

**UNITED STATES
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, 2019

OR

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

For the transition period from _____ to _____.

Commission file number: 1-10026

ALBANY INTERNATIONAL CORP.

(Exact name of registrant as specified in its charter)

Delaware

(State or other jurisdiction of
incorporation or organization)

14-0462060

(IRS Employer
Identification No.)

216 Airport Drive, Rochester, New Hampshire

(Address of principal executive offices)

03867

(Zip Code)

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

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

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

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

None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes No

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes No

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

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes No

Indicate by check mark whether the Registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a small reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer

Non-accelerated filer

Accelerated filer

Smaller reporting company

Emerging growth company

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

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

The aggregate market value of the Common Stock held by non-affiliates of the registrant on June 30, 2019, 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 \$2.5 billion.

The registrant had 30.7 million shares of Class A Common Stock and 1.6 million shares of Class B Common Stock outstanding as of February 19, 2020.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the Registrant's Proxy Statement for the Annual Meeting of Shareholders to be held on May 14, 2020.

**PART
III**

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Forward-Looking Statements

This annual report and the documents incorporated or deemed to be incorporated by reference in this annual report contain statements concerning our future results and performance and other matters that are “forward-looking” statements within the meaning of Section 27A of the Securities Act of 1933, as amended (the “Securities Act”), and Section 21E of the Securities Exchange Act of 1934, as amended (the “Exchange Act”). The words “believe,” “expect,” “anticipate,” “intend,” “estimate,” “plan,” “project,” “may,” “will,” “should,” and variations of such words or similar expressions are intended, but are not the exclusive means, to identify forward-looking statements. Because forward-looking statements are subject to risks and uncertainties, actual results may differ materially from those expressed or implied by the forward-looking statements.

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

- Conditions in the industries in which our Machine Clothing and Albany Engineered Composites segments compete, along with the general risks associated with macroeconomic conditions;
- In the Machine Clothing segment, greater than anticipated declines in the demand for publication grades of paper, or lower than anticipated growth in other paper grades, and continuation of coronavirus effects for an extended period;
- In the Albany Engineered Composites segment, further delays in the Boeing 737 MAX return to service, or unanticipated reductions in demand, delays, technical difficulties or cancellations in other aerospace programs that are expected to drive growth;
- Failure to achieve or maintain anticipated profitable growth in our Albany Engineered Composites segment; and
- Other risks and uncertainties detailed in this report and other periodic reports.

Further information concerning important factors that could cause actual events or results to be materially different from the forward-looking statements can be found in “Business Environment Overview and Trends” as well as in Item 1A - “Risk Factors”, in Item 7 of this annual report. Although we believe the expectations reflected in our other forward-looking statements are based on reasonable assumptions, it is not possible to foresee or identify all factors that could have a material and negative impact on our future performance. The forward-looking statements included or incorporated by reference in this annual report are made on the basis of our assumptions and analyses, as of the time the statements are made, in light of our experience and perception of historical conditions, expected future developments, and other factors believed to be appropriate under the circumstances.

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

PART I

Item 1. Business

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

The Machine Clothing (“MC”) segment supplies permeable and impermeable belts used in the manufacture of paper, paperboard, tissue and towel, pulp, nonwovens, fiber cement and several other industrial applications.

We design, manufacture, and market paper machine clothing (used in the manufacturing of paper, paperboard, tissue, and towel) for each section of the paper machine and for every grade of paper. We manufacture and sell approximately twice as much paper machine clothing worldwide than any other company. Paper machine clothing products are customized, consumable products of technologically sophisticated design that utilize polymeric materials in a complex structure. 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. Principal paper machine clothing products include forming, pressing, and drying fabrics, and process belts. A forming fabric assists in paper sheet formation and conveys the very wet sheet (more than 75 percent water) through the forming section. Pressing fabrics are designed to carry the sheet through the press section, where water is pressed from the sheet as it passes through the press nip. In the drying section, drying fabrics manage air movement and hold the sheet against heated cylinders to enhance drying. Process belts are used in the press section to increase dryness and enhance sheet properties, as well as in other sections of the machine to improve runnability and enhance sheet qualities.

