrative Agent, and J.P. MORGAN EUROPE LIMITED, as the London Agent, as further amended, supplemented or otherwise modified from time to time, or any replacement or successor agreement of comparable or greater amount with the same or different agent and/or banks in each case.

Section 2. This Amendment shall become effective as of January 8, 2004.

Section 3. This Amendment may be executed in any number of counterparts and by the different parties on separate counterparts and each such counterpart shall be deemed to be an original, but all such counterparts shall together constitute but one and the same Amendment.

Section 3.1. Except as specifically provided above, the Sale Agreement and the other Transaction Documents shall remain in full force and effect and are hereby ratified and confirmed in all respects. The execution, delivery, and effectiveness of this Amendment shall not operate as a waiver of any right, power, or remedy of any Agent or any Purchaser under the Sale Agreement or any of the other Transaction Documents, nor constitute a waiver or modification of any provision of any of the other Transaction Documents. All defined terms used herein and not defined herein shall have the same meaning herein as in the Sale Agreement. The Seller agrees to pay on demand all costs and expenses (including reasonable fees and expenses of counsel) of or incurred by the Agent and each Purchaser Agent in connection with the negotiation, preparation, execution and delivery of this Amendment.

Section 3.2. This Amendment and the rights and obligations of the parties hereunder shall be construed in accordance with and be governed by the law of the State of New York.

IN WITNESS WHEREOF, the parties have caused this Amendment to be executed and delivered by their duly authorized officers as of the date first above written.

ABN AMRO BANK N.V., as the Agent, as the Committed Purchaser

By: /s/ Nancy W. Lanzoni
Title: Director

By: /s/ Eric Oppenheimer
Title: Vice President

AMSTERDAM FUNDING CORPORATION

By: /s/ Bernard J. Angelo
Title: Vice President

ALBANY INTERNATIONAL RECEIVABLES CORPORATION, as Seller

By: /s/ Charles J. Silva, Jr.
Title: Vice President

ALBANY INTERNATIONAL CORP., as Initial Collection Agent

By: /s/ David C. Michaels
Title: Vice President

GUARANTOR'S ACKNOWLEDGMENT AND CONSENT

The undersigned, Albany INTERNATIONAL Corp., has heretofore executed and delivered the Limited Guaranty dated as of September 28, 2001 (the "*Guaranty*") and hereby consents to the Amendment to the Sale Agreement as set forth above and confirms that the Guaranty and all of the undersigned's obligations thereunder remain in full force and effect. The undersigned further agrees that the consent of the undersigned to any further amendments to the Sale Agreement shall not be required as a result of this consent having been obtained, except to the extent, if any, required by the Guaranty referred to above.

ALBANY INTERNATIONAL CORP.

By: /s/ David C. Michaels
Title: Vice President

EXHIBIT 10(I)(i)

As adopted by the Board of Directors November 13, 2003

ALBANY INTERNATIONAL CORP.
2003 RESTRICTED STOCK UNIT PLAN

SECTION 1. PURPOSE

This plan (the "Plan") is intended as an incentive to officers and other key employees of Albany International Corp. (the "Company") and its subsidiaries to encourage them to remain in the employ of the Company and its subsidiaries by affording them a greater interest in the success of the Company and its subsidiaries.

SECTION 2. DEFINITIONS

As used herein, the following terms shall have the following meanings:

2.1. "Albany Group" shall mean the Company and all corporations which are, at the time, subsidiaries of the Company.

2.2. "Award Agreement" shall have the meaning set forth in Section 4.2.

2.3. "Beneficiary" shall have the meaning set forth in Section 11.6.

2.4. "Board" shall mean the Board of Directors of the Company.

2.5. "Business Day" shall mean any day on which the shares of Common Stock are traded on The New York Stock Exchange or, if the shares of Common Stock are not traded on such exchange, on such other securities market or securities exchange on which such shares are traded as the Committee may determine.

2.6. "Cash Dividend Equivalents" shall have the meaning set forth in Section 5.4.

2.7. "Cause" shall be deemed to exist if a majority of the members of the Board determine that the Participant has (i) 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; (ii) not made a good faith effort to carry out his or her duties; (iii) wrongfully and substantially enriched himself or herself at the expense of the Company; or (iv) been convicted of a felony.

2.8. "Change in Control" shall be deemed to have occurred if (i) whether as a result of a merger, consolidation, going-private transaction or any other event, the shares of Common Stock are no longer traded on an "exchange" within the meaning of the Exchange Act for a period of more than ten consecutive days on which there is trading generally in securities on such exchange; (ii) the stockholders of the Company approve a plan of complete liquidation of the Company or an agreement for the sale or disposition by the Company of all or substantially all of the Company's assets; or (iii) J. Spencer Standish and any Permitted Beneficiaries no longer are the "beneficial owners" (as defined in Rule 13d-3 under the

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Exchange Act) of securities of the Company representing in the aggregate at least 40% of the combined voting power of the Company's then outstanding securities.

2.9. "Committee" shall mean either the Board, the Compensation Committee of the Board, or such other committee of the Board as the Board may from time to time designate to exercise the powers conferred upon "the Committee" by the Plan.

2.10. "Common Stock" shall mean the Class A common stock ($0.001 par value) of the Company.

2.11. "Company" shall have the meaning set forth Section 1.

2.12. "Daily High Price" shall mean, with respect to the shares of Common Stock, the highest price per share at which the shares trade on The New York Stock Exchange on the relevant date as reported on Bloomberg or, if the Common Stock is not traded on The New York Stock Exchange, the highest price as reported on such other securities market or exchange on which such shares are traded as the Committee may determine.

2.13. "Deferral Account" shall have the meaning set forth in Section 7.2.

2.14. "Determined Value" shall mean the highest price per share of Common Stock paid in connection with any Change in Control (including without limitation prices paid in any subsequent merger or combination with any entity that acquires control of the Company).

2.15. "Disability" shall be deemed to exist if (i) by reason of mental or physical illness the Participant has not performed his or her duties for a period of six consecutive months; and (ii) the Participant does not return to the performance of his or her duties within thirty days after written notice is given by Company or one of its subsidiaries that the Participant has been determined by the Committee to be "Disabled" under the Company's long term disability policy.

2.16. "Exchange Act" shall mean the Securities Exchange Act of 1934, as amended.

2.17. "Fair Market Value" shall mean, with respect to any share of Common Stock, the closing price of such share as reported in "New York Stock Exchange Composite Transactions" in "The Wall Street Journal" for the relevant date or, if no quotation shall have been made on such relevant date, on the next preceding day on which there were quotations or, if the Company's shares of Common Stock are not traded on such exchange, such price as reported on such other securities market or exchange on which such shares are traded as the Committee shall determine.

2.18. "Involuntary Termination" shall mean a termination of the employment of Participant by the Company or one of its subsidiaries for any reason other than Cause.

2.19. "Participant" shall have the meaning set forth in Section 4.1.

2.20. "Permitted Beneficiary" shall mean, with respect to J. Spencer Standish, Mr. Standish's spouse, his issue, a spouse of his issue, a whole or half brother or sister of Mr. Standish,

a cousin of Mr. Standish, or a trust the primary beneficiaries of which are Mr. Standish or any of the persons previously specified in this Section 2.20.

2.21. "Plan" shall have the meaning set forth in Section 1.

2.22. "Restricted Unit Account" shall have the meaning set forth in Section 4.3.

2.23. "Restricted Unit" shall mean a right granted by the Committee pursuant to Section 4.1 to receive the value (as determined pursuant to the Plan) of a share of Common Stock as of a specified date or as of the date of occurrence of a specified event with none of the attendant rights of a shareholder of such shares except to the extent otherwise provided herein.

2.24. "Retirement" shall mean a termination of the employment of the Participant, after the Participant has attained 62, for any reason other than death, Disability, Cause or Involuntary Termination.

2.25. "Share Price" shall mean, as of the date in question (either a Vesting Date or a Valuation Date, as the case may be), the average Fair Market Value over a period of 20 consecutive Business Days ending on the fifth Business Day preceding such date.

2.26. "Target Price" shall mean the price of a share of Common Stock designated by a Participant the attainment of which triggers payment of the balance of the Participant's Deferral Account in accordance with Section 7.3(a)(ii).

2.27. "Valuation Date" shall mean (i) with respect to a termination of service, the date of such termination of service; (ii) with respect to a date certain selected by the Participant pursuant to Section 7.3(a)(i), such date certain; (iii) with respect to any monthly installment, the last Business Day of the corresponding month; and (iv) with respect to a termination of the Plan pursuant to Section 11.8, the date the Board or Committee terminates the Plan.

2.28. "Vesting Date" shall have the meaning set forth in Section 5.1.

SECTION 3. GENERAL

3.1. Effective Date. The Plan shall be effective from and after [ ], 2003, until terminated as provided herein.

3.2. Administration. The Committee shall administer the Plan. The Committee shall interpret the Plan and make all decisions with respect to the rights of Participants hereunder; provided, however, that no member of the Committee shall act on any matter in which such member has a particular or special interest. In addition, the Committee shall have the authority to accelerate at any time the Vesting Date of any outstanding unvested Restricted Units.

3.3. Eligibility. The persons eligible to participate in the Plan are all employees of the Company who are in the top management incentive compensation group and any other employees of the Company or any other member of the Albany Group who, with respect to any year, are approved for participation by the Committee.

3.4. Indemnification of the Committee. In addition to such other rights of indemnification as they may have as directors, as members of the Committee or otherwise, the members of the Committee shall be indemnified by the Company against the reasonable expenses, including attorneys' fees, actually and necessarily incurred in connection with the defense of any action, suit or proceeding, or in connection with an appeal therein, to which they or any of them may be a party by reason of any action taken or failure to act under or in connection with the Plan or any Restricted Units granted hereunder and against all amounts paid by them in settlement thereof (provided such settlement is approved by independent legal counsel selected by the Company) or paid by them in satisfaction of a judgment in any such action, suit or proceeding, except in relation to matters as to which it shall be adjudged in such action, suit or proceeding that such Committee member is liable for negligence or misconduct in the performance of his or her duties; provided that within sixty days after institution of any such action, suit or proceeding, a Committee member shall in writing offer the Company the opportunity, at its own expense, to handle and defend the same.

SECTION 4. GRANT OF RESTRICTED UNITS AND ESTABLISHMENT OF RESTRICTED UNIT ACCOUNT

4.1. Award of Restricted Units. The Committee may from time to time, subject to the provisions of the Plan, in its discretion award Restricted Units to eligible employees in such amounts as the Committee shall determine to award. Each eligible employee to whom Restricted Units are awarded is referred to herein as a "Participant."

4.2. Award Agreements. The award of any Restricted Units shall be evidenced by a written agreement (the "Award Agreement") executed by the Company and the Participant in accordance with its terms, stating the number of Restricted Units awarded and such other terms and conditions of the award as the Committee may from time to time determine.

4.3. Restricted Unit Account. The Company shall establish and maintain on its books, for recordkeeping purposes only, an account (a "Restricted Unit Account") for and on behalf of each Participant and will record in such account the number of Restricted Units awarded to the Participant and any additional Restricted Units credited to such Restricted Unit Account as Cash Dividend Equivalents with respect to any Restricted Units pursuant to Section 5.4.

SECTION 5. VESTING OF RESTRICTED UNITS

5.1. Vesting Date. Unless otherwise provided in the Award Agreement, in respect of any award of Restricted Units under the Plan, 20% of such Restricted Units (including any additional Restricted Units credited as Cash Dividend Equivalents with respect to such Restricted Units) shall vest in the Participant on each anniversary of the date of grant of such Restricted Units (each such date, a "Vesting Date").

5.2. Special Vesting. Unless otherwise provided in the Award Agreement, in the event that a Participant's employment with the Albany Group terminates due to death, Disability, Retirement or Involuntary Termination, the Vesting Date for 50% of all unvested Restricted

Units credited to such Participant's Restricted Unit Account shall be accelerated to the date of such termination.

5.3. Forfeiture of Restricted Units. Unless otherwise provided in the Award Agreement, upon the effective date of the termination of a Participant's employment with the Albany Group, Participant shall automatically forfeit without consideration or any action being required:

(a) 50% of all unvested Restricted Units in the event of termination of Participant's employment for a reason specified in Section 5.2; or

(b) 100% of all unvested Restricted Units in the event of termination of Participant's employment for any reason not specified in Section 5.2.

5.4. Cash Dividend Equivalents. The Company shall credit the Restricted Unit Account or the Deferral Account, if any, of each Participant as of each date on which the Company pays a cash dividend on shares of Common Stock (a "Dividend Payment Date"), with additional Restricted Units, the number of which shall be determined by first (i) multiplying the number of Restricted Units in the Participant's Restricted Unit Account and/or Deferral Account, on the Dividend Payment Date by the per-share dollar amount of the dividend so paid, and then (ii) dividing the resulting amount by the Fair Market Value of a share of Common Stock on the Dividend Payment Date (such additional Restricted Units being referred to herein as "Cash Dividend Equivalents"). The additional Restricted Units credited to a Participant's Restricted Unit Account and/or Deferral Account as Cash Dividend Equivalents shall, as of the Dividend Payment Date, be treated for purposes of vesting pursuant to Section 5.1 (and any other applicable terms and conditions) as though part of the Restricted Units in relation to which such additional Restricted Units were credited as Cash Dividend Equivalents.

5.5. Optional Terms and Conditions. To the extent not inconsistent with the Plan, the Committee may prescribe such terms and conditions applicable to an award of Restricted Units as it may in its discretion determine.

SECTION 6. PAYMENT OF RESTRICTED UNITS

6.1. Payment Date. As promptly as practicable after the Vesting Date, the Company or one of its subsidiaries shall pay to the Participant or the Participant's Beneficiary, as applicable, an amount in U.S. dollars equal to the product of (i) the number of Restricted Units vesting on the Vesting Date multiplied by (ii) the Share Price as of the Vesting Date.

6.2. Payment Deferred. If the Participant desires that payment of vested Restricted Units be made at some later date than the date set forth in Section 6.1, the Participant shall file an election with the Committee. This election and the terms of such deferred Restricted Units shall be governed by Section 7 of the Plan.

SECTION 7. TERMS OF DEFERRED PAYMENTS

7.1. Deferral Elections. Unless the Committee in its discretion determines otherwise, a Participant may elect to have payment with respect to such Participant's Restricted

Units deferred under the terms of this Plan. Any such election shall be made in accordance with the following provisions:

(a) A deferral election with respect to Restricted Units shall be made in writing, on a form provided by the Committee for such purpose.

(b) A deferral election shall be effective for all Restricted Units that are scheduled to vest a year or more after the date that the Participant files such deferral election with the Committee, including any awards of Restricted Units granted to the Participant subsequent to the date of his/her filing such deferral election; provided, that a deferral election filed within thirty (30) days after the date on which the Plan is first adopted or the Participant is first selected to participate in the Plan shall apply to all Restricted Units that are scheduled to vest after the date that the Participant files such deferral election with the Committee.

(c) Any Restricted Units with a Vesting Date that occurs on or after the date certain specified by the Participant in accordance with Section 7.3(a)(i) or the date the Target Price specified by the Participant in accordance with Section 7.3(a)(ii) is first attained shall be deemed not to be deferred and shall be paid in accordance with Section 6.1 unless a new deferral election has been filed pursuant to Section 7.1(e).

(d) Any deferral election made hereunder by a Participant shall be irrevocable except as set forth in this Section 7.

(e) In the event a Participant receives the balance of his/her Deferral Account prior to his/her termination of service pursuant to Section 7.3(a)(i) or (ii), the Committee may, in its discretion, permit such Participant to elect to make a new deferral election with respect to any unvested and/or subsequently awarded Restricted Units in accordance with the terms of this Section 7.1.

7.2. Deferral Accounts. The Company shall establish and maintain on its books, for recordkeeping purposes only, a separate account (a "Deferral Account") for each Participant who has elected to defer the receipt of Restricted Units pursuant to Section 7.1. Each Participant's Deferral Account shall be maintained in accordance with the following provisions:

(a) On the Vesting Date for all Restricted Units for which a Participant's deferral election is effective, the Participant's Deferral Account shall be credited with a number of Restricted Units equal to the number of Restricted Units vesting on such Vesting Date.

(b) A Participant's Deferral Account shall be adjusted to reflect all additional Restricted Units to be credited to such Deferral Account as Cash Dividend Equivalents pursuant to Section 5.4.

(c) A Participant's interest in his or her Deferral Account shall be fully vested and nonforfeitable at all times, except as set forth herein.

7.3. Payment of Deferral Account Balances

(a) At the time a Participant makes his or her election to defer pursuant to Section 7.1, he or she shall also make an election, pursuant to this Section 7.3, as to the time and manner in which the Restricted Units credited to his or her Deferral Account shall be distributed. Such election shall be irrevocable, except as provided in this Section 7. A Participant shall be entitled to elect to receive, or to commence receiving, the balance credited to his or her Deferral Account in U.S. dollars payable by the Company or one of its subsidiaries as promptly as practicable following:

(i) the earlier of (A) a date certain specified by him/her; or (B) the later of his/her termination of service as a director of the Company or as an employee of the Albany Group;

(ii) the earlier of (A) the date the Daily High Price of a share of Common Stock first equals or exceeds the Target Price on or after the date Restricted Units are first credited to the Participant's Deferral Account; or (B) the later of his/her termination of service as a director of the Company or as an employee of the Albany Group;

(iii) his or her termination of service as an employee of the Albany Group (whether or not such Participant is then a director of the Company); or

(iv) the later of his or her termination of service as a director of the Company or his/her termination of service as an employee of the Albany Group.

For purposes of this Section 7.3(a), "termination of service" shall include any termination resulting from death or Disability of the Participant.

(b) A Participant who has elected to receive the balance credited to his/her Deferral Account as set forth in Section 7.3(a)(i) above shall receive such balance in the form of a single lump sum payment in an amount in U.S. dollars equal to the product of (i) the number of Restricted Units in the Deferral Account on the Valuation Date multiplied by (ii) the Share Price as of the Valuation Date.

(c) A Participant who has elected to receive the balance credited to his/her Deferral Account as set forth in Section 7.3(a)(ii) above shall receive the balance in the form of a single lump sum payment in an amount in U.S. dollars equal to:

(i) in the event termination of service occurs before the Target Price is attained, the product of (A) the number of Restricted Units in the Deferral Account on the Valuation Date multiplied by (B) the Share Price as of the Valuation Date; or

(ii) in the event the Target Price is attained before termination of service, the product of (A) the Fair Market Value on the Business Day on which the Daily High Price first equals or exceeds the Target Price multiplied by (B) the number of Restricted Units in the Deferral Account on such date.

(d) A Participant who has elected to receive, or to commence receiving, the balance credited to his/her Deferral Account as set forth in Section 7.3(a)(iii) or 7.3(a)(iv) shall be entitled to elect to receive such balance in one of the following ways:

(i) in a single lump sum payment; or

(ii) in monthly installments over a period of not more than ten (10) years elected by the Participant.

(e) A Participant who has elected to receive the balance credited to his/her Deferral Account as set forth in Section 7.3(d)(i) above shall receive such balance in the form of a single lump sum payment in an amount in U.S. dollars equal to the product of (i) the number of Restricted Units in the Deferral Account on the Valuation Date multiplied by (ii) the Share Price as of the Valuation Date.

(f) A Participant who has elected to receive the balance credited to his/her Deferral Account as set forth in Section 7.3(d)(ii) above shall receive monthly installments in U.S. dollars that shall be determined by multiplying (i) the quotient resulting from dividing (A) the number of Restricted Units in the Deferral Account on the Valuation Date for any such monthly installment by (B) the number of remaining monthly installments elected by the Participant and (ii) the Share Price as of the Valuation Date for such monthly installment.

7.4. Changing the Payment Election

(a) A Participant who has elected to receive the balance credited to his/her Deferral Account pursuant to Section 7.3(a)(iii) or (iv) may at any time elect to change his/her election under Section 7.3(d) to any other election permitted by Section 7.3(d). Not more than three such changes of election may be made by any Participant under this Section 7.4(a). Unless the Committee, in its sole and absolute discretion, shall determine otherwise, no such change of election shall be effective if the termination of service that constitutes the triggering event for distribution to such Participant has already occurred, or occurs within one (1) year of the date of such change of election; unless the termination of service is the result of the death or Disability of a Participant who, at the time such election was made, did not in good faith expect to die or become disabled within the next year.

(b) A Participant who has elected to receive the balance credited to his/her Deferral Account pursuant to Section 7.3(a)(i) may, at any time prior to one (1) year before the date certain specified in such election, change such date certain to either a later date certain or an event permitted by Section 7.3(a)(ii) through (iv); provided that if the Participant elects to receive the balance credited to his/her Deferral Account pursuant to Section 7.3(a)(ii), the Participant's change to his/her deferral election shall not become effective until the one (1) year anniversary of the date of the Participant's change to his/her deferral election. Not more than two such changes shall be made by any Participant under this Section 7.4(b).