The MC segment also supplies customized, consumable fabrics used in the manufacturing process in the pulp, corrugator, nonwovens, fiber cement, building products, and tannery and textile industries.

The MC segment sells its products directly to customer end-users in countries across the globe. MC products, manufacturing processes, and distribution channels are substantially the same in each region of the world in which we operate. The sales of paper machine clothing forming, pressing, and drying fabrics, individually and in the aggregate, accounted for more than 10 percent of our consolidated net sales during one or more of the last three years. No individual customer accounted for as much as 10 percent of MC segment net sales in any of the periods presented. A majority of our MC segment's net sales in the year ended December 31, 2019 were for use in the production of the growing tissue, containerboard and other paper categories, while less than 25% of our MC segment's net sales were for the production of the declining newsprint and printing and writing papers categories.

The Albany Engineered Composites (“AEC”) segment, including Albany Safran Composites, LLC (“ASC”), in which our customer SAFRAN Group owns a 10 percent noncontrolling interest, provides highly engineered, advanced composite structures to customers in the commercial and defense aerospace industries. AEC's largest aerospace customer is the SAFRAN Group and sales to SAFRAN (consisting primarily of fan blades and cases for CFM's LEAP engine) accounted for approximately 22 percent of the Company's consolidated net sales in 2019. AEC, through ASC, is the exclusive supplier to this program of advanced composite fan blades and cases under a long-term supply contract. The LEAP engine is used on the Airbus A320neo and Boeing 737 MAX family of jets, the latter of which is currently under a grounding order. Other significant programs served by AEC include the F-35, Boeing 787, Sikorsky CH-53K, and JASSM programs. AEC also supplies vacuum waste tanks for the Boeing 7-Series programs, and specialty components for the Rolls Royce lift fan on the F-35, as well as the fan case for the GE9X engine. In 2019, approximately 25 percent of the AEC segment's sales were related to U.S. government contracts or programs.

See “Business Environment Overview and Trends” under Item 7, Management's Discussion and Analysis of Financial Condition and Results of Operations, for a discussion of general segment developments in recent years.

Following is a table of Net sales by segment for 2019, 2018, and 2017.

<u>(in thousands)</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Machine Clothing	\$ 601,254	\$611,858	\$590,357
Albany Engineered Composites	452,878	370,621	273,360
Consolidated total	<u>\$1,054,132</u>	<u>\$982,479</u>	<u>\$863,717</u>

The table setting forth certain sales, operating income, and balance sheet data that appears in Note 3, “Reportable Segments and Geographic Data,” of the Consolidated Financial Statements, included under Item 8 of this Form 10-K, is incorporated herein.

International Operations

Our Machine Clothing business segment maintains manufacturing facilities in Brazil, Canada, China, France, Italy, Mexico, South Korea, Sweden, the United Kingdom, and the United States. Our AEC business segment maintains manufacturing facilities in the United States, France, Mexico, and Germany.

Our global presence subjects us to certain risks, including tariffs and other restrictions on trade, and controls on foreign exchange and the repatriation of funds. While the direct impact to date of recent developments in global trade and tariff policy has not been significant, there is a risk that the impact of such developments on companies in our supply chain will be reflected in higher costs from affected suppliers. We have a cash repatriation strategy that targets a certain amount of foreign current year earnings that are not indefinitely reinvested. While, to date, we have been able to make such repatriations without substantial governmental restrictions, changes in the trade or regulatory compliance in any country that we have significant cash balances could make it more difficult to repatriate foreign earnings cost-effectively in the future.

Working Capital, Customers, Seasonality, and Backlog

Payment terms granted to paper industry and other machine clothing customers reflect general competitive practices. Terms vary with product, competitive conditions, and the country of operation. In some markets, customer agreements require us to maintain significant amounts of finished goods inventories to assure continuous availability of our products.

In addition to supplying paper, paperboard, and tissue companies, the MC segment is a leading supplier to the nonwovens (which includes the manufacture of products such as diapers, personal care and household wipes), building products, and tannery and textile industries. These non-paper industries have a wide range of customers, with markets that vary from industrial applications to consumer use products.