(c) A Participant who has elected to receive the balance credited to his/her Deferral Account pursuant to Section 7.3(a)(ii) may change the Target Price to any other Target Price or to an event permitted by Section 7.3(a)(iii) or (iv); provided that if the Participant selects a new Target Price, the Participant's change to his/her deferral election shall not become

effective until the one (1) year anniversary of the date of the Participant's change to his/her deferral election. Not more than two such changes shall be made by any Participant under this Section 7.4(c).

(d) Any changes to a deferral election pursuant to this Section 7.4 shall be made in a written instrument filed with the Committee.

7.5. Early Distributions

(a) In the event of hardship, any Participant, or Participant's Beneficiary, may, by a written instrument filed with the Committee, request an immediate distribution of all or a portion of the balance credited to the Participant's Deferral Account. For purposes of this Section 7.5, a distribution is on account of hardship only if the distribution is made:

(i) on account of an immediate and heavy financial need of such Participant or Beneficiary, occasioned by an unanticipated emergency caused by events beyond his/her control that would result in severe financial hardship if the distribution were not permitted;

(ii) in an amount required to satisfy such financial need; and

(iii) in circumstances in which the need cannot be satisfied from other resources that are reasonably available to the Participant or Beneficiary, such as through reimbursement or compensation by insurance or otherwise, by reasonable liquidation of his/her assets (to the extent such liquidation would not itself cause an immediate and heavy financial need), or by other permitted distributions or nontaxable (at the time of the loan) loans from other plans maintained by the Albany Group, or by borrowing from commercial sources on reasonable commercial terms. The Committee shall determine whether the requested distribution satisfies the requirements of this Section 7.5(a) on the basis of all relevant facts and circumstances.

(b) The Committee may, upon the written request of any Participant, or any Participant's Beneficiary, distribute to such Participant or Beneficiary all or a portion of the balance credited to such Participant's Deferral Account prior to the time when he/she would otherwise have been entitled to such distribution if the Committee determines, in its sole and absolute discretion, that such earlier distribution is warranted for good reasons and as a result of extraordinary circumstances.

(c) (i) Upon the request of any Participant, including a Participant no longer serving as an employee of the Albany Group or as a director of the Company, or any Participant's Beneficiary, a distribution of a portion or the entire balance credited to the Deferral Account of a Participant shall be made at any time or times prior to the time at which he/she would have been entitled to receive such amount in accordance with an election

pursuant to Section 7.3 hereof; provided that there shall be withheld from each such distribution an amount equal to ten percent (10%) of the amount requested to be distributed. Such Participant or Beneficiary shall forever forfeit, relinquish and waive any right to receive any such withheld amounts, or any interest thereon.

(ii) At any time prior to the occurrence of the event triggering receipt or commencement of receipt of the balance credited to a Participant's Deferral Account, a Participant may elect to receive such balance on a date certain specified by him/her; provided that such date certain shall be no earlier than one (1) year following the date on which the Participant makes such change to his/her deferral election; and provided, further, that the Participant's previous deferral election shall remain in effect until such date. An election pursuant to this Section 7.5(c)(ii) shall be irrevocable.

(d) Any distribution of less than 100% of the balance credited to the Participant's Deferral Account pursuant to this Section 7.5 shall be deemed to be a distribution of the Restricted Units which would have been paid earliest had they not been deferred.

SECTION 8. CHANGE IN CONTROL

In the event of a Change in Control, the provisions of this Section 8 shall apply notwithstanding any other provision herein to the contrary. Upon the occurrence of a Change in Control, the balance of each Participant's Restricted Unit Account and Deferral Account shall become immediately payable in full. Payment with respect to each Participant's Restricted Unit Account and Deferral Account shall be made to the Participant, or if the Participant has died, to his or her Beneficiary, in the form of a single lump sum cash payment. The amount so payable with respect to each Participant's Restricted Unit Account and Deferral Account shall be determined by multiplying the aggregate number of Restricted Units then included in the balance of the Participant's Restricted Unit Account and Deferral Account by the Determined Value of one share of Common Stock. Amounts payable to Participants or Beneficiaries pursuant to this Section 8, reduced by any taxes withheld pursuant to Section 11.2, shall be paid to such Participants or Beneficiaries as soon as practicable following the Change in Control.

SECTION 9. ADJUSTMENT IN EVENT OF CHANGES IN CAPITALIZATION

Notwithstanding any other provision of the Plan, in the event of any change in the outstanding shares of Common Stock by reason of a stock dividend, recapitalization, merger, consolidation, split-up, combination or exchange of shares or the like, the number and class of shares covered by the Restricted Units and the value of any outstanding Restricted Units shall be appropriately adjusted by the Committee, whose determination shall be conclusive.

SECTION 10. FUNDING

10.1. <u>Participant's Right Unsecured</u>. The Plan shall be unfunded. Amounts payable hereunder shall be paid from the general assets of the Company. The right of any

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Participant or Beneficiary to receive payment under the provisions of the Plan shall be an unsecured claim against the general assets of the Company, and no provisions contained in the Plan shall be construed to give any Participant or Beneficiary at any time a security interest in the Restricted Unit Account, the Deferral Account or any other assets of the Company.

10.2. <u>Establishment of Trust</u>. The Company may establish a trust pursuant to a trust agreement and make contributions thereto for the purpose of assisting the Company in meeting its obligations in respect of benefits payable under the Plan. Any such trust agreement shall contain procedures to the following effect:

(a) In the event of the insolvency of the Company, the trust fund will be available to pay the claims of any creditor of the Company to whom a distribution may be made in accordance with state and federal bankruptcy laws. The Company shall be deemed to be "insolvent" if the Company is subject to a pending proceeding as a debtor under the federal Bankruptcy Code (or any successor federal statute) or any state bankruptcy code. In the event the Company becomes insolvent, the Board and chief executive officer of the Company shall notify the trustee of that event as soon as practicable. Upon receipt of such notice, or if the trustee receives other written allegation of the Company's insolvency, the trustee shall cease making payments of benefits from the trust fund, shall hold the trust fund for the benefit of the Company's creditors, and shall take such steps as are necessary to determine within thirty (30) days whether the Company is insolvent. In the case of the trustee's actual knowledge of or other determination of the Company's insolvency, the trustee will deliver assets of the trust fund to satisfy claims of the Company's creditors as directed by a court of competent jurisdiction.

(b) The trustee shall resume payment of benefits under the trust agreement only after the trustee has determined that the Company is not insolvent (or is no longer insolvent, if the trustee had previously determined the Company to be insolvent) or upon receipt of an order of a court of competent jurisdiction requiring such payment. If the trustee discontinues payment of benefits pursuant to Section 10.2(a) and subsequently resumes such payment, the first payment on account of a Participant following such discontinuance shall include an aggregate amount equal to the difference between the payments which would have been made on account of such Participant under the trust agreement and the aggregate payments actually made on account of such Participant by the Company during any such period of discontinuance.

SECTION 11. MISCELLANEOUS

11.1. <u>Non-Transferability</u>. No Restricted Units shall be assignable or transferable by the Participant, and no other person shall acquire any rights therein other than by will, the laws of descent and distribution, or pursuant to the designation of a Beneficiary pursuant to Section 11.6. The Restricted Units shall not be pledged, hypothecated, sold, assigned or otherwise disposed of, encumbered or transferred, in whole or in part. Any purported pledge, hypothecation, sale, assignment or other disposition, encumbrance or transfer of a Restricted Unit and any levy of any execution, attachment or similar process upon a Restricted Unit, in whole or in part, shall be null and void and without effect.

11.2. <u>Withholding Taxes</u>. Any payments made to a Participant under the Plan may be net of an amount sufficient to satisfy any U.S. federal, state, local or foreign withholding tax requirements.

11.3. <u>Section 162</u>. Notwithstanding any other provision of the Plan, the Company may, in its sole and absolute discretion, delay, for a period of up to one (1) year, any payment to the extent that such payment would result in compensation to the Participant that is not deductible by the Albany Group for federal income tax purposes (whether by reason of Section 162(m) of the Internal Revenue Code of 1986 or otherwise).

11.4. <u>No Right to Employment</u>. Nothing in the Plan or in any agreement entered into pursuant to the Plan shall confer upon any Participant the right to continue in the employment of the Company or a subsidiary or affect any right which the Company or a subsidiary may have to terminate the employment of such Participant.

11.5. <u>No Rights of Shareholders</u>. Participants shall have no rights as shareholders of the Company with respect to awards of Restricted Units.

11.6. <u>Designation of Beneficiary</u>. A Participant may at any time designate a person or persons (the "<u>Beneficiary</u>") who shall receive, following the death of the Participant, payments of the balances credited to his/her Restricted Unit Account and Deferral Account, if any. Such designation may be made or changed by the Participant, at any time, by a written instrument filed with the Committee or by the Participant's will. With respect to a Participant's Deferral Account, the Beneficiary so named shall be entitled to receive payment of the balance in such account either (i) in the manner last elected by the Participant pursuant to Section 7, or (ii) in accordance with the Beneficiary's written request pursuant to Section 7.5; provided that such written request is executed by all persons designated as the Beneficiary or (iii) if elected by the Participant in his/her will, in a lump sum.

11.7. Governing Law. The Plan shall be governed by and construed in accordance with the laws of the State of New York.

11.8. Amendment or Termination. The Plan may be amended or terminated at any time by the Board or by the Committee; provided that, unless otherwise required by law, the rights of a Participant with respect to outstanding Restricted Units granted prior to such amendment or termination may not be impaired without the consent of such Participant. Notwithstanding the preceding sentence or any deferral election, upon termination of the Plan, no unvested Restricted Units may be deferred but shall instead be paid out upon vesting, and, with respect to any balance in a Participant's Deferral Account on such termination date, the Committee shall pay to such Participant an amount in U.S. dollars equal to the product of (i) the number of Restricted Units in the Deferral Account on the Valuation Date multiplied by (ii) the Share Price as of the Valuation Date. The Company shall notify each Participant and the Beneficiary currently entitled to benefits under the Plan of termination of the Plan and pay any amounts due to such Participant as promptly as practicable after such termination; provided that the failure to give such notice shall not affect the Company's rights hereunder.

Exhibit 10(n)(1)

ALBANY INTERNATIONAL CORP.

SUPPLEMENTAL EXECUTIVE RETIREMENT PLAN

Effective as of
January 1, 1994

As amended and restated
As of June 30, 2002

Table of Contents

ARTICLE I

Definitions

A. Actuarial Equivalent: The determination of one benefit as actuarially equivalent to another benefit using the actuarial assumptions used for such purpose under the Pension Plus Plan.

B. Aggregate Credited Service: "Aggregate Credited Service" as defined in the Pension Plus Plan.

C. Beneficiary: Any person entitled to receive any payment of benefits due under the Pension Plus Plan with respect to a Participant after the Participant's death, whether pursuant to the Participant's designation or otherwise.

D. Benefit: The benefit payable to a Participant or Beneficiary pursuant to Article IV of the Plan.

E. Board of Directors: The Board of Directors of the Corporation, and any persons empowered by the Corporation's certificate of incorporation, the Corporation's by-laws or resolution of the Board of Directors of the Corporation, to exercise the powers of the Board of Directors of the Corporation with respect to the Plan.

F. Committee: The Employee Benefits Committee appointed by the Board of Directors to be the administrator of the Pension Plus Plan pursuant to Article VII thereof.

G. Compensation: "Compensation" as defined in the Pension Plus Plan, but determined without regard to the Compensation Limit.

H. Compensation Limit: The limitations contained in IRC Section 401(a)(17), as amended from time to time.

I. Corporation: Albany International Corp. and any successor thereto.

J. Employee: Any person employed by the Corporation or a "Participating Affiliate" (as defined in the Pension Plus Plan) on a salaried basis who is an "Eligible Employee" (as defined in the Pension Plus Plan) under the Pension Plus Plan.

K. ERISA: The Employee Retirement Income Security Act of 1974, as amended.

L. IRC: The Internal Revenue Code of 1986, as amended.

M. Participant: Any Employee who is eligible to participate in the Plan pursuant to Article III hereof.

N. Pension Plus Plan: The Albany International Corp. Pension Plus Plan, as it may be amended from time to time.

O. Plan: The Albany International Corp. Supplemental Executive Retirement Plan, as it may be amended from time to time.

P. Prosperity Plus Plan: The Albany International Corp. Prosperity Plus Plan, as it may be amended from time to time.

ARTICLE II

Effective Date

The Plan shall be effective January 1, 1994 with respect to Participants whose benefit payments under the Pension Plus Plan commence or will commence on or after January 1, 1994.

ARTICLE III

Participation in the Plan

An Employee who is a participant in the Pension Plus Plan shall become a Participant in this Plan effective as of the date on which (a) his or her Compensation during any calendar year beginning on or after January 1, 1994 exceeds the limitations set forth in IRC Section 401(a)(17)

or (b) his or her benefits under the Pension Plus Plan are limited by reason of the application of the limitations of IRC Sections 401(a)(4) or 415 (including the combined limitations contained in IRC Section 415 on benefits payable under the Pension Plus Plan and the Prosperity Plus Plan), including the treasury regulations promulgated thereunder. An Employee who becomes a Participant shall remain a Participant so long as he or she is entitled to any benefits under the Plan.

ARTICLE IV

Benefits

A. Determination of Benefits

1. Excess Article IV Benefits. A Participant's or Beneficiary's Benefit under this Section IV.A.1 of the Plan shall be determined as the excess, if any, of:

(a) the Actuarial Equivalent of the amount of monthly benefits to which such Participant or Beneficiary would have been entitled under Article IV of the Pension Plus Plan, determined without regard to Appendix L of such plan, and determined without regard to (i) the Compensation Limit and (ii) the limitations imposed pursuant to IRC Sections 401(a)(4) and 415, expressed as a single life annuity; over

(b) the Actuarial Equivalent of the amount of monthly benefits to which such Participant or Beneficiary actually is entitled from time to time under Article IV of the Pension Plus Plan, determined without regard to Appendix L of such plan, and expressed as a single life annuity.

2. Excess Appendix L Benefits. A Participant's or Beneficiary's benefit under this Section IV.A.2 of the Plan shall be determined as the excess, if any, of (1) the Account credits provided for in Section I of Appendix L of the Pension Plus Plan, over (2) the Account credits actually credited to and payable from such Participant's Account under Appendix L of the Pension Plus Plan, after application of the limits described in Section II of Appendix L.

B. Form and Timing of Benefit Payments

1. Excess Article IV Benefits. The Actuarial Equivalent of a Participant's or Beneficiary's Benefit under Section IV.A.1 of the Plan shall be paid to the Participant or Beneficiary in the same form as benefits are paid to such Participant or Beneficiary under the Pension Plus Plan and payment of such Benefit shall commence at the same time as benefits to such Participant or Beneficiary under the Pension Plus Plan commence, unless the Committee

directs that the Actuarial Equivalent of the Participant's or Beneficiary's benefits under the Plan shall be paid at a different time and in a different form.

2. Excess Appendix L Benefits. The actual amount of any Participant's Benefit under Section IV.A.2 of the Plan shall be paid to the Participant in cash as soon as practicable after it accrues.

3. Taxes. Any payments hereunder shall be subject to any applicable tax withholding requirements.

C. Vesting

Nothwithstanding anything in this Plan to the contrary, no Participant or Beneficiary shall be entitled to receive any benefits under Section IV.A.1 of this Plan unless the Participant (1) is actually employed by the Corporation or an "Affiliate" (as defined in the Pension Plus Plan) on or after his or her attainment of age 55 and (2) has completed ten years of Aggregate Credited Service.

ARTICLE V

Plan Administration

A. The Committee

1. The Plan shall be administered by the Committee.

2. The Committee shall act by a majority of its members at any time in office and such action may be taken either by a vote at a meeting or in writing without a meeting. The Committee may authorize any person to execute any document or documents on its behalf, and any interested person, upon receipt of notice of such authorization directed to it, may thereafter accept and rely upon any document executed by such authorized person until the Committee shall deliver to such interested person a revocation of such authorization.

3. A member of the Committee who also is a Participant shall be disqualified from voting or acting upon any matter relating specifically to the Participant.

B. Power, Duties, Etc. of the Committee

1. The Committee shall have the power to construe the Plan and to determine all questions of fact that may arise thereunder, and any such construction or determination shall be conclusively binding upon all persons interested in the Plan.

2. Subject to the terms of the Plan, the Committee may establish rules and procedures satisfactory to it for the administration of the Plan and the transaction of its business.

3. All payments of benefits or expenses of the Plan shall be made by the Corporation at the direction of the Committee.

4. The Committee shall have all the rights, powers, duties and obligations granted or imposed upon it elsewhere in the Plan.

5. The Committee may designate other persons to carry out the responsibilities of the Committee provided for hereunder.

6. To the extent permitted under applicable law, the Committee shall not be subject to and shall be indemnified by the Corporation for any liabilities arising from any action or omission respecting the Plan.

ARTICLE VI

Miscellaneous

A. Amendment

The Board of Directors and the Employee Benefits Committee (each acting by an appropriately adopted resolution at a meeting or action in writing without a meeting) shall each have the right at any time to amend the Plan in whole or in part, effective retroactively, or otherwise; provided, however, that no amendment shall decrease the amount that would be payable to a Participant

or Beneficiary hereunder determined as if the Participant terminated employment with the Corporation immediately prior to such amendment and had begun to receive retirement benefits under the Pension Plus Plan, so long as the Participant had attained age 55 and had completed ten years of Aggregate Credited Service under the Pension Plus Plan on the date such amendment is adopted.

B. Termination

The Board of Directors (acting by an appropriately adopted resolution at a meeting or action in writing without a meeting) reserves the right to terminate the Plan; provided, however, that such termination shall not decrease the amount payable to a Participant or Beneficiary hereunder determined as if the Participant had terminated employment with the Corporation immediately prior to the termination of the Plan and had begun to receive retirement benefits under the Pension Plus Plan, so long as the Participant had attained age 55 and had completed ten years of Aggregate Credited Service under the Pension Plus Plan on the date on which the Plan is terminated. All other provisions of the Plan shall remain in effect unless otherwise amended.

C. Funding

The Benefits payable under the Plan shall be unfunded. Benefits under the Plan shall be paid from the general assets of the Corporation. The Corporation may establish a trust pursuant to a trust agreement and make contributions thereto for the purpose of assisting the Corporation in meeting its obligations in respect of Benefits payable under the Plan. Any such trust agreement shall contain procedures to the following effect:

(a) In the event of the insolvency of the Corporation, the trust fund will be available to pay the claims of any creditor of the Corporation to whom a distribution may be made in accordance with state and federal bankruptcy laws. The Corporation is subject to a pending proceeding as a debtor under the federal Bankruptcy Code (or any successor federal statute) or any state bankruptcy code. In the event the Corporation becomes insolvent, the Board of Directors and chief executive officer of the Corporation shall notify the trustee of that event as soon as practicable. Upon receipt of such notice, or if the trustee receives other written allegation of the Corporation's insolvency, the trustee shall cease making payments of benefits from the trust fund, shall hold the trust fund for the benefit of the Corporation's creditors, and shall take such steps that are necessary to determine

within 30 days whether the Corporation is insolvent. In the case of the trustee's actual knowledge of or other determination of the Corporation's insolvency, the trustee will deliver assets of the trust fund to satisfy claims of the Corporation's creditors as directed by a court of competent jurisdiction;

(b) The trustee shall resume payment of benefits under the trust agreement only after the trustee has determined that the Corporation is not insolvent (or is no longer insolvent, if the trustee had previously determined the Corporation to be insolvent) or upon receipt of an order of a court of competent jurisdiction requiring such payment. If the trustee discontinues payment of benefits pursuant to Paragraph (a) of this Section and subsequently resumes such payment, the first payment on account of a Participant following such discontinuance shall include an aggregate amount equal to the difference between the payments which would have been made on account of such Participant under the trust agreement and the aggregate payments actually made on account of such Participant by the Corporation during any such period of discontinuance, plus interest on such amount at a rate equivalent to the net rate of return earned by the trust fund during the period of such discontinuance.

D. Benefits Not Assignable

Benefits provided under the Plan may not be anticipated, assigned (either at law or in equity), alienated or subject to attachment, garnishment, levy, execution or other legal or equitable process other than pursuant to the laws of descent and distribution. The foregoing notwithstanding, a valid beneficiary designation filed in accordance with Appendix L of the Pension Plus Plan shall also govern the payment of any benefits under Section IV.A.2 of this Plan in case of the death of a Participant.

E. Plan Not a Contract of Employment

The Plan is not a contract of employment, and the terms of employment of any employee of the Corporation or its "Affiliates" (as defined in the Pension Plus Plan) shall not be affected in any way by the Plan or related instruments except as specifically provided in the Plan or such related instruments. The establishment of the Plan shall not be construed as conferring any legal rights upon any Employee for a continuation of employment, nor shall it interfere with the right of the Corporation or an "Affiliate" (as defined in the Pension Plus Plan) to discharge any employee and to treat him or her without regard to the effect which such treatment might have upon him or her as a Participant. Each Participant and all persons who may have or claim any right by reason of his or her participation shall be bound by the terms of the Plan and all Agreements entered into pursuant thereto.

F. Benefits Payable to Minors, Incompetents and Others

In the event any benefit is payable to a minor or an incompetent or to a person otherwise under a legal disability, or who, in the sole discretion of the Committee, is by reason of advanced age, illness or other physical or mental incapacity incapable of handling and disposing of his or her property, or otherwise is in such position or condition that the Committee believes that such person could not utilize the benefit for his or her support or welfare, the Committee shall have discretion to apply the whole or any part of such benefit directly to the care, comfort, maintenance, support, education or use of such person, or pay the whole or any part of such benefit to the parent of such person, the guardian, committee, conservator or other legal representative, wherever appointed, of such person, the person with whom such person is residing, or to any other person having the care and control of such person. The receipt of any such person to whom such payment on behalf of any Participant or Beneficiary is made shall be sufficient discharge therefor.

G. Construction

1. The Plan is intended to qualify as an unfunded plan maintained primarily for the purpose of providing deferred compensation for a select group of management or highly compensated employees as referred to in Section 201(2) of ERISA, and its terms shall be interpreted accordingly. Otherwise, the laws of the State of New York shall control the interpretation and performance of the terms of the Plan.

2. If any provision of the Plan, or the application of any such provision to any person or circumstances, shall be invalid under any federal or state law, neither the application of such provision to persons or circumstances other than those as to which such provision is invalid nor any other provisions of the Plan shall be affected thereby.

3. The headings and subheadings in the Plan have been inserted for convenience of reference only, and are to be ignored in any construction of the provisions thereof.

Exhibit 10(p)

[As approved by the Audit Committee on February 8, 2003]

ALBANY INTERNATIONAL CORP.

Code of Ethics
for the Chief Executive Officer, Chief Financial Officer and Controller

I hereby certify that I will adhere to the following principles and responsibilities in the performance of my duties as an officer of Albany International Corp.:

- Act with honesty and integrity, avoiding conflicts of interest involving personal and professional relationships;
- Provide other officials and constituents of the Company information that is full, fair, accurate, complete, objective, timely and understandable;
- Comply with rules and regulations of all governmental authorities as well as other private or public regulatory agencies to which the Company is subject;
- Act in good faith, responsibly and objectively, with due care, competence and diligence, without any misrepresentation of material facts and without allowing my independent judgment to be subordinated;
- Respect the confidentiality of information acquired in the course of my work, except when authorized or legally obligated to disclose such information, and refrain from the use of such confidential information for personal advantage;
- Share my knowledge with others and maintain skills important and relevant to the needs of my constituents;
- Promote ethical behavior among other employees of the Company;
- Achieve responsible use of, and control over, all assets and resources employed or entrusted to me; and
- Promptly report to the Chairman of the Audit Committee any violations of this Code of which I have knowledge.

FINANCIAL SECTION

Contents

REPORT OF MANAGEMENT

Management of Albany International Corp. is responsible for the integrity and objectivity of the accompanying financial statements and related information. These statements have been prepared in conformity with accounting principles generally accepted in the United States of America, and include amounts that are based on our best judgments with due consideration given to materiality.

Management maintains a system of internal accounting controls designed to provide reasonable assurance, at reasonable cost, that assets are safeguarded and that transactions and events are recorded properly. A program of internal audits and management reviews provides a monitoring process that allows the Company to be reasonably sure that the system of internal accounting controls operates effectively.

The financial statements have been audited by PricewaterhouseCoopers LLP, independent auditors. Their role is to express an opinion as to whether management's financial statements present fairly, in all material respects, in conformity with accounting principles generally accepted in the United States of America, the Company's financial condition and operating results. Their opinion is based on procedures that include reviewing and evaluating certain aspects of selected systems, procedures and internal accounting controls, and conducting such tests as they deem necessary.

The Audit Committee of the Board of Directors, composed solely of independent directors, meets periodically with the independent auditors, management and internal audit to review their work and confirm that they are properly discharging their responsibilities. In addition, the independent auditors meet regularly with the Audit Committee without the presence of management to discuss results of their work and observations on the adequacy of internal financial controls, the quality of financial reporting and other relevant matters.

Frank R. Schmeler
Chairman of the Board and Chief Executive Officer

Michael C. Nahl
Senior Vice President and Chief Financial Officer

REPORT OF INDEPENDENT AUDITORS

TO THE BOARD OF DIRECTORS AND

SHAREHOLDERS OF ALBANY INTERNATIONAL CORP.

In our opinion, the accompanying consolidated balance sheets and the related consolidated statements of income and retained earnings, of comprehensive income and of cash flows present fairly, in all material respects, the financial position of Albany International Corp. and its subsidiaries at December 31, 2003 and 2002, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2003 in conformity with accounting principles generally accepted in the United States of America. These financial statements are the responsibility of the Company's management; our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits of these statements in accordance with auditing standards generally accepted in the United States of America, which require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

As discussed in Note 4 to the consolidated financial statements, on January 1, 2002, the Company adopted Statement of Financial Accounting Standard No. 142, *Goodwill and Other Intangible Assets.*

As discussed in Note 6 to the consolidated financial statements, on January 1, 2001, the Company adopted Statement of Financial Accounting Standard No. 133, *Accounting for Derivative Instruments and Hedging Activities.*

As discussed in Note 16 to the consolidated financial statements, on January 1, 2003, the Company adopted Statement of Financial Accounting Standard No. 146, *Accounting for Costs Associated with Exit or Disposal Activities.*

PricewaterhouseCoopers LLP

Albany, New York
January 27, 2004

CONSOLIDATED STATEMENTS OF INCOME AND RETAINED EARNINGS

ALBANY INTERNATIONAL CORP.

(in thousands, except per share amounts)

For the years ended December 31,

	2003	2002	2001
Statements of Income			
Net sales	**$ 868,972**	$ 816,047	$ 836,696
Cost of goods sold	**507,786**	475,765	497,301
Gross profit	**361,186**	340,282	339,395
Selling and general expenses	**198,610**	188,347	186,441
Technical and research expenses	**55,211**	49,847	46,950
Restructuring, net	**21,751**	—	21,892
Operating income	**85,614**	102,088	84,112
Interest income	**(2,232)**	(3,084)	(1,977)
Interest expense	**17,306**	20,620	30,893
Other expense/(income), net	**662**	5,003	2,833
Income before income taxes	**69,878**	79,549	52,363
Income taxes	**15,720**	25,041	19,374
Income before associated companies	**54,158**	54,508	32,989
Equity in (losses)/earnings of associated companies	**(103)**	270	342
Income before cumulative effect of changes in accounting principles, net of taxes	**54,055**	54,778	33,331
Cumulative effect of changes in accounting principles, net of taxes	**—**	(5,837)	(1,129)
Net income	**54,055**	48,941	32,202
Retained Earnings			
Retained earnings, beginning of year	**387,609**	345,273	314,639
Less dividends	**8,257**	6,605	1,568
Retained earnings, end of year	**$ 433,407**	$ 387,609	$ 345,273
Earnings per share—basic:			
Income before cumulative effect of changes in accounting principles	**$ 1.64**	$ 1.70	$ 1.07
Cumulative effect of changes in accounting principles	**—**	(0.18)	(0.03)

Net income	**$**	**1.64**	$	1.52	$	1.04
Earnings per share—diluted:						
Income before cumulative effect of changes in accounting principles	**$**	**1.61**	$	1.68	$	1.06
Cumulative effect of changes in accounting principles		**—**		(0.18)		(0.03)
Net income	**$**	**1.61**	$	1.50	$	1.03
Dividends per share	**$**	**0.25**	$	0.205	$	0.05

The accompanying notes are an integral part of the consolidated financial statements.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

ALBANY INTERNATIONAL CORP.

(in thousands)

For the years ended December 31,

		2003		2002		2001
Net income	**$**	**54,055**	$	48,941	$	32,202
Other comprehensive income/(loss), before tax:						
Foreign currency translation adjustments		**81,787**		47,550		(29,259)
Pension liability adjustments		**(5,668)**		(34,815)		(20,043)
Derivative valuation adjustment:						
Transition adjustment as of January 1, 2001		**—**		—		(4,888)
Increase (decrease) in fair value		**7,084**		(8,484)		(8,204)
Income taxes related to items of other comprehensive income/(loss)		**(279)**		16,020		13,083
Comprehensive income/(loss)	**$**	**136,979**	$	69,212	$	(17,109)

The accompanying notes are an integral part of the consolidated financial statements.

CONSOLIDATED BALANCE SHEETS

ALBANY INTERNATIONAL CORP.

(in thousands, except share data)

At December 31,

		2003		2002
Assets				
Current assets:				
Cash and cash equivalents	**$**	**78,822**	$	18,799
Accounts receivable, less allowance for doubtful accounts ($8,673 in 2003; $11,790 in 2002)		**151,157**		135,339
Note receivable		**21,814**		20,075
Inventories				

Finished goods		**93,787**		90,766
Work in process		**53,936**		44,763
Raw material and supplies		**29,805**		28,534
Prepaid expenses		**8,067**		7,173
Deferred taxes		**33,314**		43,439
Total current assets		**470,702**		388,888
Property, plant and equipment, at cost, net		**370,280**		346,073
Investments in associated companies		**5,278**		4,849
Intangibles		**15,790**		16,274
Goodwill		**159,543**		137,146
Deferred taxes		**63,657**		65,574
Cash surrender value of life insurance		**32,399**		29,282
Other assets		**21,274**		23,435
Total assets	**$**	**1,138,923**	$	1,011,521
Liabilities				
Current liabilities:				
Notes and loans payable	**$**	**5,250**	$	12,224
Accounts payable		**35,080**		39,624
Accrued liabilities		**122,550**		101,510
Current maturities of long-term debt		**1,949**		1,914
Income taxes payable and deferred		**13,682**		31,222
Total current liabilities		**178,511**		186,494
Long-term debt		**214,894**		221,703
Other noncurrent liabilities		**153,811**		168,765
Deferred taxes and other credits		**37,052**		33,961
Total liabilities		**584,268**		610,923
Commitments and Contingencies		**—**		—
Shareholders' Equity				
Preferred stock, par value $5.00 per share; authorized 2,000,000 shares; none issued		**—**		—
Class A Common Stock, par value $.001 per share; authorized 100,000,000 shares; issued 32,548,938 in 2003 and 28,983,057 in 2002		**33**		29
Class B Common Stock, par value $.001 per share; authorized 25,000,000 shares; issued and outstanding 3,236,476 in 2003 and 5,607,576 in 2002		**3**		6
Additional paid-in capital		**280,734**		255,484
Retained earnings		**433,407**		387,609
Accumulated items of other comprehensive income:				
Translation adjustments		**(65,613)**		(147,400)
Derivative valuation adjustment		**(8,840)**		(13,592)
Pension liability adjustment		**(39,579)**		(35,962)
		600,145		446,174
Less treasury stock, at cost		**45,490**		45,576
Total shareholders' equity		**554,655**		400,598
Total liabilities and shareholders' equity	**$**	**1,138,923**	$	1,011,521

The accompanying notes are an integral part of the consolidated financial statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS

ALBANY INTERNATIONAL CORP.

(in thousands)

For the years ended December 31,

	2003	2002	2001
Operating Activities			
Net income	**$ 54,055**	$ 48,941	$ 32,202
Adjustments to reconcile net income to net cash provided by operating activities:			
Equity in losses/(earnings) of associated companies	**103**	(270)	(342)
Depreciation	**51,003**	47,478	45,792
Amortization	**5,091**	5,385	11,754
Provision for deferred income taxes, other credits and long-term liabilities	**(6,908)**	(21,094)	(18,634)
Provision for write-off of buildings and equipment	**14,671**	—	—
Cumulative effect of changes in accounting principles	**—**	5,837	1,129
Increase in cash surrender value of life insurance, net of premiums paid	**(1,998)**	(569)	(1,434)
Unrealized currency transaction gains	**(8,286)**	(1,933)	(1,040)
Gains on disposition of assets	**(513)**	(2,688)	(1,323)
Shares contributed to ESOP	**5,398**	4,635	4,835
Tax benefit of options exercised	**2,289**	1,672	577
Changes in operating assets and liabilities:			
Accounts receivable	**17,819**	14,737	30,066
Sale of accounts receivable	**(2,134)**	7,237	63,878
Note receivable	**(1,739)**	1,028	(21,103)
Inventories	**3,171**	17,687	42,797
Prepaid expenses	**(894)**	(1,885)	2,245
Accounts payable	**(4,544)**	(10,653)	(4,449)
Accrued liabilities	**12,457**	(5,671)	11,967
Income taxes payable	**(9,294)**	8,346	10,848
Other, net	**1,777**	605	4,513
Net cash provided by operating activities	**131,524**	118,825	214,278
Investing Activities			
Purchases of property, plant and equipment	**(51,849)**	(31,678)	(25,831)
Purchased software	**(1,072)**	(1,465)	(2,407)
Proceeds from sale of assets	**2,653**	6,373	6,828
(Repayments of)/loans from life insurance policies	**—**	(25,934)	10,602
Premiums paid for life insurance	**(1,118)**	(1,159)	(1,161)
Net cash used in investing activities	**(51,386)**	(53,863)	(11,969)
Financing Activities			
Proceeds from borrowings	**45,833**	60,208	67,400
Principal payments on debt	**(59,709)**	(106,446)	(265,158)
Proceeds from options exercised	**17,559**	14,950	4,907
Dividends paid	**(7,692)**	(6,391)	—
Net cash used in financing activities	**(4,009)**	(37,679)	(192,851)
Effect of exchange rate changes on cash flows	**(16,106)**	(14,637)	(8,664)
Increase in cash and cash equivalents	**60,023**	12,646	794
Cash and cash equivalents at beginning of year	**18,799**	6,153	5,359
Cash and cash equivalents at end of year	**$ 78,822**	$ 18,799	$ 6,153

The accompanying notes are an integral part of the consolidated financial statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. ACCOUNTING POLICIES

Basis of Consolidation

The consolidated financial statements include the accounts of Albany International Corp. and its subsidiaries (the "Company") after elimination of intercompany transactions. The Company has one subsidiary that is a qualified special purpose entity that is not consolidated, in accordance with

Financial Accounting Standard (FAS) No. 140, "Accounting for Transfers and Servicing of Financial Assets and Extinguishment of Liabilities" (see Note 6). The Company has 50% interests in an entity in South Africa, an entity in England and an entity in Russia. The consolidated financial statements include the Company's original investment in these entities, plus its share of undistributed earnings or losses, in the account "Investments in associated companies."

Revenue Recognition

The Company records sales when persuasive evidence of an arrangement exists, delivery has occurred, the selling price is fixed and collectibility is reasonably assured. The Company limits the concentration of credit risk in receivables by closely monitoring credit and collection policies. The allowance for doubtful accounts is adequate to absorb estimated losses.

The Company records the costs of freight associated with the shipment of goods as a deduction in the calculation of net sales. These freight costs were $18,971,000 in 2003, $16,452,000 in 2002, and $16,797,000 in 2001.

Estimates

The preparation of the consolidated financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Translation of Financial Statements

Assets and liabilities of non-U.S. operations are translated at year-end rates of exchange, and the income statements are translated at the average rates of exchange for the year. Gains or losses resulting from translating non-U.S. currency financial statements are recorded in "Other comprehensive income" and accumulated in shareholders' equity in the caption "Translation adjustments".

Gains or losses resulting from intercompany loans and balances denominated in a currency other than the entity's local currency, forward exchange contracts that are not designated as hedges for accounting purposes and futures contracts are generally included in income in "Other expense/(income), net". Gains and losses resulting from other balances denominated in a currency other than the entity's local currency are recorded in "Selling and general expenses". Changes in value of forward exchange contracts that are effective as hedges for accounting purposes are generally recorded, net of tax, in "Other comprehensive income" and accumulated in shareholders' equity in the caption "Translation adjustments".

Research Expense

Research expense consists primarily of compensation and supplies and is charged to operations as incurred. Research expense was $26,353,000 in 2003, $24,918,000 in 2002, and $23,224,000 in 2001.

Cash and Cash Equivalents

Cash and cash equivalents consist of cash and highly liquid short-term investments with original maturities of three months or less.

Inventories

Inventories are stated at the lower of cost or market and are valued at average cost.

Property, Plant and Equipment

Property, plant and equipment are recorded at cost. Depreciation is recorded using the straight-line method over the estimated useful lives of the assets for financial reporting purposes; accelerated methods are used for income tax purposes. Useful lives for buildings, and machinery and equipment are 25 to 40 years, and 3 to 10 years, respectively. Significant additions or improvements extending assets' useful lives are capitalized; normal maintenance and repair costs are expensed as incurred. The cost of fully depreciated assets remaining in use is included in the respective asset and accumulated depreciation accounts.

When items are sold or retired, related gains or losses are included in net income.

The Company reviews the carrying value of property, plant and equipment and other long-lived assets for impairment whenever events and circumstances indicate that the carrying value of an asset may not be recoverable from the estimated future cash flows expected to result from its use and eventual disposition.

Goodwill, Intangibles and Other Assets

Prior to 2002, the excess purchase price over fair values assigned to net assets acquired (goodwill) had been amortized on a straight-line basis over 20 to 40 years. Beginning in 2002, the Company adopted the provisions of FAS No. 142 "Goodwill and Other Intangible Assets" which eliminated the prior practice of goodwill amortization and instead adopted an impairment-only approach (see Note 4). 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. In accordance with FAS No. 142, the Company performs a test for goodwill impairment at least annually during the second quarter of the year.

Patents, trade names and technology, at cost, are amortized on a straight-line basis over 8 to 12 years. Computer software purchased for internal use, at cost, is amortized on a straight-line basis over 5 years and is included in "Other assets."

The Company has investments in other companies that are accounted for under either the cost method or equity method of accounting. The Company performs regular reviews of the financial condition of the investees to determine if its investment is impaired. If the financial condition of the investees were to no longer support their valuations, the Company would record an impairment charge.

Cash Surrender Value of Life Insurance

The Company has life insurance policies on certain present and former employees. The Company may convert the cash surrender value of these policies to cash at any time.

Stock Based Compensation

As described in Note 15, the Company has stock based compensation plans for key employees. Prior to 2003, the Company issued stock options to certain key employees. Stock options are accounted for in accordance with the modified prospective method of FAS No. 148, "Accounting for Stock-Based Compensation—an Amendment of FAS No. 123". Under this method, the Company records compensation expense for any new options granted after December 31, 2002 or for changes to the terms of existing options. During 2003, there were no stock option grants and no compensation expense was recorded. The Company is continuing to follow the pro-forma disclosure requirements of FAS No. 123, "Accounting for Stock-Based Compensation" and FAS No. 148.

Derivatives

Gains or losses on forward exchange contracts and other derivative instruments that function as an economic hedge against currency fluctuation effects on future revenue streams are recorded in "Other expense/(income), net". All open positions on forward exchange contracts are valued at fair value using the estimated forward rate of a matching contract.

Gains or losses on forward exchange contracts and other derivative instruments that are designated as a hedge of a foreign operation's net assets and long-term intercompany loans not intended to be repaid in the foreseeable future are recorded, net of tax, in "Translation adjustments", a separate component of shareholders' equity. These contracts reduce the risk of currency exposure on foreign currency net assets and do not exceed the foreign currency amount being hedged. To the extent the above criteria are not met, or the related assets are sold, extinguished, or terminated, activity associated with such hedges is recorded in "Other expense/(income), net".

Income Taxes

The Company accounts for income taxes in accordance with the asset and liability method. Deferred income taxes are recognized for the tax consequences of "temporary differences" by applying enacted statutory tax rates applicable for future years to differences between financial statement and tax bases of existing assets and liabilities. The effect of tax rate changes on deferred taxes is recognized in the income tax provision in the period that includes the enactment date. A tax valuation allowance is

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established, as needed, to reduce net deferred tax assets to the amount expected to be realized. In the event it becomes more likely than not that some or all of the deferred tax asset allowances will not be needed, the valuation allowance will be adjusted.

It is the Company's policy to accrue appropriate U.S. and non-U.S. income taxes on earnings of subsidiary companies that are intended to be remitted to the parent company in the near future.

The provision for taxes is reduced by investment and other tax credits in the years such credits become available.

Pension and Postretirement Benefit Plans

Substantially all employees are covered under either Company or government-sponsored pension plans. The defined benefit pension plan in the United States was closed to new participants as of October 1998. The plans are generally trusteed or insured and accrued amounts are funded as required in accordance with governing laws and regulations. The annual expense and liability recognized for defined benefit pension plans and postretirement benefit plans are developed from actuarial valuations. Inherent in these valuations are key assumptions, including discount rates and expected return on plan assets, which are updated on an annual basis at the beginning of each fiscal year. The Company considers current market conditions, including changes in interest rates, in making these assumptions.