The AEC segment primarily serves customers in the commercial and defense aerospace market through both engine and airframe applications. Sales and working capital rose sharply in the last few years in this segment. Additionally, growth in the future could lead to further increases in working capital levels.

In the MC segment, the Chinese New Year, summer months, and the end of the year are often periods of lower production for some of our customers, which, in the past contributed to seasonal variation in sales and orders. In recent years, shorter order cycles and lower inventory levels throughout the supply chain have become a more significant factor in quarterly sales. The impact of these combined factors on any quarter can be difficult to predict, and can make quarterly comparisons less meaningful than annual comparisons. While seasonality is generally not a significant factor in the Albany Engineered Composites segment, the commercial terms of the supply agreement governing the LEAP program resulted in fourth quarter sales volatility in recent years.

Backlog in the MC segment was \$165.6 million at December 31, 2019, compared to \$170.5 million at December 31, 2018. Backlog in the AEC segment decreased to \$288.1 million at December 31, 2019, compared to \$393.3 million at December 31, 2018. The decrease reflects the grounding of the Boeing 737 MAX. All of the backlog in MC and approximately 95% of the AEC backlog is expected to be invoiced during the next 12 months.

Research and Development and Technology

We invest in research, new product development, and technical analysis with the objective of maintaining our technological leadership in each business segment. While much of our research activity supports existing products, we also engage in significant research and development activities for new technology platforms, products and product enhancements.

MC segment products are custom-designed for each user, depending on the type, size, and speed of the machine, and the products being produced. Product design is also a function of the machine section, the grade of product being produced, and the quality of the stock used. Technical expertise, judgment, and experience are critical in designing the appropriate clothing for machine, position, and application. As a result, many employees in sales and technical functions have engineering degrees, paper mill experience, or other

manufacturing experience in the markets in which they operate. Our market leadership position reflects our commitment to technological innovation. This innovation has resulted in a continuing stream of new MC products and enhancements across all of our product lines.

Albany Engineered Composites designs, develops and manufactures advanced composite parts for complex aerospace applications, using a range of core technologies, including its proprietary 3D-woven reinforced composites technology, traditional 2D laminated composite structures, automated material placement, filament winding, through-thickness reinforcement and braiding, and thermoplastic pultrusion.

In addition to continuous significant investment in core research and development activities in pursuit of new proprietary products and manufacturing processes, experienced research and development employees in each business segment also work collaboratively with customers, OEMs and suppliers on targeted development efforts to introduce new products and applications in their respective markets.

Company-funded research expenses totaled \$26.9 million in 2019, \$29.8 million in 2018, and \$30.7 million in 2017. In 2019, these costs were 2.6 percent of total Company Net sales, including \$10.5 million, or 2.3 percent of Net sales, in our AEC segment. Research and development in the AEC segment includes both Company-sponsored and customer-funded activities. Some customer funded research and development may be on a cost sharing basis, in which case, amounts charged to the collaborating entity are credited against research and development costs. For customer-funded research and development in which we anticipate funding to exceed expenses, we include amounts charged to the customer in Net sales. Cost of sales associated with customer-funded research was \$6.8 million in 2019, \$3.5 million in 2018, and \$4.7 million in 2017.

We have developed, and continue to develop, proprietary intellectual property germane to the industries we serve. Our intellectual property takes many forms, including patents, trademarks, trade names and domains, and trade secrets. Our trade secrets include, among other things, manufacturing know-how and unique processes and equipment. Because intellectual property in the form of patents is published, we often forgo patent protection and preserve the intellectual property as trade secrets. We aggressively protect our proprietary intellectual property, pursuing patent protection when appropriate. Our active portfolio currently contains over 2,400 patents, and approximately 250 new patents are typically granted each year. While we consider our total portfolio of intellectual property, including our patents, to be an important competitive advantage, we do not believe that any single patent is critical to the continuation of our business. All brand names and product names are trade names of Albany International Corp. or its subsidiaries. We have from time to time licensed some of our patents and/or know-how to one or more competitors, and have 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 percent of consolidated net sales.

Raw Materials

Primary raw materials for our MC products are polymer monofilaments and fibers, which have generally been available from a number of suppliers. In addition, we manufacture polymer monofilaments, a basic raw material for all types of machine clothing, at our facility in Homer, New York, which supplies approximately 30 percent of our worldwide monofilament requirements. In the AEC segment, the primary raw materials are carbon fiber and resin. While there are a number of potential suppliers of carbon fiber and other raw materials used by AEC, the use of certain suppliers may be mandated by customer agreements, and alternative suppliers would be subject to material qualification or other requirements that may preclude or delay their availability. In the case of mandated suppliers, AEC endeavors to enter into long-term supply agreements to help mitigate price and availability risks. Currently, the primary raw materials used in each segment are derived from petroleum, and are therefore sensitive to changes in the price of petroleum and petroleum intermediates.

Competition

In the paper machine clothing market, we believe that we had a worldwide market share of approximately 30 percent in 2019, while the two largest competitors each had a market share of approximately half of ours.

While some competitors in the MC segment tend to compete more on the basis of price, and others attempt to compete more on the basis of technology, both are significant competitive factors in this industry. Albany's Machine Clothing product portfolio is broad and deep, with products for every part of the machine

and a wide range of machine types and paper grades. The Company's research and development team works closely with the sales and technical organization to develop new products to meet changes in customer needs, and also pursues targeted joint development activities with customers and equipment manufacturers to create new products. Albany's experienced sales and technical team members – many of whom have worked in the industries that we serve - work closely with each customer to acquire deep understanding of the customer's combination of raw materials, manufacturing equipment, manufacturing processes, and paper, pulp, nonwovens or other product being produced – a combination that is unique to each customer, plant and machine. This experience and knowledge, combined with knowledge of and experience with the Company's own extensive product portfolio, allows the sales and technical teams to ensure that the appropriate machine clothing products are being supplied for each part of the machine, to customize those products as needed for best performance, and to continuously propose new products that offer each customer the possibility of even better performance and increased savings. These efforts – which effectively integrate the Company's experience and technological expertise into each product we sell – are reflected in the Company's strong competitive position in the marketplace. Some of the Company's paper machine clothing competitors also supply paper machines, papermaking equipment, and aftermarket parts and services, and often bundle clothing with original or rebuilt machines and/or aftermarket services.

The primary competitive factors in the markets in which our Albany Engineered Composites segment competes is product performance and price. Achieving lower weight without sacrificing strength is the key to improving fuel efficiency, and is a critical performance requirement in the aerospace industry. Our broad array of capabilities in composites enable us to offer customers the opportunity to displace metal components and, in some cases, conventional composites with lower-weight, high-strength, and potentially high-temperature resistant composites. The dominant competitive factor is how the customer weighs these performance benefits, which include fuel savings due to lower weight, against the possible cost advantage of more traditional metal and composite components.

Employees

We employ approximately 4,600 persons, of whom approximately 70 percent are engaged in the manufacturing of our products. Wages and benefits are competitive with those of other manufacturers in the geographic areas in which our facilities are located. In general, we consider our relations with employees to be excellent.

A number of hourly employees outside of the United States are members of various unions.

Executive Officers of the Registrant

The following table sets forth certain information with respect to the executive officers of the Company as of February 28, 2020:

A. William Higgins, 61, President and Chief Executive Officer, joined the Company in 2020. He has served the Company as President and Chief Executive Officer since January 2020. He has been a director of the Company since 2016 and served as Chairman of the Board from February 2019 until January 2020. From 2005 to 2012 he served CIRCOR International, Inc. in a variety of senior organizational positions, including Chief Executive Officer and Chairman. Prior to joining CIRCOR, he held a variety of senior management positions with Honeywell International and AlliedSignal.