Reclassifications

Certain reclassifications have been made to the prior years' financial statements to conform to the current year presentation.

Earnings Per Share

Net income per share is computed using the weighted average number of shares of Class A Common Stock and Class B Common Stock outstanding during each year. Diluted net income per share includes the effect of all potentially dilutive securities (stock options). Dilutive common shares are calculated in accordance with the treasury stock method, which assumes that proceeds from the exercise of options are used to repurchase common stock at the average market value.

Recent Accounting Pronouncements

In April 2003, the Financial Accounting Standards Board ("FASB") issued FAS No. 149, "Amendment of Statement 133 on Derivative Instruments and Hedging Activities", (FAS No. 149). This Statement amends and clarifies financial accounting and reporting for derivative instruments, including certain derivative instruments embedded in other contracts, and other hedging activities entered into after June 30, 2003. The Company's adoption of FAS No. 149 did not have a material effect on its financial statements.

In May 2003, the FASB issued FAS No. 150, "Accounting for Certain Financial Instruments with Characteristics of both Liabilities and Equity", (FAS No. 150). This Standard establishes how an issuer classifies and measures certain financial instruments with characteristics of both liabilities and equity. This standard became effective for any financial instruments entered into or modified after May 31, 2003. The Company's adoption of FAS No. 150 did not have a material effect on its financial statements.

In January 2003, the FASB issued FASB Interpretation No. 46 (FIN 46), "Consolidation of Variable Interest Entities". In December 2003, the FASB issued a revision to FIN 46 to clarify some of the provisions of FIN 46, and to exempt certain entities from its requirements. FIN 46 gives guidance that determines whether consolidation of a Variable Interest Entity is required. The Company has a subsidiary that is not consolidated in these financial statements because it is a Qualified Special Purpose Entity under FAS No. 140 (see Note 6). FIN 46 is effective now for certain Special Purpose Entity relationships and for all other entity relationships after March 15, 2004. The Company does not expect the adoption of FIN 46 to have a material effect on its financial statements.

2. EARNINGS PER SHARE

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

(in thousands, except market price data)		**2003**		**2002**		**2001**
Income available to common shareholders:						
Income available to common shareholders	**$**	**54,055**	$	48,941	$	32,202
Weighted average number of shares:						
Weighted average number of shares used in net income per share calculations		**32,889**		32,126		31,089
Effect of dilutive securities: stock options		**622**		509		259
Weighted average number of shares used in diluted net income per share calculations		**33,511**		32,635		31,348
Average market price of common stock used for calculation of diluted shares	**$**	**27.13**	$	23.41	$	18.91

Total shares issued and outstanding were 33,595,376 as of December 31, 2003, and 32,396,840 as of December 31, 2002.

3. PROPERTY, PLANT AND EQUIPMENT

The components of property, plant and equipment are summarized below:

(in thousands)		**2003**		**2002**
Land	**$**	**32,983**	$	29,241
Buildings		**198,567**		175,353
Machinery and equipment		**674,710**		580,338
		906,260		784,932
Accumulated depreciation		**535,980**		438,859
	$	**370,280**	$	346,073

Expenditures for maintenance and repairs are charged to income as incurred and amounted to $19,078,000 in 2003, $18,522,000 in 2002, and $18,643,000 in 2001.

Capital expenditures were $51,849,000 in 2003, $31,678,000 in 2002, and $25,831,000 in 2001. At the end of 2003, the Company was committed to $40,696,000 of future expenditures for new equipment and facilities.

Construction in progress was $4,219,000 in 2003, and $398,000 in 2002. Depreciation expense was $51,003,000 in 2003, $47,478,000 in 2002, and $45,792,000 in 2001.

4. GOODWILL AND INTANGIBLES

Effective January 1, 2002, the Company adopted Statement of FAS No. 142, "Goodwill and Other Intangible Assets". FAS No. 142 changed the accounting for goodwill from an amortization method to an impairment-only approach. An initial transition impairment test of goodwill was required as of January 1, 2002. The Company completed this initial transition impairment test which resulted in a non-cash charge of $5,837,000 to write-off the carrying value of goodwill in the Applied Technologies segment. This charge is reflected as a cumulative effect of a change in accounting principle in the accompanying consolidated statements of income and retained earnings. There was no tax effect from this charge. As required by FAS No. 142, the Company performed its annual test for impairment during the second quarters of 2002 and 2003 and determined that there was no impairment of goodwill in the Engineered Fabrics or Albany Door Systems segments.

For purposes of applying FAS No. 142, the Company has determined that the reporting units are consistent with the operating segments identified in Note 12, Operating Segment and Geographic Data. Fair values of the reporting units and the related implied fair values of their respective goodwill were established using public company analysis and discounted cash flows.

The Company is continuing to amortize certain patents and trade names that have finite lives.

The changes in intangible assets and goodwill from January 1, 2002 to December 31, 2003 were as follows:

(in thousands)	Balance at December 31, 2002	Amortization	Currency translation/ other	Balance at December 31, 2003
Amortizable intangible assets:				
Patents	**$ 3,241**	$ 415	$ 943	$ 3,769
Trade names	**3,566**	588	548	3,526
Total	**6,807**	1,003	1,491	7,295
Deferred pension costs	**9,467**	—	(972)	8,495
Total intangibles	**$ 16,274**	$ 1,003	$ 519	$ 15,790
Unamortized intangible assets:				
Goodwill	**$ 137,146**	$ —	$ 22,397	$ 159,543

(in thousands)	Balance at January 1, 2002	Amortization	Currency translation/ other	Balance at December 31, 2002
Amortizable intangible assets:				
Patents	**$ 3,091**	$ 333	$ 483	$ 3,241
Trade names	**3,398**	519	687	3,566
Total	**6,489**	852	1,170	6,807
Deferred pension costs	**8,906**	—	561	9,467
Total intangibles	**$ 15,395**	$ 852	$ 1,731	$ 16,274
Unamortized intangible assets:				
Goodwill	**$ 127,944**	$ —	$ 9,202	$ 137,146

The change in goodwill resulted primarily from the transitional impairment test and the effect of currency translation rates.

As of December 31, 2003, the remaining goodwill included $131,273,000 in the Engineered Fabrics segment and $28,270,000 in the Albany Door Systems segment.

Estimated amortization expense (in thousands) for the years ending December 31, 2004 through 2008 is as follows:

Year	Annual Amortization
2004	**$ 1,000**
2005	**1,000**
2006	**1,000**
2007	**1,000**
2008	**1,000**

The following table shows the effect FAS No. 142 had on net income and earnings per share since adoption:

(in thousands, except per share amounts)		2003		2002		2001
Net income, as reported	$	**54,055**	$	48,941	$	32,202
Add back amortization of goodwill		**—**		—		6,800
Adjusted net income	$	**54,055**	$	48,941	$	39,002
Earnings per share-basic:						
Net income, as reported	$	**1.64**	$	1.52	$	1.04
Add back amortization of goodwill		**—**		—		0.21
Adjusted net income	$	**1.64**	$	1.52	$	1.25
Earnings per share-diluted:						
Net income, as reported	$	**1.61**	$	1.50	$	1.03
Add back amortization of goodwill		**—**		—		0.21
Adjusted net income	$	**1.61**	$	1.50	$	1.24

5. ACCRUED LIABILITIES

Accrued liabilities consists of:

(in thousands)		2003		2002
Salaries and wages	$	**28,859**	$	23,132
Employee benefits		**25,173**		26,666
Pension liability - current portion (see Note 13)		**23,640**		12,000
Interest rate swaps - current portion (see Note 6)		**10,108**		9,977
Returns and allowances		**6,206**		5,471
Interest		**1,242**		1,378
Restructuring costs - current portion (see Note 16)		**8,538**		5,472
Other		**18,784**		17,414
	$	**122,550**	$	101,510

6. FINANCIAL INSTRUMENTS

Notes and loans payable at December 31, 2003 and 2002 were short-term debt instruments with banks, denominated in local currencies with a weighted average interest rate of 1.09% in 2003 and 3.14% in 2002.

Long-term debt at December 31, 2003 and 2002, principally to banks and bondholders, exclusive of amounts due within one year, consists of:

(in thousands)		2003		2002
August 1999 credit agreement with borrowings outstanding at an average interest rate of 1.94% in 2003 and 2.19% in 2002	$	**200,000**	$	200,000
Various notes and mortgages relative to operations principally outside the United States, at an average interest rate of 6.61% in 2003 and 6.23% in 2002, due in varying amounts through 2008		**3,244**		9,418
Industrial revenue financings at an average interest rate of 6.58% in 2003 and 6.32% in 2002, due in varying amounts through 2009		**11,650**		12,285
	$	**214,894**	$	221,703

The weighted average interest rate for all debt was 2.47% in 2003 and 3.05% in 2002.

Principal payments due on long-term debt for the next five years are: 2004, $1,949,000; 2005, $1,325,000; 2006, $1,106,000; 2007, $11,150,000; 2008, $1,123,000 and thereafter $200,190,000.

Interest paid was $17,398,000 in 2003, $21,377,000 in 2002, and $32,169,000 in 2001.

In August 1999, the Company entered into a $750 million credit agreement with its banks. This facility included a $250 million term loan and a $500 million revolving loan. The loan was fully repaid and the credit agreement terminated in January 2004. As of December 31, 2003, the Company had $874,000 of unamortized deferred financing costs related to this credit facility that will be written off in the first quarter of 2004. As of December 31, 2003, borrowings under the old credit facility are classified as long-term because the payoff of the loan was financed with a long-term credit facility.

In January 2004, the Company entered into a new, unsecured five-year $460 million revolving credit agreement with a group of banks. Under the agreement, the Company pays a fee on the unused portion of the commitment, and pays interest, at variable rates plus a spread, on the drawn portion. The spread is determined by the Company's leverage ratio, as defined in the agreement. The agreement includes a number of covenants that limit the Company's ability to purchase Common Stock, pay dividends, acquire other companies or dispose of its assets, and also requires the Company to maintain a leverage ratio of not greater than 3.00 to 1.00 and a minimum interest coverage of at least 3.00 to 1.00. As of December 31, 2003, the Company's leverage ratio under the new agreement would have been 0.97 to 1.00. The Company may purchase its Common Stock or pay dividends to the extent its leverage ratio remains at or below 2.25%, and may make acquisitions provided its leverage ratio would not exceed 2.50 to 1.00 after giving pro forma effect to the acquisition.

The Company borrowed $200 million under the new agreement at the closing and used the proceeds to satisfy its obligations under its old agreement. Based on the maximum leverage ratio as of December 31, 2003, the Company would have been able to borrow an additional $260 million under the new agreement. If any bank in the lending group is unable to meet its commitment to lend, the Company may be unable to borrow the full amount. The Company does not expect that any of the banks in the bank group will be unable to meet their commitments.

During 2000, the Company entered into swap agreements that hedge a portion of its interest rate exposure. Under the terms of the agreements, each party makes payments on a notional amount of $100,000,000. The Company pays a blended fixed rate of 7.17% and the counterparties pay a floating rate based on LIBOR. These swap agreements expire on June 6, 2005. As of December 31, 2003, the blended rate receivable from the counterparties was 1.18%. On January 2, 2001, the Company entered into four additional swap agreements which fixed interest rates on an additional notional amount of $100,000,000. The blended fixed rate payable by the Company under these agreements is 5.65%. The counterparties pay a floating rate, based on LIBOR which was 1.18%, at December 31, 2003. These agreements expire on August 11, 2005. The total cost of the swap agreements of $10,440,000 in 2003, $9,251,000 in 2002, and $3,423,000 in 2001 was recorded as "Interest expense". Including the debt that has been hedged, the Company has fixed the interest rate on approximately 98% of its debt.

At December 31, 2003, the Company had open forward exchange contracts with a total unrealized gain of $6,047,000. These financial instruments were held for purposes other than trading. 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 closed forward exchange contracts, both the purchase and sale sides of the Company's exposures were with the same financial institution. The Company seeks to control risk by evaluating the credit-worthiness 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.

On January 1, 2001, the Company adopted the provisions of FAS No. 133, "Accounting for Derivative Instruments and Hedging Activities". This Standard requires that all derivative instruments are recognized on the balance sheet at their fair value and changes in fair value are recognized immediately in earnings, unless the derivatives qualify as hedges in accordance with the Standard. The change in fair value for those derivatives that qualify as hedges are recorded in shareholders' equity, net of tax, in the caption "Derivative valuation adjustment". The Company's interest rate swaps qualify as cash flow hedges as defined in the Standard and, accordingly, changes in the fair value are recognized in liabilities and "Other comprehensive income". Subsequently, amounts will be reclassified to "Interest expense" in accordance with the Standard. On the date of adoption, the Company recognized an initial transition adjustment of $4,888,000. The fair value of the interest rate swaps declined an additional $8,204,000 in 2001 and $8,484,000 in 2002. In 2003, the fair value of the swaps increased $7,084,000. Included in "Accrued liabilities" is $10,108,000 in 2003 and $9,977,000 in 2002 for the estimated cash payments in the following year under the swap agreements, with the remaining liability, $4,384,000 in 2003 and $11,599,000 in 2002, included in "Other noncurrent liabilities". The Company had a lease for manufacturing facilities with an embedded derivative that was recognized in earnings in accordance with this Standard. The cumulative after-tax effect of this change in accounting principle in 2001 was expense of $1,129,000. Included in "Other expense/(income), net" is income of $42,000 in 2003, $357,000 in 2002 and $1,482,000 in 2001 related to changes in fair value of this derivative.

During 2001, the Company entered into a trade accounts receivable program whereby it sells, without recourse, certain North American accounts receivable to a qualified special purpose entity (QSPE), as defined under FAS No. 140. This form of financing results in a lower current incremental cost of financing than the lowest rate on the Company's revolving credit agreement and it broadens the Company's sources of financing. The QSPE is a wholly owned subsidiary of the Company and, in accordance with FAS No. 140, its financial statements are not consolidated with the financial statements of the Company. The QSPE finances a portion of the accounts receivable purchased by selling an undivided ownership interest in the pool of purchased receivables to an unrelated third party for cash. The balance of the purchase price is financed by the Company, in exchange for a note receivable. In addition to financing a portion of the purchase price, the Company performs certain administrative functions for the QSPE, including collecting the accounts receivable, in exchange for a fee.

Eligible accounts receivable are sold at a discount to the QSPE on an ongoing basis at the discretion of the Company and the amount is subject to change. The eligibility of accounts receivable is based on certain criteria agreed to by the Company and the unrelated third party. The discount rate is determined by the average time the accounts receivable are outstanding, current interest rates, and estimated credit losses.

The following summarizes information about the receivables sold:

	December 31,	
(in thousands, except interest rates)	**2003**	**2002**
Balances as of year end:		

Amount of receivables sold	**$ 68,981**	$ 71,115
Cash received for receivables sold	**45,164**	48,917
Note receivable from QSPE	**21,814**	20,075
Interest rate on note receivable from QSPE	**1.57%**	2.41%
Amounts recognized for the year ended:		
Discount expense (included in "Other expense/(income), net")	**$ 1,848**	$ 2,053

The unconsolidated subsidiary receives cash from an unrelated third party in exchange for an undivided ownership interest in the accounts receivable. As of December 31, 2003, the unconsolidated subsidiary had assets of $22,582,000 consisting primarily of the $68,981,000 of accounts receivables sold to it by the Company, net of the $45,164,000 interest sold to the unrelated third party, and an

allowance for doubtful accounts. As of December 31, 2003, the liabilities of the unconsolidated subsidiary were $21,832,000 consisting principally of the note payable to the Company. As of December 31, 2003, the unconsolidated subsidiary had equity of $750,000.

7. COMMITMENTS AND CONTINGENCIES

Principal leases are for machinery and equipment, vehicles and real property. Certain leases contain renewal and purchase option provisions at fair market values. There were no significant capital leases. Total rental expense amounted to $19,032,000, $19,962,000, and $22,198,000 for 2003, 2002, and 2001, respectively.

Future rental payments required under operating leases that have initial or remaining noncancelable lease terms in excess of one year as of December 31, 2003 are: 2004, $15,014,000; 2005, $13,144,000; 2006, $9,856,000; 2007, $6,334,000; 2008, $3,287,000 and thereafter, $2,431,000.

The Company has guaranteed a letter of credit to a bank that loaned money to a joint venture partner in South Africa. The bank can draw upon the letter of credit if the joint venture partner defaults on the loan. The letter of credit is denominated in South African rand and was approximately $4,184,000 as of December 31, 2003.

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

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

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

Approximately 23,569 of the claims pending against Albany are filed in various counties in Mississippi. The Company expects that only a portion of these claimants will be able to demonstrate time spent in a paper mill to which Albany supplied asbestos-containing products during a period in which Albany's asbestos-containing products were in use. Based on past experience, communications from certain plaintiffs' counsel and the advice of the Company's Mississippi counsel, the Company expects the percentage of claimants with paper mill exposure in the Mississippi proceedings to be considerably lower than the total number of claims asserted. It is the position of Albany and the other paper machine clothing defendants that there was insufficient exposure to asbestos from any paper machine clothing products to cause asbestos-related injury to any plaintiff. Furthermore, asbestos contained in Albany's synthetic products was encapsulated in a resin-coated yarn woven into the interior of the fabric, further reducing the likelihood of fiber release. While the 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 under a standard reservation of rights. As of February 13, 2004, the Company had resolved, by means of settlement or dismissal, 6,168 claims, and had reached tentative agreement to resolve an additional 4,563 claims reported above as pending. The total cost of resolving all

10,731 such claims was $5,201,500. Of this amount, $5,166,500, or 99%, was paid by the Company's insurance carrier. The Company has more than $130 million in confirmed insurance coverage that should be available with respect to current and future asbestos claims, as well as additional insurance coverage that it should be able to access.

Brandon Drying Fabrics, Inc.

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

Mount Vernon

In some of these cases, the 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.

The Company believes that all asbestos-related claims against it are without merit. Based on its understanding of the insurance policies available, how settlement amounts have been allocated to various policies, its recent settlement experience, the absence of any judgments against the 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 does not believe, based on currently available information, that the ultimate resolution of the aforementioned proceedings will have a material adverse effect on the

financial position, results of operations or cash flows of the 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. However, 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.

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

Other Proceedings

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

8. OTHER NONCURRENT LIABILITIES

Other noncurrent liabilities consists of:

(in thousands)	**2003**	2002
Pension liability (see Note 13)	**$ 64,526**	$ 75,190
Postretirement benefits other than pensions (see Note 13)	**61,277**	57,206
Deferred compensation (see Note 15)	**10,656**	12,364
Interest rate swaps (see Note 6)	**4,384**	11,599

Other	**12,968**	12,406
	$ 153,811	$ 168,765

9. SHAREHOLDERS' EQUITY

The Company has two classes of Common Stock, Class A Common Stock and Class B Common Stock, each with a par value $.001 and equal liquidation rights. Each share of the Company's Class A Common Stock is entitled to one vote on all matters submitted to shareholders, and each share of Class B Common Stock is entitled to ten votes. Class A and Class B Common Stock will receive equal dividends as the Board of Directors may determine from time to time. The Class B Common Stock is convertible into an equal number of shares of Class A Common Stock at any time. At December 31, 2003, 6,060,106 shares of Class A Common Stock were reserved for the conversion of Class B Common Stock and the exercise of stock options.

In January 1998, the Board authorized the purchase of 3,000,000 shares of Class A Common Stock, in the open market or otherwise, at such prices as management may from time to time consider to be advantageous, and 1,616,900 shares were purchased pursuant to this authorization. No shares have been purchased since October 1998. Management remains authorized to purchase 1,383,100 shares without further announcement.

Dividends payable were $2,346,000 and $1,781,000 as of December 31, 2003 and 2002, respectively.

Changes in shareholders' equity for 2003, 2002, and 2001 are as follows:

	Class A Common Stock		Class B Common Stock		Additional Paid-in Capital	Treasury Stock Class A	
(in thousands)	Shares	Amount	Shares	Amount		Shares	Amount
Balance: January 1, 2001	27,138	$27	5,869	$6	$223,897	2,201	$ 45,738
Shares contributed to ESOP	261	—	—	—	4,835	—	—
Conversion of Class B shares to Class A shares	2	—	(2)	—	—	—	—
Options exercised	311	1	—	—	5,483	—	—
Shares issued to Directors	—	—	—	—	(2)	(4)	(87)
Balance: December 31, 2001	27,712	$28	5,867	$6	$234,213	2,197	$ 45,651
Shares contributed to ESOP	197	—	—	—	4,635	—	—
Conversion of Class B shares to Class A shares	259	—	(259)	—	—	—	—
Options exercised	815	1	—	—	16,621	—	—
Shares issued to Directors	—	—	—	—	15	(3)	(75)
Balance: December 31, 2002	28,983	$29	5,608	$6	$255,484	2,194	$ 45,576
Shares contributed to ESOP	209	—	—	—	5,398	—	—
Conversion of Class B shares to Class A shares	2,371	3	(2,371)	(3)	—	—	—
Options exercised	986	1	—	—	19,847	—	—
Shares issued to Directors	—	—	—	—	5	(4)	(86)
Balance: December 31, 2003	32,549	$33	3,237	$3	$280,734	2,190	$ 45,490

10. OTHER EXPENSE/(INCOME), NET

The components of other expense/(income), net, as further described in Note 6, are:

(in thousands)	**2003**	**2002**	**2001**
Currency transactions	**$ (8,218)**	$ (2,680)	$ (1,932)
Lease with embedded derivative	**(42)**	(357)	(1,482)
Discount expense associated with sale of accounts receivable	**1,848**	2,053	1,794
Sale of buildings	**(513)**	—	(1,323)
Amortization of debt issuance costs and loan origination fees	**2,790**	2,093	2,258
Other	**4,797**	3,894	3,518
	$ 662	$ 5,003	$ 2,833

11. INCOME TAXES

The components of income/(loss) before income taxes and the income tax provision are as follows:

(in thousands)	2003	2002	2001
Income/(loss) before income taxes:			
United States (U.S.)	**$ 2,107**	$ 24,527	$ (2,775)
Non-U.S.	**67,771**	55,022	55,138
	$ 69,878	$ 79,549	$ 52,363
Current:			
U.S. Federal	**$ (5,407)**	$ 7,892	$ 5,545
U.S. State	**375**	539	1,024
Non-U.S.	**17,698**	23,571	29,012
	12,666	32,002	35,581
Deferred:			
U.S. Federal	**1,588**	1,169	(5,633)
U.S. State	**(256)**	709	(897)
Non-U.S.	**1,722**	(8,839)	(9,677)
	3,054	(6,961)	(16,207)
Total provision for income taxes	**$ 15,720**	$ 25,041	$ 19,374

The significant components of deferred income tax expense/(benefit) are as follows:

(in thousands)	2003	2002	2001
Net effect of temporary differences	**$7,427**	$(433)	$(10,388)
Adjustments to deferred tax assets and liabilities for enacted changes in tax laws and rates	**1,321**	1,232	(1,729)
Benefit of loss carryforward	**(5,694)**	(7,760)	(4,090)
	$3,054	$(6,961)	$(16,207)

A reconciliation of the U.S. Federal statutory rate to the Company's effective tax rate is as follows:

	2003	2002	2001
U.S. statutory rate	**35.0%**	35.0%	35.0%
State taxes, net of federal benefit	**1.5**	1.0	(0.5)
Non-U.S. tax rates	**(4.5)**	(3.4)	(0.3)
Repatriation of earnings	**(7.6)**	2.8	5.1
Non-U.S. statutory tax rate changes	**1.9**	1.5	(3.3)
Non-U.S. tax addition to valuation allowance	**6.4**	—	—
Favorable resolution of contingency related to prior years	**(7.5)**	(3.5)	—
Other	**(2.7)**	(1.9)	1.0
Effective tax rate	**22.5%**	31.5%	37.0%

Deferred income taxes reflect the net tax effects of temporary differences between the carrying amounts of certain assets and liabilities for financial reporting and income tax purposes. Significant components of the Company's deferred tax assets and liabilities are as follows:

(in thousands)	U.S. 2003	U.S. 2002	Non-U.S. 2003	Non-U.S. 2002
Current deferred tax assets:				
Accounts receivable	$ 392	$ 1,606	$ 1,341	$ 687
Inventories	7,149	2,870	—	—
Tax credit carryforward	7,638	7,913	—	—
Tax loss carryforward	7,444	—	274	10,087
Restructuring costs	4,096	6,843	—	—
Other	1,284	2,442	3,696	10,991
Total current deferred tax assets	28,003	21,674	5,311	21,765
Noncurrent deferred tax assets:				
Sale leaseback transaction	1,353	1,052	—	753
Deferred compensation	8,949	12,509	—	—
Depreciation	(12,540)	(14,697)	2,061	77
Postretirement benefits	32,817	40,760	2,573	2,041
Tax loss carryforward	868	868	27,866	20,608
Deferred intercompany gain	6,172	—	—	—
Other	(40)	2,914	371	379
Noncurrent deferred tax assets before valuation allowance	37,579	43,406	32,871	23,858
Less: valuation allowance	—	—	(6,793)	(1,690)
Net noncurrent deferred tax assets	$ 37,579	$ 43,406	$ 26,078	$ 22,168
Total deferred tax assets	$ 65,582	$ 65,080	$ 31,389	$ 43,933
Total current deferred tax liabilities	$ —	$ —	$ 7,556	$ 7,129
Difference between book and tax depreciation	—	—	28,640	27,448
Other	—	—	1,619	—
Total noncurrent deferred tax liability	—	—	30,259	27,448
Total deferred tax liabilities	$ —	$ —	$ 37,815	$ 34,577

The deferred income tax assets will be realized through the reversal of existing taxable temporary differences with the remainder, net of the valuation allowance, dependent on future taxable income. In 2003, the Company recorded a valuation allowance of $4,500,000 against deferred tax assets for non-U.S. net operating loss carryforwards. The Company intends to maintain a full valuation allowance for this net operating loss carryforward until sufficient positive evidence exists to support the reversal of the valuation allowance.

At December 31, 2003, the Company had available $35,500,000 of net operating loss carryforwards with expiration dates ranging from one year to indefinite that may be applied against future taxable income. The Company has recorded valuation allowances of approximately $6,793,000 against the loss carryforwards. In addition, the Company has available foreign tax credit carryforwards of $4,600,000 that begin to expire in 2007 and research and development

credits of $2,600,000 that begin to expire in 2023.

The Company has not recognized U.S. deferred income taxes on $337,000,000 of undistributed earnings of its foreign subsidiaries because management considers such earnings to be permanently reinvested. If the earnings were distributed, the Company may be subject to both U.S. income taxes and foreign withholding taxes. Determination of the amount of this unrecognized deferred income tax liability is not practical.

In February 2003, the Internal Revenue Service (IRS) concluded its examination of the Company's tax returns up to and including 1998. As a result, the Company reversed tax accruals, which had the effect of reducing the 2003 income tax provision by $5,243,000. Years after 1998 are open to examination by the IRS. Management believes that adequate amounts have been reserved for any adjustments of taxes that may result from the audit of these years.

Taxes paid, net of refunds, were $18,708,000 in 2003, $18,147,000 in 2002, and $18,902,000 in 2001. Income taxes payable were $12,919,000 and $24,093,000 as of December 31, 2003 and 2002, respectively.

In January 2004, the Company received final notification of the resolution of certain income tax contingencies. As a result, the Company will record a favorable adjustment to income tax expense of $2,100,000 in the first quarter of 2004.

12. OPERATING SEGMENT AND GEOGRAPHIC DATA

In accordance with FAS No. 131, "Disclosures About Segments of an Enterprise and Related Information", the internal organization that is used by management for making operating decisions and assessing performance is used as the source of the Company's reportable segments. The accounting policies of the segments are the same as those described in "Accounting Policies" (see Note 1).

The primary segment of the Company is Engineered Fabrics which includes developing, manufacturing, marketing and servicing custom designed engineered fabrics used in the manufacture of paper, paperboard and products in other process industries. Another segment of the Company, Albany Door Systems, is an aggregation of the Company's operations that manufacture, market and service high-performance doors. The Applied Technologies segment is made up of operations that manufacture products outside of the core businesses of the Company.

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

(in thousands)	2003	2002	2001
Net sales			
Engineered Fabrics	**$ 717,104**	$ 682,991	$ 690,784
Albany Door Systems	**99,655**	91,185	99,206
Applied Technologies	**52,213**	41,871	46,706
Consolidated total	**$ 868,972**	$ 816,047	$ 836,696
Depreciation and amortization			
Engineered Fabrics	**$ 46,084**	$ 44,815	$ 47,818
Albany Door Systems	**1,860**	2,136	2,659
Applied Technologies	**3,731**	2,122	2,097
Corporate	**4,419**	3,790	4,972
Consolidated total	**$ 56,094**	$ 52,863	$ 57,546
Operating income/(loss)			
Engineered Fabrics	**$ 143,440**	$ 161,875	$ 135,044
Albany Door Systems	**(1,024)**	1,093	9,556
Applied Technologies	**6,065**	3,311	1,651
Research expense	**(26,353)**	(24,918)	(23,224)
Unallocated expenses	**(36,514)**	(39,273)	(38,915)
Operating income	**85,614**	102,088	84,112
Reconciling items:			
Interest income	**2,232**	3,084	1,977
Interest expense	**(17,306)**	(20,620)	(30,893)
Other expense, net	**(662)**	(5,003)	(2,833)
Consolidated income before income taxes	**$ 69,878**	$ 79,549	$ 52,363
Restructuring costs included in segment operating income:			
Engineered Fabrics	**$ 18,219**	$ —	$ 21,892
Albany Door Systems	**2,351**	—	—
Applied Technologies	**677**	—	—
Corporate	**504**	—	—
Consolidated total	**$ 21,751**	$ —	$ 21,892

(in thousands)	2003	2002	2001
Operating assets			
Engineered Fabrics	**$ 1,365,551**	$ 1,164,610	$ 1,074,047
Albany Door Systems	**85,035**	69,938	66,178
Applied Technologies	**98,075**	90,162	95,083
Reconciling items:			
Accumulated depreciation	**(535,980)**	(438,859)	(376,230)
Deferred tax assets	**96,971**	109,013	64,709
Investment in associated companies	**5,278**	4,849	4,374
Other	**23,993**	11,808	3,768
Consolidated total assets	**$ 1,138,923**	$ 1,011,521	$ 931,929
Capital expenditures			
Engineered Fabrics	**$ 46,682**	$ 30,042	$ 22,448
Albany Door Systems	**2,080**	993	605
Applied Technologies	**2,900**	551	2,635
Corporate	**187**	92	143
Consolidated total	**$ 51,849**	$ 31,678	$ 25,831

The following table shows data by geographic area. Net sales are based on the location of the operation recording the final sale to the customer.

(in thousands)	2003	2002	2001
Net sales			
United States	**$ 305,656**	$ 317,178	$ 329,787
Canada	**62,171**	57,832	57,873
Sweden	**89,273**	76,993	81,624
Germany	**103,193**	99,959	94,697
Other countries	**308,679**	264,085	272,715
Consolidated total	**$ 868,972**	$ 816,047	$ 836,696

Property, plant and equipment, at cost, net			
United States	$ **102,262**	$ 118,908	$ 122,985
Canada	**15,993**	15,866	17,530
Sweden	**52,767**	49,833	34,968
Germany	**60,258**	62,512	48,678
Other countries	**139,000**	98,954	114,941
Consolidated total	$ **370,280**	$ 346,073	$ 339,102

13. PENSIONS AND OTHER POSTRETIREMENT BENEFIT PLANS

In December 2003, the FASB issued FAS No. 132 (Revised), "Employers' Disclosures About Pensions and Other Postretirement Benefits—an Amendment of FAS No. 87, 88 and 106 and a revision of FAS No. 132". This Statement requires expanded disclosures about certain benefit plans. The new disclosure requirements are not required for non-U.S. plans until 2004. Accordingly, disclosures below are presented separately for U.S. benefit plans and non-U.S. benefit plans.

United States Pension and Other Postretirement Benefit Plans

Pension Plans

The Company has a noncontributory, qualified defined benefit pension plan covering U.S. employees, and a noncontributory, nonqualified pension plan covering certain U.S. employees. The qualified defined benefit pension plan has been closed to new participants since October 1998. Eligible employees are covered primarily by plans that provide pension benefits based on the employee's service and average compensation during the three to five years before retirement or termination of employment. Certain employees of the Company who were active on June 30, 2002 are entitled to receive additional qualified supplemental retirement (QSERP) benefits under the U.S. pension plan. Under the QSERP, each covered employee is credited with an initial QSERP account balance in a specified amount. Each such participant has renounced any and all claims to an equal amount under the Company's deferred compensation plans. The amount of this 2002 plan amendment, including credited plan benefits, was $10,222,000.

Other Postretirement Benefits

In addition to providing pension benefits, the Company provides certain medical, dental and life insurance benefits for its retired United States employees. Most of the Company's current U.S. employees may become eligible for these benefits, which are subject to change, if they reach normal retirement age with at least ten years of service, while working for the Company. Retirees share in the cost of these benefits. The Company's non-U.S. operations do not offer such benefits to retirees. The Company accrues the cost of providing postretirement benefits during the active service period of the employees. The Company currently funds the plan as claims are paid.

The following table sets forth the plan benefit obligations:

	As of December 31, 2003		As of December 31, 2002	
(in thousands)	**Pension Plans**	**Other Benefits**	**Pension Plans**	**Other Benefits**
Benefit obligation, beginning of year	$ **162,765**	$ **102,070**	$ 140,265	$ 82,173
Service cost	**2,563**	**2,794**	2,368	2,213
Interest cost	**10,826**	**6,743**	10,002	6,010
Plan participants' contributions	**28**	**1,058**	7	1,067
Actuarial loss	**15,850**	**10,947**	9,508	18,251
Benefits paid	**(9,984)**	**(7,520)**	(9,607)	(7,643)
Plan amendments	**—**	**—**	10,222	—
Benefit obligation, end of year	$ **182,048**	$ **116,092**	$ 162,765	$ 102,071
Accumulated benefit obligation	$ **164,213**	**—**	$ 148,455	—
Weighted average assumptions used to determine benefit obligations, end of year:				
Discount rate	**6.00%**	**6.00%**	6.75%	6.75%
Rate of compensation increase	**3.50%**	**3.50%**	3.50%	4.50%

The Company uses a measurement date of September 30 for its pension plans and December 31 for its postretirement benefit plan.

A 7.0% and 9.0% annual rate of increase in the per capita cost of covered medical and prescription drug benefits, respectively, was assumed for 2004. The rates are assumed to decrease gradually to 5.0% for 2008 and remain at that level thereafter.

Assumed health care cost trend rates have a significant effect on the amounts reported for health care plans. A one percentage point change in assumed health care cost trend rates would have the following effect:

(in thousands)	**1 percentage point**	**1 percentage point decrease**

	increase	
Effect on postretirement benefit obligation	$15,180	$(12,286)

In January 2004, the FASB issued Staff Position No. FAS 106-1, "Accounting and Disclosure Requirements Related to the Medicare Prescription Drug, Improvement and Modernization Act of 2003 (the "Act")". The Act introduces a prescription drug benefit under Medicare and also provides that a non-taxable subsidy will be paid to sponsors of postretirement benefit plans. The Act could have a significant effect on the liability and cost of the Company's postretirement benefit plan. As permitted by the Staff Position, the Company elected to defer recognition of the Act for the purposes of determining plan liabilities until the authoritative guidance on accounting for provisions of the Act is issued. The guidance, when issued, could require the Company to change previously reported information. The Company has not determined the effect of the Act on plan liabilities and has not decided whether it will change any provisions of its postretirement benefit plans.

The following sets forth information about plan assets:

	As of December 31, 2003		As of December 31, 2002	
(in thousands)	**Pension Plans**	**Other Benefits**	**Pension Plans**	**Other Benefits**
Fair value of plan assets, beginning of year	**$ 97,436**	**$ —**	$ 105,076	$ —
Actual return on plan assets (net of expenses)	**13,762**	**—**	(10,360)	—
Employer contributions	**20,338**	**6,462**	12,320	6,576
Plan participants' contributions	**28**	**1,058**	7	1,067
Benefits paid	**(9,984)**	**(7,520)**	(9,607)	(7,643)
Fair value of plan assets, end of year	**$ 121,580**	**$ —**	$ 97,436	$ —

The asset allocation for the Company's pension plans as of September 30, 2003 and 2002, and the target allocation for 2004, by asset category, follows:

		Percentage of plan assets at plan measurement date	
Asset category	**Target allocation for 2004**	**2003**	**2002**
Equity securities	**71%**	**62%**	70%
Debt securities	**29%**	**21%**	27%
Real estate	**—**	**1%**	2%
Cash	**—**	**16%**	1%
Total	**100%**	**100%**	100%

As of the September 30, 2003 measurement date, the plan assets included a significant amount of cash due to timing of contributions made by the Company and evaluation of potential investment choices. The targeted plan asset allocation is based on an analysis of the actuarial liabilities, a review of viable asset classes, and an analysis of the expected rate of return, risk, and other investment characteristics of various investment asset classes.

The funded status of the plans, reconciled to the amount on the Consolidated Balance Sheets, follows:

	As of December 31, 2003		As of December 31, 2002	
(in thousands)	**Pension Plans**	**Other Benefits**	**Pension Plans**	**Other Benefits**
Fair value of plan assets	**$ 121,580**	**$ —**	$ 97,436	$ —
Benefit obligation	**(182,048)**	**(116,092)**	(162,765)	(102,071)
Funded status	**(60,468)**	**(116,092)**	(65,329)	(102,071)
Amounts not yet recognized:				
Unrecognized net loss	**73,395**	**55,754**	64,872	46,750
Unrecognized prior service cost (credit)	**7,590**	**(7,515)**	8,506	(8,462)
Unrecognized net transition obligation	**133**	**—**	135	—
Post-measurement date adjustments	**84**	**—**	84	—
Net amount recognized	**$ 20,734**	**$ (67,853)**	$ 8,268	$ (63,783)

Amounts not yet recognized:				
Accrued benefit cost	$ **(42,548)**	$ **(67,853)**	$ (50,934)	$ (63,783)
Intangible asset	**7,743**	**—**	8,684	—
Accumulated other comprehensive income before tax	**55,539**	**—**	50,518	—
Net amount recognized	$ **20,734**	$ **(67,853)**	$ 8,268	$ (63,783)

As of December 31, 2003 and 2002, the benefit obligation and the accumulated benefit obligation for all pension plans exceeded the fair value of plan assets. The accumulated postretirement benefit obligation exceeded the fair value of plan assets as of December 31, 2003 and 2002.

Information about expected cash flows for the pension and postretirement benefit obligations are as follows:

(in thousands)	**Pension Plan**	**Other Benefits**
2004 expected to plan trusts	$ 20,000	$ —
2004 expected to plan participants	350	6,500

The following sets forth information about net periodic benefit cost:

	Pension Plans			**Other Benefits**		
(in thousands)	**2003**	**2002**	**2001**	**2003**	**2002**	**2001**
Components of net periodic benefit cost:						
Service cost	$ **2,563**	$ 2,368	$ 2,843	$ **2,794**	$ 2,213	$ 1,907
Interest cost	**10,826**	10,002	10,188	**6,743**	6,010	5,648
Expected return on plan assets	**(9,123)**	(10,495)	(10,847)	**—**	—	—
Amortization of prior service cost (credit)	**916**	870	870	**(947)**	(947)	(947)
Amortization of net actuarial loss	**2,687**	872	374	**1,943**	1,401	1,145
Amortization of transition asset	**2**	(55)	(64)	**—**	—	—
Net periodic benefit cost	$ **7,871**	$ 3,562	$ 3,364	$ **10,533**	$ 8,677	$ 7,753
Weighted average assumptions used to determine net cost:						
Discount rate	**6.75%**	7.25%	7.50%	**6.75%**	7.25%	7.50%
Rate of compensation increase	**3.50%**	5.50%	5.50%	**4.50%**	4.50%	4.50%
Expected return on plan assets	**8.50%**	9.50%	10.00%	**—**	—	—

The expected rate of return on plan assets is based on the targeted plan asset allocation and historical returns of various investments.

Assumed health care cost trend rates have a significant effect on the amounts reported for health care plans. A one percentage point change in the assumed health care cost trend rates would have had the following effect:

(in thousands)	**1 percentage point increase**	**1 percentage point decrease**
Effect on total of service and interest cost	$1,581	$(1,243)

The change in minimum liability of the U.S. pension plans resulted in a before-tax charge to "Other comprehensive income" in the amount of $5,021,000 in 2003 and $28,137,000 in 2002.

Pension Plans outside the United States

Several of the Company's business units outside the United States provide defined benefit pension plans. The plans are aggregated for disclosure purposes.