Stephen M. Nolan, 50, Chief Financial Officer and Treasurer, joined the Company in 2019. He has served the Company as Chief Financial Officer and Treasurer since April 2019. Prior to joining the Company, he served as Chief Financial Officer of Esterline and previously held the same role at Vista Outdoor, Inc. He previously worked in a number of strategic and operational management roles at ATK, including Senior Vice President for Strategy and Business Development and several business unit leadership positions. Earlier in his career, Mr. Nolan served in corporate development and strategy roles at Raytheon Company and as a strategy consultant at McKinsey & Company.

Daniel A. Halftermeyer, 58, President – Machine Clothing, joined the Company in 1987. He has served the Company as President – Machine Clothing since February 2012. He previously served the Company as President – Paper Machine Clothing and Engineered Fabrics from August 2011 to February 2012, as President – Paper Machine Clothing from January 2010 until August 2011, Group Vice President – Paper Machine Clothing Europe from 2005 to August 2008, Vice President and General Manager – North American

Dryer Fabrics from 1997 to March 2005, and Technical Director – Dryer Fabrics from 1993 to 1997. He held various technical and management positions in St. Stephen, South Carolina, and Sélestat, France, from 1987 to 1993.

Greg Harwell, 56, President – Albany Engineered Composites, joined the Company in 2019. He has served the Company as President - Albany Engineered Composites since November 2019. Prior to joining the company, he served as President of Aerostructures for Precision Castparts (PCC) managing all aspects of the organization for the Aerostructures division. He also served as Vice President and General Manager in charge of Global Operations Strategy at Alcoa Fastening Systems and Rings, and before November 2014 served in a number of operational positions within Alcoa Fastening Systems. Since March 2019, Mr. Harwell was a consultant to Arlington Capital Partners, providing M&A advisory services.

Alice McCarvill, 55, Executive Vice President- Human Resources and Chief Human Resources Officer, joined the Company in 2018. She has served the Company as Executive Vice President- Human Resources and Chief Human Resources Officer since February 2019. She joined the Company in March 2018 as Executive Vice President- Human Resources. Prior to 2018 she was Group VP Human Resources for Arconic Engineered Products and Solutions.

Robert A. Hansen, 62, Senior Vice President and Chief Technology Officer, joined the Company in 1981. He has served the Company as Senior Vice President and Chief Technology Officer since January 2010. He previously served as Vice President – Corporate Research and Development from April 2006 to January 2010, and Director of Technical and Marketing – Europe Press Fabrics from 2004 to April 2006. From 2000 to 2004, he served as Technical Director – Press Fabrics, Göppingen, Germany. Before 2000, he served the Company in a number of technical management and research and development positions in Europe and the U.S.

David M. Pawlick, 58, Vice President – Controller, joined the Company in 2000. He has served the Company as Vice President – Controller since 2008, and as Director of Corporate Accounting from 2000 to 2008. From 1994 to 2000 he served as Director of Finance and Controller for Ahlstrom Machinery, Inc. in Glens Falls, New York. Prior to 1994, he was employed as an Audit Manager for Coopers & Lybrand.

We are incorporated under the laws of the State of Delaware and are the successor to a New York corporation originally incorporated in 1895, which was merged into the company in August 1987 solely for the purpose of changing the domicile of the corporation. References to the Company that relate to any time prior to the August 1987 merger should be understood to refer to the predecessor New York corporation.

Our 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 our website (www.albint.com).

Our 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 (the “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 our website (www.albint.com) as soon as reasonably practicable after such filing. The public may read and copy any materials filed by the Company with the SEC at the SEC’s Public Reading Room at 100 F Street, N.E., Room 1580, Washington, D.C. The public may obtain information on the operation of the Public Reading Room by calling the SEC at 1-800-SEC-0330. The SEC maintains a website (www.sec.gov) that contains reports, proxy, information statements, and other information regarding issuers that file electronically with the SEC.

Item 1A. RISK FACTORS

The Company's business, operations, and financial condition are subject to various risks. Some of these risks are described below and in the documents incorporated by reference, and investors should take these risks into account when evaluating any investment decision involving the Company. This section does not describe all risks applicable to the Company, its industry or business, and it is intended only as a summary of certain material factors.