The following table sets forth information about plan benefit obligations:

	As of December 31,

(in thousands)	2003	2002
Benefit obligation, beginning of year	$ 88,077	$ 69,086
Service cost	3,909	3,325
Interest cost	5,748	4,574
Plan participants' contributions	820	540
Actuarial loss	3,879	1,709
Special termination benefits	—	1,083
Benefits paid	(4,892)	(3,640)
Foreign currency changes	19,187	11,400
Benefit obligation, end of year	$ 116,728	$ 88,077
Additional information for pension plans with benefit obligations in excess of plan assets:		
Benefit obligation	$ 104,653	$ 88,077
Accumulated benefit obligation	95,301	80,977
Fair value of plan assets	50,806	45,718
Additional information for pension plans with accumulated benefit obligations in excess of plan assets:		
Benefit obligation	$ 104,653	$ 79,659
Accumulated benefit obligation	95,301	72,924
Fair value of plan assets	50,806	37,546
Assumptions used for year end disclosures:		
Discount rate	5.62%	5.87%
Salary increase rate	3.27%	3.21%
Expected return on plan assets	6.33%	6.42%

The following sets forth information about plan assets:

	As of December 31,	
(in thousands)	2003	2002
Fair value of plan assets, beginning of year	$ 45,718	$ 41,622
Actual return on plan assets (net of expenses)	4,439	(1,728)
Employer contributions	6,547	4,331
Plan participants' contributions	820	540
Benefits paid	(4,892)	(3,640)
Foreign currency changes	10,558	4,593
Fair value of plan assets, end of year	$ 63,190	$ 45,718

The funded status of the plans, reconciled to the amount on the Consolidated Balance Sheets, follows:

	As of December 31,	
(in thousands)	2003	2002
Fair value of plan assets	$ 63,190	$ 45,718
Benefit obligation	(116,728)	(88,077)
Funded status	(53,538)	(42,359)
Amounts not yet recognized:		
Unrecognized net loss	17,154	12,265
Unrecognized prior service cost	282	122
Unrecognized net transition obligation	61	288
Post-measurement date adjustments	2,843	774
Net amount recognized	$ (33,198)	$ (28,910)
Amounts not yet recognized:		
Prepaid benefit cost	$ 1,616	$ 813
Accrued benefit cost	(45,618)	(37,843)
Intangible asset	752	783
Post-measurement date adjustments	2,842	774
Accumulated other comprehensive income before tax	7,210	6,563
Net amount recognized	$ (33,198)	$ (28,910)

The following sets forth information about net periodic benefit cost:

	December 31,

(in thousands)	2003	2002	2001
Components of net periodic benefit cost:			
Service cost	$ **3,909**	$ 3,325	$ 3,241
Interest cost	**5,748**	4,574	4,099
Expected return on plan assets	**(3,368)**	(3,023)	(3,295)
Amortization of prior service cost	**56**	66	78
Amortization of net actuarial loss/(gain)	**651**	241	(196)
Amortization of transition asset	**76**	63	58
Net periodic benefit cost	$ **7,072**	$ 5,246	$ 3,985

14. TRANSLATION ADJUSTMENTS

The Consolidated Statements of Cash Flows were affected by translation as follows:

(in thousands)	2003	2002	2001
Change in cumulative translation adjustments	$ **81,787**	$ 47,550	$ (29,259)
Other noncurrent liabilities	**7,881**	6,343	(2,749)
Deferred taxes	**(382)**	(3,257)	(118)
Long-term debt	**128**	308	(411)
Accounts receivable	**(23,216)**	(12,226)	10,173
Inventories	**(16,636)**	(7,674)	6,453
Investments in associated companies	**(631)**	(340)	1,018
Property, plant and equipment, net	**(39,301)**	(26,940)	15,141
Goodwill and intangibles	**(23,843)**	(17,216)	6,824
Other	**(1,893)**	(1,185)	(15,736)
Effect of exchange rate changes on cash flows	$ **(16,106)**	$ (14,637)	$ (8,664)

Shareholders' equity was affected by translation as follows: increase/(decrease) from translation of non-U.S. financial statements of $83,068,000, $53,345,000, and ($28,296,000), and a decrease from remeasurement of loans of $1,281,000, $5,795,000, and $963,000, in 2003, 2002, and 2001 respectively.

15. STOCK OPTIONS AND INCENTIVE PLANS

During 1988, 1992 and 1998, the shareholders approved stock option plans for key employees. The 1988 and 1992 plans, under which options can no longer be granted, each provided for the granting of up to 2,000,000 shares of Class A Common Stock. The 1998 plan provides for the granting of up to 5,000,000 shares of Class A Common Stock. In addition, in 1997 the Board of Directors granted one option outside these plans for 250,000 shares of Class A Common Stock. Options are normally exercisable in five cumulative annual amounts beginning 12 months after date of grant. Option exercise prices were normally equal to and were not permitted to be less than the market value on the date of grant. The option granted by the Board in 1997 is not exercisable unless the Company's share price reaches $48 per share and exercise is then limited to 10% of the total number of shares multiplied by the number of full years of employment elapsed since the grant date. During 2000, the Board of Directors approved an amendment to increase the period after retirement to exercise options from 5 years to 10 years. This amendment, however, does not change the original termination date of each option. Unexercised options generally terminate twenty years after date of grant for all plans.

For the purpose of applying FAS No. 123, "Accounting for Stock-Based Compensation", the fair value of each option granted is estimated on the grant date using the Black-Scholes option-pricing model. No adjustments were made for certain factors that are generally recognized to reduce the value of option contracts. These factors include limited transferability, a 20% per year vesting schedule, a share price threshold with vesting based on years of employment and the risk of forfeiture of the non-vested portion if employment is terminated. The expected life of the options varies based on employee group and ranges from 11 to 20 years. Prior to 2003, the Company applied Accounting Principles Board Opinion No. 25, "Accounting for Stock Issued to Employees", in accounting for the stock option plans. Accordingly, no compensation cost was recognized in 2002 or 2001. In 2003, the Company adopted the Modified Prospective Method under FAS No. 148. Under this method, the Company does not record expense for options granted prior to 2003 but would record expense for options granted or modified after 2002. No options were granted in 2003.

In accordance with FAS No. 148, the Company will continue to report the pro forma effect of not recording expense for options granted prior to 2003. Had the Company elected to adopt FAS No. 123 for its stock option plans, net income and earnings per share would have been affected by additional compensation cost as indicated by the proforma amounts below:

(in thousands, except per share amounts)	2003	2002	2001
Proforma stock-based employee compensation cost, net of taxes	$ **2,694**	$ 2,115	$ 2,127
Net income, as reported	$ **54,055**	$ 48,941	$ 32,202
Proforma	**51,361**	46,826	30,075
Basic earnings per share, as reported	$ **1.64**	$ 1.52	$ 1.04
Proforma	**1.56**	1.46	0.97
Diluted earnings per share, as reported	$ **1.61**	$ 1.50	$ 1.03
Proforma	**1.53**	1.43	0.96

Weighted average fair value per share of options granted:	$ —	$ 10.64	$ 11.41
Assumptions used in determining value of options granted:			
Cash dividend yield	—	1.1%	1.0%
Expected volatility	—	28.3%	27.6%
Risk free interest rates	—	3.4%-5.0%	5.7%-5.9%

Activity with respect to these plans is as follows:

	2003	2002	2001
Shares under option January 1	**3,834,225**	4,296,695	4,234,750
Options granted	—	413,500	433,500
Options cancelled	**24,460**	62,180	60,325
Options exercised	**986,135**	813,790	311,230
Shares under option at December 31	**2,823,630**	3,834,225	4,296,695
Options exercisable at December 31	**1,846,040**	2,493,215	2,959,305
Shares available for option grants	**436,615**	443,655	293,175

The weighted average exercise price is as follows:

	2003	2002	2001
Shares under option January 1	**$ 18.69**	$ 18.42	$ 17.98
Options granted	—	20.63	20.45
Options cancelled	**18.15**	16.98	16.06
Options exercised	**17.80**	18.37	15.77
Shares under option December 31	**19.01**	18.69	18.42
Options exercisable December 31	**18.28**	18.16	18.31

The following is a summary of the status of options outstanding at December 31, 2003:

	Outstanding Options			Exercisable Options	
Exercise Price Range	**Number**	**Weighted Average Remaining Contractual Life**	**Weighted Average Exercise Price**	**Number**	**Weighted Average Exercise Price**
$10.56	233,530	16.4	$10.56	121,190	$10.56
15.39	254,000	5.2	15.39	254,000	15.39
15.52-16.26	315,550	13.9	15.81	254,200	15.84
16.75	160,500	5.5	16.75	160,500	16.75
18.73	88,600	9.7	18.73	88,600	18.73
19.55	369,750	12.4	19.55	369,750	19.55
20.45	371,500	17.5	20.45	137,200	20.45
20.63	394,650	18.1	20.63	75,050	20.63
22.25	385,550	10.4	22.25	385,550	22.25
25.56	250,000	13.8	25.56	0	0.00
	2,823,630	13.2	$19.01	1,846,040	$18.28

In 2003, the Company adopted a Restricted Stock Unit Plan under which certain key employees are awarded restricted stock units. The restricted stock units vest over a five year period and are paid annually in cash upon vesting based on current market prices of the Company's stock. Employees may elect to defer receipt to a later date. The amount of compensation expense is subject to changes in the market price of the Company's stock. The amount of compensation cost recorded in 2003 was $178,000.

The Company's voluntary deferred compensation plans provided that a portion of certain employees' salaries are deferred in exchange for amounts payable, upon their retirement, disability or death, during a period selected by the participants in accordance with the provisions of each plan. Voluntary withdrawals are permitted under some circumstances.The plans were terminated for active employees during 2002, resulting in $9,548,000 of the liability being renounced by certain participants and $7,721,000 being paid out in January 2003. The portion paid out in January 2003 was included in accounts payable as of December 31, 2002. The plans are still in effect for retired employees of the Company. The remaining deferred compensation liability was included in the caption "Other noncurrent liabilities" and was $10,656,000 and $12,364,000 at December 31, 2003 and 2002, respectively. The Company's expense for all plans, was $1,130,000 in 2003, $3,032,000 in 2002, and $3,061,000 in 2001.

The Company maintains a voluntary savings plan covering substantially all employees in the United States. The plan, known as the "Prosperity Plus Savings Plan," is a qualified plan under section 401(k) of the U.S. Internal Revenue Code. Under the plan, employees may make tax-deferred contributions of 1% to 15% of their wages, subject to contribution limitations specified in the Internal Revenue Code which, for 2003, was $12,000. The Company matches between 50% and 100% of each dollar contributed by employees up to 10% of their wages, in the form of Class A Common Stock which is contributed to an Employee Stock Ownership Plan. The investment of employee contributions to the plan is self-directed. The Company match amounted to $4,110,000 in 2003, $4,144,000 in 2002, and $4,086,000 in 2001.

The Company's profit-sharing plan covers substantially all employees in the United States. After the close of each year, the Board of Directors determines the amount of the profit-sharing contribution and whether the contribution will be made in cash or in shares of the Company's Class A Common Stock. Contributions are only made to current active participants in Prosperity Plus Savings Plan. The expense recorded for this plan was $2,424,000 in 2003, $1,358,000 in 2002, and $1,448,000 in 2001.

16. RESTRUCTURING

2003 Restructuring

In January 2003, the Company announced a $30 million cost reduction initiative that is expected to result in approximately 430

employee terminations. The cost reduction initiative resulted in restructuring charges of $21,751,000, including $12,990,000 in plant and equipment write-downs and $8,761,000 in termination and other restructuring costs. The majority of these restructuring costs relate to the shut down of the Company's Engineered Fabrics segment facility in Greenville, South Carolina, and the discontinuation of nonwovens manufacturing in Sélestat, France.

In January 2004, the Company announced a manufacturing consolidation plan which, if approved, would result in the shut down of the Company's Engineered Fabrics segment facilities in Dieren, the Netherlands and discontinuation of dryer fabrics manufacturing at the facility in Bury, England. The costs relating to these actions cannot be estimated as the proposals are subject to law and are in negotiations with works councils and trade unions. Substantial additional restructuring charges are likely to be incurred in the first and second quarters of 2004 as a result of these actions.

For restructuring actions initiated after 2002, the Company has applied the provisions of FAS No. 146, "Accounting for Costs Associated with Exit or Disposal Activities". The principal difference between FAS No. 146 and previous accounting standards relates to the timing of when restructuring charges are recorded. Under FAS No. 146, restructuring charges are recorded when a liability is incurred. Under prior accounting standards, restructuring related liabilities were recorded at the time the Company committed to a restructuring plan.

The Company's restructuring initiatives are part of a continuing effort to match manufacturing capacity to the global demand for paper machine clothing. The Company anticipates the restructuring actions will be completed during the second half of 2004 and that approximately 90% of the cost reductions will be in the Engineered Fabrics segment.

The $30 million cost reduction initiative has resulted in the following accrual as of December 31, 2003:

(in thousands)	New charges, net	Payments	Currency translation/ other	December 31, 2003
Termination costs	$ 7,604	$ (3,466)	$ 236	$ 4,374
Other restructuring costs	1,157	(176)	(144)	837
	$ 8,761	$ (3,642)	$ 92	$ 5,211

Pursuant to restructuring initiatives announced prior to 2003, changes in accrued restructuring costs from January 1, 2002 to December 31, 2003 were as follows:

(in thousands)	December 31, 2002	Payments	Currency translation/other	December 31, 2003
Termination costs	$ 5,311	$ (3,022)	$ 388	$ 2,677
Plant rationalization costs	551	(396)	—	155
Lease obligations	3,571	(1,927)	344	1,988
	$ 9,433	$ (5,345)	$ 732	$ 4,820

(in thousands)	January 1, 2002	Payments	Currency translation/ other	December 31, 2002
Termination costs	$ 17,532	$ (12,200)	$ (21)	$ 5,311
Plant rationalization costs	2,327	(246)	(1,530)	551
Lease obligations	4,658	(1,470)	383	3,571
	$ 24,517	$ (13,916)	$ (1,168)	$ 9,433

As of December 31, 2003, total restructuring liabilities included $8,538,000 classified as current and $1,493,000 classified as noncurrent.

FINANCIAL REVIEW

Critical Accounting Policies and Assumptions

The Company's discussion and analysis of its financial condition and results of operation are based on the Company's consolidated financial statements, which have been prepared in accordance with accounting principles generally accepted in the United States of America (GAAP). The preparation of these financial statements requires the Company to make estimates and judgments that affect the reported amounts of assets, liabilities, revenues and expenses, and related disclosure of contingent assets and liabilities.

The Company maintains allowances for doubtful accounts for estimated losses resulting from the inability of its customers to make required payments. If the financial condition of the Company's customers were to deteriorate, resulting in an impairment of their ability to make payments, additional allowances may be required.

The Company has interest rate swap agreements that fix the rate of interest on $200 million of the Company's debt. The Company has determined that the swaps qualify for hedge accounting in accordance with GAAP and, accordingly, changes in the fair value of these swaps are recorded in shareholders' equity in the caption, "Derivative valuation adjustment". Future events, such as a change in the Company's underlying debt arrangements, could require that the Company record changes in the fair value of the swaps in earnings. The Company values these swaps by estimating the cost of entering into one or more inverse swap transactions that would neutralize the original transactions. As of December 31, 2003, the pretax cost to neutralize the original swap transactions would have been approximately $14.5 million.

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. The Company performs a test for goodwill impairment at least annually. The determination of whether these assets are impaired involves significant judgments based on short and long-term projections of future performance. Changes in strategy and/or market conditions may result in adjustments to recorded asset balances.

The Company has investments of $9.3 million in an unaffiliated company and three joint ventures. The Company accounts for its investment in the unaffiliated company under the cost method and uses the equity method of accounting for its joint venture investments. The Company performs regular reviews of the financial condition of these entities in order to determine whether its investment is impaired. If the financial prospects of the investees were to no longer support their valuations, the Company would record an impairment charge. In 2004, the Company received information about its investment in the unaffiliated company, currently recorded at a value of $4.0 million, that suggests that all or part of this investment may be impaired. The Company will continue to closely monitor the financial condition of this entity and, if required, will record a non-cash impairment charge.

The Company has pension and postretirement benefit costs and liabilities that are developed from actuarial valuations. Inherent in these valuations are key assumptions, including discount rates and expected return on plan assets, which are updated on an annual basis. The Company is required to consider current market conditions, including changes in interest rates, in making these assumptions. Changes in the related pension and postretirement benefit costs or credits may occur in the future due to changes in the assumptions. The Company currently expects 2004 pension benefit costs to increase by approximately 20%, or $3.0 million, compared to 2003. In 2003, the Company made a contribution of $20.0 million to its United States pension plan compared to $12.0 million in 2002 and $7.4 million in 2001. The amount of annual pension plan funding and annual expense is subject to many variables, including the investment return on pension plan assets and interest rates. Weakness in investment returns and low interest rates could result in the Company making equal or greater pension plan contributions in future years, as compared to 2003. Including anticipated contributions for all pension plans, the Company has classified $23.6 million of its accrued pension liability as a current liability at December 31, 2003.

The Company records deferred income tax assets and liabilities for the tax consequences of differences between financial statement and tax bases of existing assets and liabilities. A tax valuation allowance is established, as needed, to reduce net deferred tax assets to the amount expected to be realized. In the event it becomes more likely than not that some or all of the deferred tax asset allowances will not be needed, the valuation allowance will be adjusted.

The Company has ongoing restructuring initiatives that involve the closing of manufacturing facilities and organizational change. Recording the cost of these actions involves significant estimation of the outcome of the restructuring activities. The ultimate cost of restructuring initiatives could be different than amounts initially recorded.

During 2001, the Company entered into a trade accounts receivable program whereby it sells, without recourse, certain North American accounts receivable to a qualified special purpose entity (QSPE), as defined under Financial Accounting Standard No. 140 "Accounting for Transfers and Servicing of Financial Assets and Extinguishment of Liabilities" (FAS No. 140). The QSPE is a wholly owned subsidiary of the Company and, in accordance with FAS No. 140, its financial statements are not consolidated with the financial statements of the Company. As of December 31, 2003, the Company had sold accounts receivable of $69.0 million and received cash of $45.2 million plus a note receivable in the amount of $21.8 million. If the securitization program were terminated, the Company would not be required to repay the $45.2 million of cash, but no additional accounts receivable would be sold under the program. Accounts receivable would increase as new sales were made, and the note receivable would decrease as the sold accounts receivable were collected. The Company might need to borrow from its existing credit facilities or use existing cash to fund operations until cash flow from accounts receivable returned to normal levels.

The QSPE receives cash from an unrelated third party in exchange for an undivided ownership interest in the accounts receivable. As of December 31, 2003, the QSPE had assets of $22.6 million, liabilities of $21.8 million and equity of $0.8 million.

The Company has contingent liabilities for litigation, claims and assessments that result from the ordinary course of business. These matters are more fully described in Note 7 of Notes to Consolidated Financial Statements.

Review of Operations

2003 vs. 2002

Total Company

Net sales increased to $869.0 million in 2003 as compared to $816.0 million for 2002. Changes in currency translation rates had the effect of increasing net sales by $70.6 million. Excluding the effect of changes in currency translation rates, 2003 net sales decreased 2.2% as compared to 2002.

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

(in thousands)	Net sales as reported Year ended December 31, 2003	2002	Increase in 2003 net sales due to changes in currency translation rates	Percent change As reported	Excluding currency rate effect
Engineered Fabrics	$ **717,104**	$ 682,991	$ 54,451	5.0%	-3.0%
Albany Door Systems	**99,655**	91,185	13,019	9.3%	-5.0%
Applied Technologies	**52,213**	41,871	3,159	24.7%	17.2%
Total	$ **868,972**	$ 816,047	$ 70,629	6.5%	-2.2%

Despite a very difficult business environment, the Company reported improved earnings in 2003 as compared to 2002. Although stronger economic indicators were reported in some geographic regions, the Company's paper and paperboard customers continued to reduce capacity and limit production. The resulting impact on demand for the Company's products adversely affected sales in the Engineered Fabrics segment. Sales of high-performance doors were similarly affected, as industrial customers continued constraints on capital spending. The Company continued to focus on new product introductions in the Engineered Fabrics and Albany Door Systems segments in 2003. These new products should provide additional value opportunities for customers and benefits for the Company's businesses. Net sales in the Applied Technologies segment improved and also reflected the effect of new product developments.

Gross profit as a percentage of net sales was 41.6% for 2003 and 41.7% for 2002. In 2003, gross profit was negatively affected by the weaker U.S. dollar on sales exported from Europe. These sales are typically denominated in U.S. dollars, while the manufacturing costs are based mainly on currencies that strengthened against the U.S. dollar. In 2003, gross profit was lower by approximately $9.4 million as a result of the currency effect on these export sales. Gross profit in 2003 was also negatively affected by higher costs for insurance and pension benefits. Gross profit was negatively affected by costs incurred related to cost reduction initiatives amounting to $2.0 million in 2003 and $6.2 million in 2002. The Company expects gross profit as a percentage of sales to increase in 2004 as compared to 2003.

Selling, general, technical and research expenses increased 6.6% in 2003 as compared to 2002. Excluding the effect of changes in currency translation rates, these costs decreased 1.4%. Cost reduction initiatives contributed to the decline. The Company's ongoing restructuring initiatives, in addition to reducing total manufacturing capacity, include actions to improve efficiency and effectiveness in the Company's support functions.

Following is a table of operating income and restructuring charges by segment:

(in thousands)	Year ended December 31, 2003	2002
Operating income		
Engineered Fabrics	$ **143,440**	$ 161,875
Albany Door Systems	**(1,024)**	1,093
Applied Technologies	**6,065**	3,311
Research expense	**(26,353)**	(24,918)
Unallocated expenses	**(36,514)**	(39,273)
Operating income	$ **85,614**	$ 102,088
Restructuring costs by segment		
Engineered Fabrics	$ **18,219**	$ —
Albany Door Systems	**2,351**	—
Applied Technologies	**677**	—
Corporate	**504**	—
Consolidated total	$ **21,751**	$ —

Operating income decreased to $85.6 million for 2003, compared to $102.1 million for 2002. The decrease is principally due to 2003 restructuring charges. Changes in currency translation rates had the effect of increasing operating income by $8.8 million, while the effect of currency rates on European exports decreased operating income by $9.4 million. In January 2003, the Company announced a $30 million cost reduction initiative that is expected to result in approximately 430 employee terminations. The cost reduction initiative resulted in restructuring charges of $21.8 million, including $13.0 million in plant and equipment write-downs and $8.8 million in termination and other costs. The majority of these restructuring costs relate to the shut down of the Company's Engineered Fabrics segment facility in Greenville, South Carolina, and the discontinuation of nonwovens manufacturing in Sélestat, France.

In January 2004, the Company announced a manufacturing consolidation plan which, if approved, would result in the shut down of the Company's Engineered Fabrics segment facilities in Dieren, the Netherlands and the discontinuation of dryer fabrics manufacturing in Bury, England. The costs relating to these actions cannot be estimated as the proposals are subject to law and are in negotiations with works councils and trade unions. Substantial additional restructuring charges are likely to be incurred in the first and second quarters of 2004.

The Company's restructuring initiatives are part of a continuing effort to match manufacturing capacity to the global demand for paper machine clothing. The Company anticipates that the restructuring actions will be completed during the second half of 2004 and that approximately 90% of the cost reductions will be in the Engineered Fabrics segment.

Interest expense declined to $17.3 million for 2003, compared to $20.6 million for 2002. The decrease is principally due to lower average debt in 2003.

Other expense/(income), net, was expense of $0.7 million for 2003 and $5.0 million for 2002. The favorable change in 2003 is primarily due to a positive effect of currency rates on intercompany loans and balances and currency hedging activities.

Income tax expense was $15.7 million in 2003 compared to $25.0 million in 2002. The Company recorded favorable tax adjustments of $5.2 million in 2003 and $2.8 million in 2002 related to the resolution of certain income tax contingencies. The effective income tax rate excluding these adjustments was 30% in 2003 and 35% in 2002. The decrease in the tax rate is due to improving the tax efficiency of the Company's global operations. The Company expects that the 2004 tax rate will not exceed 30%.

Net income was $54.1 million for 2003, compared to $48.9 million for 2002. Basic earnings per share were $1.64 for 2003 compared to $1.52 for 2002. Excluding restructuring charges of $0.46 per share in 2003, and the cumulative effect of a change in accounting principle in 2002, basic earnings per share were $2.10 in 2003 compared to $1.70 in 2002. The increase in earnings per share in 2003 is principally due to benefits resulting from cost reduction initiatives, strong cash flows that resulted in lower interest costs, and lower income taxes.

Engineered Fabrics segment

Net sales in the Engineered Fabrics segment increased to $717.1 million for 2003 as compared to $683.0 million for 2002. Changes in currency translation rates had the effect of increasing net sales by $54.5 million. Excluding the effect of changes in currency translation rates, 2003 net sales decreased 3.0% as compared to 2002. Although the operating rates of the paper and paperboard industries might be expected to rise as a result of the reductions in capacity produced by their consolidations, reported operating rates in the United States improved only slightly for paper and declined for paperboard. In Europe, operating rates remained soft. Growth in the paper and paperboard industry (the Company's principal market) is flat in most regions except Asia.

The United States consumption of paper machine clothing has decreased approximately 20% during the last five years, while consumption in Europe has increased approximately 10%. The decrease in consumption of paper machine clothing in the United States reflects a shift in paper making to

different regions, principally Asia. Unit pricing of paper machine clothing was decreasing during the late 1990's, but has been steadying, and improving in some product lines, since 2000.

Gross profit as a percentage of net sales was 44.2% for 2003 compared to 45.0% for 2002. The 2003 gross profit was negatively impacted by the currency effect on European export sales. Operating income decreased to $143.4 million compared to $161.9 million for 2002. The decrease is principally due to $18.2 million of restructuring charges.

Albany Door Systems segment

Net sales in the Albany Door Systems segment increased to $99.7 million in 2003 as compared to $91.2 million for 2002. Changes in currency translation rates had the effect of increasing net sales by $13.0 million. Excluding the effect of changes in currency translation rates, 2003 net sales decreased 5.0% as compared to 2002. Door sales remained sluggish as increases in customers' capital spending have yet to materialize. Approximately 75% of the sales in this segment are in the European markets and, accordingly, results are significantly impacted by the European economies. The Company provides aftermarket service and parts for high-performance doors, and this revenue component is growing.

Gross profit as a percentage of net sales was 32.5% for 2003 compared to 33.7% for 2002. The 2003 gross profit was negatively impacted by sales volume which was lower excluding the effects of changes in currency translation rates. Operating income decreased to a loss of $1.0 million compared to income of $1.1 million for 2002. The results for 2003 include restructuring costs of approximately $2.4 million. Although results in this segment were weak in 2003, they are likely to strengthen in 2004 as economic conditions in Europe improve and the benefit of internal efficiency improvements are realized. Although the high-performance door business is more volatile than the Engineered Fabrics business, Albany Door Systems has a history of providing attractive returns on investment over the course of a complete economic cycle.

Applied Technologies segment

Net sales in the Applied Technologies segment increased to $52.2 million in 2003 as compared to $41.9 million for 2002. Changes in currency translation rates had the effect of increasing net sales by $3.2 million. Excluding the effect of changes in currency translation rates, 2003 net sales increased 17.2% as compared to 2002. New products and market opportunities are driving growth in this segment. For example, the expansion of PrimaLoft® premium synthetic insulation into the European and Japanese markets is providing continued growth for this product.

Gross profit as a percentage of net sales was 37.1% for 2003 compared to 36.7% for 2002. Operating income increased to $6.1 million, compared to $3.3 million for 2002. The increase is principally due to higher sales and the effect of cost reductions and efficiency improvements completed in early 2003. The businesses within this segment have opportunities to expand into new geographic markets and to provide products to new customers.

2002 vs. 2001

Total Company

Net sales decreased $20.6 million or 2.5% as compared to 2001. Currency translation had the effect of increasing net sales by $11.6 million. Excluding the effect of changes in currency translation rates, net sales decreased 3.9% as compared to 2001.

Gross profit was 41.7% of net sales in 2002 compared to 40.6% in 2001. Cost of goods sold included expenses incurred in relation to cost reduction initiatives of $6.2 million in 2002 and $1.6 million in 2001. Amortization of goodwill was discontinued as of January 1, 2002 in accordance with FAS No. 142 "Goodwill and Other Intangible Assets". Goodwill amortization was approximately $6.8 million in 2001. Excluding the expenses related to cost reduction initiatives in both years, and adjusting 2001 gross profit as if FAS No. 142 had been in effect in 2001, gross profit as a percent of net sales would have been 42.5% in 2002 and 41.6% in 2001.

Selling, general, technical and research expenses increased 2.1% in 2002 as compared to 2001. Excluding the effect of changes in currency translation rates, these costs increased 0.2%. Selling and general expenses include $3.6 million in 2002 and $0.5 million in 2001 of remeasurement losses at certain Company operations related to trade accounts receivable denominated in currencies other than their functional currency. Excluding this additional effect, 2002 selling, general, technical and research expenses were down 1.1% in comparison to 2001.

In 2001, the Company recorded a $21.9 million charge for restructuring of operations related to a $25 million cost reduction initiative that was announced in July 2001. The charge included $13.7 million for termination benefits, $4.1 million for plant rationalization costs, $6.5 million for losses on disposal of assets, and a reversal of accruals from previous restructuring initiatives of $2.4 million. The initiatives resulted in the closing of three plants in Europe and were completed by December 2002. The cost and savings primarily relate to the Engineered Fabrics segment.

Operating income before the restructuring charge decreased 3.7% to $102.1 million. The decrease was primarily due to lower net sales.

Other expense/(income), net, was expense of $5.0 million in 2002 compared to $2.8 million in 2001. The increase in expense is primarily due to 2001 results including a larger favorable adjustment on a derivative and a gain of $1.3 million related to the sale of buildings.

Interest expense decreased $10.3 million as compared with 2001. This decrease was due to lower average debt during 2002, as compared to 2001. Interest income increased $1.1 million in comparison to 2001 as the Company maintained higher average balances of cash and cash equivalents.

The tax rate for 2002 was 31.5%, compared to 37% in 2001. During the fourth quarter of 2002, the Company recognized a benefit of approximately $2.8 million related to the favorable resolution of certain income tax contingencies. The 2002 tax rate prior to this item was 35%. The decline from 37% to 35% was primarily due to the elimination of goodwill amortization in accordance with FAS No. 142.

In 2001, the Company recorded a charge of $1.1 million for the cumulative effect of a change in accounting principle, net of tax. The charge relates to the adoption of FAS No. 133, "Accounting for Derivative Instruments and Hedging Activities". The Company has a lease for manufacturing facilities in Italy that was accounted for as an adjustment to income in accordance with this Standard.

Basic earnings per share before the cumulative effect of changes in accounting principles was $1.70 in 2002 compared to $1.07 in 2001. The increase was primarily due to the restructuring charge recorded in 2001. Net income per share was $1.52 in 2002 and $1.04 in 2001.

Engineered Fabrics segment

In the Engineered Fabrics segment, net sales decreased 1.1% in U.S. dollars and decreased 2.2% excluding the effect of changes in currency translation rates. Sales were negatively affected by a sluggish global demand for paper and paperboard as well as paper machine closures and downtime.

In the Engineered Fabrics segment, operating income before restructuring was 23.7% of net sales in 2002, compared to 22.7% in 2001. The higher percentage in 2002 is primarily due to the benefits derived from cost reduction initiatives.

Albany Door Systems segment

Albany Door Systems net sales in U.S. dollars were down 8.1% in comparison to 2001. Excluding the effect of changes in currency translation rates, net sales were down 11.9%. The weak economy in Europe, particularly in Germany, negatively affected sales and operating income in this segment.

In the Albany Door Systems segment, operating income as a percentage of net sales was 1.2% in 2002 in comparison to 9.6% in 2001. The decrease is primarily attributable to lower net sales.

Applied Technologies segment

Applied Technologies net sales were down 10.4% in U.S. dollars and 10.1% excluding the effect of changes in currency translation rates. In addition to global economic weakness, sales were lower due to the sale of a portion of the Company's Mexican operation and the shutdown of nonperforming portions of this segment in the fourth quarter of 2001.

Operating income as a percentage of net sales was 7.9% in 2002 in comparison to 3.5% in 2001. The improvement is due to the shutdown of nonperforming portions of this segment in the fourth quarter of 2001.

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 6, 10 and 14 of Notes to Consolidated Financial Statements). The Company believes that the risks associated with its operations and locations outside the United States are those normally associated with operations in such locations.

Liquidity and Capital Resources

At December 31, 2003, the Company's order backlog was $543.5 million, a decrease of approximately 4.2% from the prior year-end. The decrease is partially due to a change in the timing of when the Company records orders. The change was made to assist with the Company's inventory management programs.

Accounts receivable increased $15.8 million and inventory increased $13.5 million from December 31, 2002. Excluding the effect of changes in currency translation rates, accounts receivable and inventories decreased a total of $10.6 million.

During 2001, the Company entered into a program to sell a portion of its North American accounts receivable. In exchange for the accounts receivable sold, the Company receives cash and a note. As of December 31, 2003, accounts receivable sold under this program were $69.0 million and the note receivable was

$21.8 million. The note is subject to monthly fluctuation based on the amount of receivables sold and bears interest at variables rates. As of December 31, 2003, the interest rate was 1.57%.

Cash flow provided by operating activities was $131.5 million for 2003, compared with $118.8 million for 2002 and $214.3 million in 2001. The cash flow in 2001 included approximately $40.9 million from the sale of accounts receivable.

Capital expenditures were $51.8 million in 2003, $31.7 million in 2002, and $25.8 million in 2001. Capital expenditures in 2003 included amounts related to a new facility in France as well as capacity and efficiency improvements at the Company's plant in Finland. The Company will continue to finance these expenditures with cash from operations and existing credit facilities.

In January 2004, the Company entered into a new, unsecured five-year $460 million revolving credit agreement with a group of banks. Under the agreement, the Company pays a fee on the unused portion of the commitment, and pays interest, at variable rates plus a spread, on the drawn portion. The spread is determined by the Company's leverage ratio, as defined in the agreement. The agreement includes a number of covenants that limit the Company's ability to purchase Common Stock, pay dividends, acquire other companies or dispose of its assets, and also requires the Company to maintain a leverage ratio of not greater than 3.00 to 1.00, and a minimum interest coverage of at least 3.00 to 1.00. The Company may purchase its Common Stock or pay dividends to the extent its leverage ratio remains at or below 2.25%, and may make acquisitions provided its leverage ratio would not exceed 2.50 to 1.00 after giving pro forma effect to the acquisition.

The Company borrowed $200 million under the new agreement at the closing and used the proceeds to satisfy its obligations under its old agreement. Based on the maximum leverage ratio, the Company, as of December 31, 2003, would have been able to borrow an additional $260 million under the new agreement. If any bank in the lending group is unable to meet its commitment to lend, the Company may be unable to borrow the full amount. The Company does not expect that any of the banks in the bank group will be unable to meet their commitments. The Company's ability to borrow additional amounts under the credit agreement is conditional upon the absence of any material adverse change.

Cash dividends per share increased from $0.05 in 2001, to $0.205 in 2002, to $0.25 in 2003. Dividends payable as of December 31, 2003 and 2002 were $2.3 million and $1.8 million, respectively. Dividends have been declared each quarter since the fourth quarter of 2001.

Based on cash flow over the last three years and projected cash requirements in 2004, the Company believes it has adequate cash and cash resources to meet its obligations during the next twelve months.

In January 1998, the Board of Directors authorized the purchase of 3,000,000 shares of Class A Common Stock, in the open market or otherwise, at such prices as management may from time to time consider to be advantageous, and 1,616,900 shares were purchased pursuant to this authorization. No shares have been purchased since October 1998. Management remains authorized to purchase up to 1,383,100 shares without further announcement.

As of December 31, 2003, the Company had accrued liabilities and other reserves for restructuring totaling approximately $10.0 million. The Company anticipates that cash payments for restructuring will be approximately $8.5 million in 2004, $0.2 million in 2005, $0.6 million in 2006, $0.3 million in 2007, $0.2 million in 2008, and $0.2 million thereafter. Additionally, cash required for restructuring actions announced in January 2004 is expected to be significant. The total amount and the timing of these payments are not currently known.

The Company has guaranteed a letter of credit to a bank that loaned money to a joint venture partner in South Africa. The bank can draw upon the letter of credit if the joint venture partner defaults on the loan. The letter of credit is denominated in South African rand and was approximately $4.2 million as of December 31, 2003.

As of December 31, 2003, the Company had the following cash flow obligations:

Payments Due by Period

(in millions)	**Total**	**Less than one year**	**One to three years**	**Three to five years**	**After five years**

Total debt	$ 222.1	$ 7.2	$ 2.4	$ 12.3	$ 200.2
Purchase commitments	40.7	40.7	—	—	—
Operating leases	50.0	15.0	23.0	9.6	2.4
	$ 312.8	$ 62.9	$ 25.4	$ 21.9	$ 202.6

Recent Accounting Pronouncements

In April 2003, the Financial Accounting Standards Board (FASB) issued FAS No. 149, "Amendment of Statement 133 on Derivative Instruments and Hedging Activities", (FAS No. 149). This Statement amends and clarifies financial accounting and reporting for derivative instruments, including certain derivative instruments embedded in other contracts, and other hedging activities entered into after June 30, 2003. The Company's adoption

of FAS No. 149 did not have a material effect on its financial statements.

In May 2003, the FASB issued FAS No. 150, "Accounting for Certain Financial Instruments with Characteristics of both Liabilities and Equity", (FAS No. 150). This Standard establishes how an issuer classifies and measures certain financial instruments with characteristics of both liabilities and equity. This standard became effective for any financial instruments entered into or modified after May 31, 2003. The Company's adoption of FAS No. 150 did not have a material effect on its financial statements.

In January 2003, the FASB issued FASB Interpretation No. 46 (FIN 46), "Consolidation of Variable Interest Entities". In December 2003, the FASB issued a revision to FIN 46 to clarify some of the provisions of FIN 46, and to exempt certain entities from its requirements. FIN 46 gives guidance that determines whether consolidation of a Variable Interest Entity is required. The Company has a subsidiary that is not consolidated in these financial statements because it is a Qualified Special Purpose Entity under FAS No. 140 (see Note 6). FIN 46 is effective now for certain Special Purpose Entity relationships and for all other entity relationships after March 15, 2004. The Company does not expect the adoption of FIN 46 to have a material effect on its financial statements.

Market Risk Sensitivity

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 to either 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 $591.1 million. The potential loss in fair value resulting from a hypothetical 10% adverse change in quoted foreign currency exchange rates amounts to $59.1 million. Furthermore, related to foreign currency transactions, the same 10% change would cause an additional loss of $4.4 million. Actual results may differ.

Including the effect of the interest rate swap agreements, the Company had fixed the interest rate on approximately 98% of its total debt. Included in "Other noncurrent liabilities" is $14.5 million that represents the estimated decline in market value since entering into the swap agreements.

Outlook

Although the reported improvements in the general economy have not yet resulted in significant improvements in the markets of the Company's customers, the Company maintains a cautiously optimistic view of 2004. Further improvements in efficiency, as well as opportunities for new product and process development, should result from restructuring activities. The Company expects significant charges associated with these restructuring steps to occur in the first and second quarters of 2004.

The Company's paper and paperboard customers are seeking to improve their operations through paper machine clothing improvements. They understand the significant impact that paper machine clothing products can have on the quality of paper and paperboard and on the cost and efficiency of the paper and paperboard manufacturing processes. Among the strategic objectives for all of the Company's businesses is the continued search for solutions that will benefit both customers and shareholders.

The Company expects capital expenditures to total approximately $55 million in 2004. Investments in new equipment are intended principally to maximize the benefits of the relocation of production to centralized locations. The Company expects that existing operations will require capital expenditures of about $35 million to $40 million in 2005. Depreciation for 2004, after giving effect to proposed plant closures, is projected to be approximately $50 million, and amortization is projected to be approximately $5 million.

The Company's focus on delivering value contributed to improved returns for shareholders and benefits to customers in 2003. Some customers have identified millions of dollars in savings through the application of the Company's value-driven products and services. The Company intends to maintain and sharpen this focus during 2004.

Forward-Looking Statements and Non-GAAP Measures

This annual report contains certain items that may be considered to be non-GAAP financial measures. Such items are provided because management believes that, when presented together with the GAAP items to which they relate, they can provide additional useful information to investors regarding the registrant's financial condition, results of operations, and cash flows. Restructuring charges per share is calculated by dividing total restructuring charges for a period by the average number of shares outstanding for that period. The effect of changes in currency translation rates is calculated by converting amounts reported in local currencies into U.S. dollars at the exchange rate of a prior period. That amount is then compared to the U.S. dollar amount reported in the current period.

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

ELEVEN YEAR SUMMARY

ALBANY INTERNATIONAL CORP.

	2003	2002	2001	2000
(in thousands, except per share amounts)				
Summary of operations				
Net sales	**$ 868,972**	$ 816,047	$ 836,696	$ 852,934
Cost of goods sold	**507,786**	475,765	497,301	515,649
Operating income (1)	**85,614**	102,088	84,112	103,634
Interest expense, net	**15,074**	17,536	28,916	41,822
Income before income taxes	**69,878**	79,549	52,363	62,567
Income taxes	**15,720**	25,041	19,374	25,027
Income before associated companies	**54,158**	54,508	32,989	37,540
Income/(loss) before cumulative effect of changes in accounting principles	**54,055**	54,778	33,331	38,085
Cumulative effect of changes in accounting principles, net of tax (2)	**—**	(5,837)	(1,129)	—
Net income/(loss) (3)	**54,055**	48,941	32,202	38,085
Net income/(loss) per share	**1.64**	1.52	1.04	1.24
Diluted net income/(loss) per share	**1.61**	1.50	1.03	1.24
Average number of shares outstanding	**32,889**	32,126	31,089	30,632
Capital expenditures	**51,849**	31,678	25,831	36,866
Cash dividends declared	**8,257**	6,605	1,568	—
Per Class A common share	**0.250**	0.205	0.05	—
Per Class B common share	**0.250**	0.205	0.05	—
Financial position				
Current assets	**$ 470,702**	$ 388,888	$ 365,946	$ 494,287
Current liabilities	**178,511**	186,494	186,072	222,034
Current ratio	**2.6**	2.1	2.0	2.2
Property, plant and equipment, net	**370,280**	346,073	339,102	387,658
Total assets	**1,138,923**	1,011,521	931,929	1,112,252
Long-term debt	**214,894**	221,703	248,146	398,087
Shareholders' equity	**554,655**	400,598	316,644	324,917
Shareholders' equity per share	**16.51**	12.37	10.09	10.55
Total capital (4)	**776,748**	636,439	598,413	804,856
Total debt to total capital	**28.6%**	37.1%	47.1%	59.6%
Return on shareholders' equity	**9.7%**	12.2%	10.2%	11.7%
Number of employees	**6,092**	6,208	6,769	**6,929**

(1) In 1998, the Company reported a charge of $20,191,000 for restructuring certain operations in the United States and Europe.

In 1999, the Company reported a charge of $16,872,000 for restructuring certain operations in the United States and Germany. The restructuring charge included $12,956,000 for termination benefits, $1,540,000 for plant rationalization costs, and $2,376,000 for losses on disposals of fixed assets.

In 2001, the Company recorded a charge of $21,892,000 for restructuring operations in the Engineered Fabrics segment. The charge included $13,714,000 for termination benefits, $4,106,000 for plant rationalization costs, $6,465,000 for losses on disposal of fixed assets, and a reversal of previous restructuring accruals of $2,393,000.

In 2003, the Company recorded a charge of $21,751,000 relating to the Company's cost reduction initiative. The charge included $12,990,000 in plant and equipment write-downs and $8,761,000 for termination and other restructuring costs.

1999		1998		1997		1996		1995		1994		1993
$	778,366	$	722,653	$	710,079	$	692,760	$	652,645	$	567,583	$ 546,120
	458,930		417,375		404,982		399,311		379,696		338,991	345,468
	76,987		70,608		99,619		96,785		88,827		62,821	40,051
	25,552		19,310		15,467		15,833		20,009		16,820	16,115
	51,916		51,704		79,631		80,940		69,842		41,677	24,566
	22,325		20,163		31,055		31,570		27,208		17,921	9,679
	29,591		31,541		48,576		49,370		42,634		23,756	14,887
	30,222		31,772		49,059		48,306		43,011		23,882	15,003
	—		—		—		—		—		—	—
	30,222		31,772		49,059		48,306		43,011		23,882	15,003
	1.00		1.02		1.52		1.51		1.36		0.76	0.54
	0.99		1.01		1.50		1.50		1.29		0.76	0.53
	30,340		31,073		32,312		31,907		31,737		31,476	28,035
	34,953		38,825		50,804		53,473		41,921		36,322	30,940
	—		3,140		12,921		12,159		11,708		10,488	9,361
	—		0.105		0.42		0.40		0.3875		0.35	0.35
	—		0.105		0.42		0.40		0.3875		0.35	0.35
$	508,073	$	409,713	$	373,323	$	384,627	$	364,207	$	319,947	$ 270,034
	176,964		220,038		170,440		176,746		126,945		115,863	101,069
	2.9		1.9		2.2		2.2		2.9		2.8	2.7
	435,172		325,109		321,611		339,461		342,150		320,719	302,829
	1,206,842		866,366		796,897		831,917		802,232		727,157	661,314
	521,257		181,137		173,654		187,100		245,265		232,767	208,620
	325,407		314,850		343,108		332,330		304,942		274,632	247,223
	10.68		10.42		10.63		10.38		9.57		8.70	7.87
	889,677		613,993		594,560		586,890		567,460		525,119	467,320
	63.4%		48.7%		42.3%		43.4%		46.3%		47.7%	47.1%
	9.3%		10.1%		14.3%		14.5%		14.1%		8.7%	6.1%
	7,164		6,011		5,881		5,854		5,658		5,404	5,286

(2) In 2001, the Company adopted FAS No. 133, "Accounting for Derivative Instruments and Hedging Activities", which resulted in a net of tax charge of $1,129,000 for the cumulative effect of a change in accounting principle.

In 2002, the Company adopted FAS No. 142, "Goodwill and Other Intangible Assets", which resulted in a charge of $5,837,000 for the cumulative effect of a change in accounting principle. There was no tax effect on this charge.

(3) In 1996, the Company recorded a one-time, extraordinary, non-cash charge to income of $1,296,000, net of tax of $828,000, related to the redemption of 5.25% convertible subordinated debentures.

(4) Includes shareholders' equity and debt.

QUARTERLY FINANCIAL DATA
(unaudited)

(in millions except per share amounts)		1st		2nd		3rd		4th
2003								
Net sales	$	210.4	$	223.6	$	208.8	$	226.3
Gross profit		90.3		93.6		86.3		90.9
Net income before cumulative effect of a change in accounting principle		21.0		16.0		6.6		10.5
Net income		21.0		16.0		6.6		10.5
Income per share before cumulative effect of a change in accounting principle		0.65		0.49		0.20		0.32
Basic net income per share		0.65		0.49		0.20		0.32

Diluted income per share before cumulative effect of a change in accounting principle	0.64	0.48	0.19	0.31
Diluted income per share	0.64	0.48	0.19	0.31
Cash dividends per share	0.055	0.055	0.070	0.070
Class A Common Stock prices:				
High	23.67	27.76	31.82	34.20
Low	20.30	22.00	26.62	29.46

2002				
Net sales	$ 191.8	$ 203.9	$ 205.1	$ 215.2
Gross profit	80.5	86.4	84.7	88.7
Net income before cumulative effect of a change in accounting principle	8.9	13.9	14.2	17.8
Net income	3.0	13.9	14.2	17.8
Income per share before cumulative effect of a change in accounting principle	0.28	0.43	0.44	0.55
Basic net income per share	0.10	0.43	0.44	0.55
Diluted income per share before cumulative effect of a change in accounting principle	0.27	0.43	0.43	0.55
Diluted income per share	0.09	0.43	0.43	0.54
Cash dividends per share	0.050	0.050	0.050	0.055
Class A Common Stock prices:				
High	30.10	29.88	26.11	21.60
Low	20.77	24.18	18.93	16.96

2001				
Net sales	$ 208.5	$ 207.1	$ 202.7	$ 218.4
Gross profit	87.1	85.9	76.9	89.5
Net income before cumulative effect of a change in accounting principle	12.3	10.9	9.4	0.7
Net income	11.2	10.9	9.4	0.7
Income per share before cumulative effect of a change in accounting principle	.40	.35	.30	.02
Basic net income per share	.37	.35	.30	.02
Diluted income per share before cumulative effect of a change in accounting principle	.39	.35	.30	.02
Diluted income per share	.36	.35	.30	.02
Cash dividends per share	—	—	—	0.050
Class A Common Stock prices:				
High	19.44	22.88	21.10	21.85
Low	12.94	17.58	14.55	14.79

The Company's Class A Common Stock is traded principally on the New York Stock Exchange. At December 31, 2003, there were approximately 5,400 shareholders.

CORPORATE INFORMATION

Transfer Agent, Dividend Distribution Agent, and Registrar

For assistance with shareholder account questions such as change of address, lost certificates, change of ownership, dividend reinvestment plan, and other similar matters, contact:

For Mail:

Shareholder Communications Team
Computershare Investor Services LLC
Post Office Box A-3504
Chicago, Illinois 60690-3504
Telephone: (312) 360-5395
Fax: (312) 601-4332
Email: web.queries@computershare.com

For Other Deliveries:

Shareholder Communications Team
Computershare Investor Services LLC

Two North LaSalle St., Mezzanine Level
Chicago, Illinois 60602-3702

On the Web:

Shareholders can access account information and shareholder services online at www.computershare.com/contact_us.

Notice of Annual Meeting

The Annual Meeting of the Company's shareholders will be held on Thursday, May 6, 2004, at 10:00 a.m. at Albany International North American Press Fabrics, Route 4, East Greenbush, New York.

Stock Listing

Albany International is listed on the New York Stock Exchange, Pacific Stock Exchange, and Frankfurt Stock Exchange (Symbol AIN). Stock tables in newspapers and financial publications list Albany International as "AlbanyInt."

Form 10-K and Other Information

The Company's current reports on Form 8-K, quarterly reports on Form 10-Q, and annual reports on Form 10-K are electronically filed with the Securities and Exchange Commission (SEC), and all such reports, and amendments to such reports, filed subsequent to November 15, 2002, have been and will be made available, free of charge,

through the Company's website
(http://www.albint.com) as soon as reasonably practicable after such filing. Such reports will remain available on the Company's website for at least twelve months. The public may read and copy any materials filed by the Company with the SEC at the SEC's Public Reference Room at 450 Fifth Street, Washington, D.C. The public may obtain information on the operation of the Public Reference Room by calling the SEC at 1-800-SEC-0330. The SEC maintains an internet site (http://www.sec.gov) that contains reports, proxy and information statements, and other information regarding issuers that file electronically with the SEC.

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

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

Equal Employment Opportunity

Albany International, as a matter of policy, does not discriminate against any employee or applicant for employment because of race, color, religion, sex, national origin, age, physical or mental disability, or status as a disabled or Vietnam-era veteran. This policy of nondiscrimination is applicable to matters of hiring, upgrading, promotions, transfers, layoffs, terminations, rates of pay, selection for training, recruitment, and recruitment advertising. The Company maintains affirmative action programs to implement its EEO policy.

DIRECTORS AND OFFICERS

Directors

Thomas R. Beecher, Jr.[2,3]
Lead Director
President, Ballynoe Inc.

Charles B. Buchanan[2]
Retired Vice President and Secretary
Albany International Corp.

Erland E. Kailbourne[1,3]
Retired Chairman and Chief Executive Officer
Fleet National Bank (New York Region)

Francis L. McKone[2]
Retired Chairman and Chief Executive Officer
Albany International Corp.

Dr. Joseph G. Morone[1,3]
President, Bentley College

Frank R. Schmeler
Chairman of the Board and Chief Executive Officer
Albany International Corp.

Christine L. Standish[2]

G. Allan Stenshamn[2]
Partner, Allan Stenshamn Advokatbyrå

Barbara P. Wright[1]
Partner, Finch, Montgomery, Wright & Emmer

John C. Standish[3]
Director, North American Dryer Manufacturing
Albany International Corp.

James L. Ferris, Ph.D.[1]
Former President and Chief Executive Officer
The Institute of Paper Science and Technology

Hugh J. Murphy[1]
President, H.J. Murphy Associates, Incorporated

[1]Member, Audit Committee
[2]Member, Compensation Committee
[3]Member, Governance Committee

Officers

Frank R. Schmeler
Chairman of the Board and Chief Executive Officer

Edward Walther
Group Vice President–North America

Michel J. Bacon
Group Vice President–Europe

William M. McCarthy
Group Vice President–Technology and the Pacific Region

Michael C. Nahl
Senior Vice President and Chief Financial Officer

Frank Kolf
Senior Vice President–Administration and Development

Dieter Polt
Senior Vice President–Industrial Products

Thomas H. Hagoort
Senior Vice President–Legal Affairs and Secretary

Richard A. Carlstrom
Vice President–Controller

Thomas H. Curry
Vice President–North American Sales and Marketing

David C. Michaels
Vice President–Treasury and Tax

Kenneth C. Pulver
Vice President–Corporate Communications

Charles J. Silva, Jr.
Vice President–General Counsel

Exhibit 21

SUBSIDIARIES OF REGISTRANT

Affiliate	Percent Ownership Direct	Percent Ownership Indirect	Country of Incorporation
Albany International Corp.			United States
Albany International Holdings Two, Inc.	100%		United States
Albany International Research Co.	100%		United States
Albany International Techniweave, Inc.	100%		United States
Geschmay Corp.	100%		United States
Albany Dritek Corp.	100%		United States
Albany Felt Co.	100%		United States
AIC Sales Corp.	100%		United States
Transamerican Manufacturing Inc.	100%		United States
Transglobal Enterprises Inc.	100%		United States
47 Albany Troy Road Corp.	100%		United States
Brandon Drying Fabrics		100%	United States
Geschmay Forming Fabrics		100%	United States
Geschmay Wet Felts		100%	United States
Geschmay Export Corp.		100%	US Virgin Islands
Albany International Pty., Ltd.		100%	Australia
Albany Door Systems GmbH		100%	Austria
SA Alfadoor NV		100%	Belgium
Albany International Tecidos Tecnicos Ltda.		100%	Brazil
Albany International Canada Corp.		100%	Canada
Albany International Receivables Corporation		100%	Cayman Islands
Albany International (China) Co., Ltd.	100%		China
Albany Door Systems A/S		67%	Denmark
Albany International Oy		100%	Finland
Albany Door Systems S.A.R.L.		100%	France
Albany International France, S.A.S.		100%	France
Albany Door Systems GmbH		100%	Germany
Albany International Germany Holding GmbH		100%	Germany
Albany International GmbH		100%	Germany
Wurttembergische Filztuchfabrik D. Geschmay GmbH		100%	Germany
Albany International Financial Services Company		100%	Ireland
Albany International Italia S.r.l.		100%	Italy
Albany International S.p.A.		100%	Italy
Albany Nordiskafilt Kabushiki Kaisha		100%	Japan
Albany International Korea, Inc.		100%	Korea
Albany International de Mexico S.A. de C.V.		100%	Mexico
Albany International Holding S.A. de C.V.	100%		Mexico
Albany International Service Company S.A. de C.V.		100%	Mexico
Martel Wire S.A. de C.V.		100%	Mexico
Albany Door Systems B.V.		100%	Netherlands
Albany International B.V.		100%	Netherlands
Albany International AS		100%	Norway
Albany Door Systems Sp. zo.o.	100%		Poland
Nevo-Cloth Ltd.		50%	Russia
Geschmay Asia Private Ltd.		100%	Singapore
Beier Albany and Company (Proprietary) Limited	50%		South Africa
Nordiskafilt S.A. Pty. Ltd.		100%	South Africa
Albany Door Systems AB		100%	Sweden
Albany International AB		100%	Sweden
Albany International Holding AB		100%	Sweden
Dewa Consulting AB		100%	Sweden
Nordiska Maskinfilt Aktiebolag		100%	Sweden
AI (Switzerland) GmbH		100%	Switzerland
Albany Door Systems AG		100%	Switzerland
Albany International Holding (Switzerland) AG		100%	Switzerland
Albany International Ltd.		100%	United Kingdom
James Kenyon & Sons Ltd.	100%		United Kingdom
Loading Bay Specialists Limited		50%	United Kingdom

EXHIBIT 23

CONSENT OF INDEPENDENT ACCOUNTANTS

We hereby consent to the incorporation by reference in the Registration Statements on Form S-8 (File Nos. 33-23163, 33-28028, 33-33048, 333-76078, and 333-90069) of Albany International Corp. of our report dated January 27, 2004 relating to the financial statements, which appears in the Annual Report to Shareholders, which is incorporated in this Annual Report on Form 10-K. We also consent to the incorporation by reference of our report dated January 27, 2004, relating to the financial statement schedule, which appears in this Form 10-K.

/s/ PricewaterhouseCoopers LLP
Albany, New York
March 11, 2004

EXHIBIT 24

POWERS OF ATTORNEY

KNOW ALL MEN BY THESE PRESENTS, that each of the undersigned directors and officers of Albany International Corp., a Delaware corporation ("the Registrant"), which contemplates that from time to time it will file with the Securities and Exchange Commission ("the SEC") under, or in connection with, the provisions of the Securities Exchange Act of 1934, as amended, or rules and regulations promulgated thereunder, reports (including, without limitation, reports on Forms 8-K, 10-Q, and 10-K), statements and other documents (such reports, statements, and other documents, together with amendments, supplements, and exhibits thereto, are collectively hereinafter referred to as "1934 Act Reports"), hereby constitutes and appoints Frank R. Schmeler, Michael C. Nahl, Richard A. Carlstrom, Thomas H. Hagoort, David C. Michaels, and Charles J. Silva Jr., and each of them with full power to act without the others, his or her true and lawful attorneys-in-fact and agents, with full and several power of substitution, for him and her and in his or her name, place, and stead, in any and all capacities, to sign any or all 1934 Act Reports and any or all other documents relating thereto, with power where appropriate to affix the corporate seal of the Registrant thereto and to attest said seal, and to file any or all 1934 Act Reports, together with any and all other information and documents in connection therewith, with the SEC, hereby granting unto said attorneys-in-fact and agents, and each of them, full power and authority to do and perform any and all acts and things requisite and necessary to be done in and about the premises, as fully to all intents and purposes as the undersigned might or could do in person, hereby ratifying and confirming all that said attorneys-in-fact and agents, or any of them, or their or his or her substitute or substitutes, may lawfully do or cause to be done by virtue hereof.

The appointment of any attorney-in-fact and agent hereunder shall automatically terminate at such time as such attorney-in-fact and agent ceases to be an officer of the Registrant. Any of the undersigned may terminate the appointment of any of his or her attorneys-in-fact and agents hereunder by delivering written notice thereof to the Registrant.

IN WITNESS WHEREOF, the undersigned have duly executed this Power of Attorney this 8th day of February, 2004.

/s/ Frank R. Schmeler
Frank R. Schmeler
Chairman of the Board and Director
(Chief Executive Officer)

/s/ Michael C. Nahl
Michael C. Nahl
Senior Vice President
(Chief Financial Officer)

/s/ Richard A. Carlstrom
Richard A. Carlstrom
Vice President–Controller
(Principal Accounting Officer)

/s/ Francis L. McKone
Francis L. McKone
Director

/s/ Charles B. Buchanan
Charles B. Buchanan
Director

/s/ Thomas R. Beecher Jr.
Thomas R. Beecher, Jr.
Director

/s/ Allan Stenshamn
Allan Stenshamn
Director

/s/ Barbara P. Wright
Barbara P. Wright
Director

/s/ Joseph G. Morone
Joseph G. Morone, Ph.D.
Director

/s/ Christine L. Standish
Christine L. Standish
Director

/s/ Erland E. Kailbourne
Erland E. Kailbourne
Director

/s/ James L. Ferris
James L. Ferris
Director

/s/ John C. Standish
John C. Standish
Director

/s/ Hugh J. Murphy
Hugh J. Murphy
Director

Exhibit 31(a)

Certification

I, Frank R. Schmeler, certify that:

1. I have reviewed this annual report on Form 10-K of the registrant, Albany International Corp.;

2. Based on my knowledge, this 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 report;

3. Based on my knowledge, the financial statements, and other financial information included in this 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 report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules13a-15(e) and 15d-15(e)) for the registrant and have:

(a) Designed such disclosure controls and procedures, or caused such disclosure controls 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 report is being prepared;

(b) 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

(c) 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 (the registrant's fourth fiscal quarter in the case of an annual report) 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 officer 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 the registrant's Board of Directors (or persons performing the equivalent functions):

(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 information; and

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

Date: March 11, 2004

By /s/ Frank R. Schmeler
Frank R. Schmeler
Chairman and Chief Executive Officer

Exhibit 31(b)

Certification

I, Michael C. Nahl, certify that:

1. I have reviewed this annual report on Form 10-K of the registrant, Albany International Corp.;

2. Based on my knowledge, this 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 report;

3. Based on my knowledge, the financial statements, and other financial information included in this 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 report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules13a-15(e) and 15d-15(e)) for the registrant and have:

(a) Designed such disclosure controls and procedures, or caused such disclosure controls 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 report is being prepared;

(b) 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

(c) 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 (the registrant's fourth fiscal quarter in the case of an annual report) 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 officer 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 the registrant's board of directors (or persons performing the equivalent functions):

(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 information; and

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

Date: March 11, 2004

By /s/ Michael C. Nahl
Michael C. Nahl
Senior Vice President and Chief Financial Officer

Exhibit 32(a)

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)

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), Frank R. Schmeler, the Chief Executive Officer, and Michael C. Nahl, the Chief Financial Officer, of Albany International Corp., a Delaware corporation (“the Registrant”), do each hereby certify, to such officer’s knowledge that the annual report on Form 10K for the fiscal year ended December 31, 2003 (“the Form 10K”) of the Registrant fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 and the information contained in the Form 10K fairly presents, in all material respects, the financial condition and results of operations of the Company for the period covered by the report.

Dated: March 11, 2004

/s/ Frank R. Schmeler
Frank R. Schmeler
Chairman and Chief Executive Officer

/s/ Michael C. Nahl
Michael C. Nahl
Senior Vice President and Chief Financial Officer