A number of industry factors have had, and in future periods could have, an adverse impact on sales, profitability and cash flow in the Company's MC and AEC segments

Significant consolidation and rationalization in the paper industry in recent years have reduced global consumption of paper machine clothing in certain markets. Developments in digital media have adversely affected demand for newsprint and for printing and writing grades of paper, which has had, and is likely to continue to have, an adverse effect on demand for paper machine clothing in those markets. At the same time, technological advances in papermaking, including in paper machine clothing, while contributing to the papermaking efficiency of customers, have in some cases lengthened the useful life of our products and reduced the number of pieces required to produce the same volume of paper. These factors have had, and in future are likely to have, an adverse effect on paper machine clothing sales.

The market for paper machine clothing in recent years has been characterized by continuous pressure to provide more favorable commercial terms, which has unfavorably affected our operating results. We expect such pressure to remain intense in all paper machine clothing markets, especially during periods of customer consolidation, plant closures, or when major contracts are being renegotiated. The emergence of Chinese competitors exacerbates this risk.

Similar pressures exist in the markets in which AEC competes. A number of countries, including the United States, have issued orders grounding Boeing 737 MAX aircraft. If these groundings cause a further decrease in demand in production for this aircraft, it could have an adverse impact on demand for LEAP engines which, in turn, could have an adverse impact on demand for our LEAP engine parts.

The LEAP long-term supply agreement contains certain events of default that, if triggered, could result in termination of the agreement by the customer, which would also have a material adverse impact on segment sales and profitability. Additionally, many of AEC's customers, as well as the companies supplied by our customers are under pressure to achieve acceptable returns on their substantial investments in recent years in new technologies, new programs and new product introductions. This has contributed to a relentless focus on reducing costs, resulting in continuous pressure for cost reduction and pricing improvement throughout the supply chain. The recent wave of consolidation in the aerospace industry could continue or intensify these pressures.

AEC is subject to significant execution risk related to the ramp up of key programs in the short and medium term

AEC has a number of programs that are expected to grow in the next several years, including airframe components for the F-35, forward fuselage frames for the Boeing 787, and sponsons, tail-rotor pylons, horizontal stabilizers and struts for the CH-53K helicopter. AEC will be required to execute all of these program ramp-ups while continuing to maintain and improve performance on legacy programs. AEC's ability to realize its full growth potential will depend on how effectively it accomplishes these goals. Failure to accomplish these goals could have a material adverse impact on the amount and timing of anticipated AEC revenues, income, and cash flows, which could in turn have a material adverse impact on our consolidated financial results.

AEC is subject to significant financial risk related to potential quality escapes that could cause customer recalls, or production shortfalls that could cause delays in customer deliveries

In the short term, AEC must continue to ramp up and mature its manufacturing capacity while meeting increasingly demanding quality, delivery, and cost targets across a broad spectrum of programs and facilities. In addition to LEAP, these programs include airframe components for the F-35, forward fuselage frames for the Boeing 787, and sponsons, tail-rotor pylons, horizontal stabilizers and struts for the CH-53K helicopter. AEC's ability to realize its full financial objectives will depend on how effectively it meets these challenges.

Failure to accomplish these customer quality, delivery, and cost targets on any key program could result in material losses to the Company and have a material adverse impact on the amount and timing of anticipated AEC revenues, income, and cash flows, which could in turn have a material adverse impact on our consolidated financial results.

The long-term organic growth prospects of AEC are subject to a number of risks

The prospect of future successful organic growth in AEC depends in large part on its ability to maintain and grow a healthy pipeline of potential new products and applications for its technologies, to transform a sufficient number of those potential opportunities into commercial supply agreements, and to then execute its obligations under such agreements. In addition, existing and future supply agreements, especially for commercial and defense aerospace, are subject to the same curtailment or cancellation risks as the programs they support.

AEC is currently working on a broad portfolio of potential new product applications in the aerospace industry. These development projects may or may not result in commercial supply opportunities. In the event that AEC succeeds in developing products and securing contracts to manufacture and supply them, it will face the same industrialization and manufacturing ramp-up risks that it currently faces in its existing contracts, and AEC may or may not be successful in meeting its obligations under these contracts. Failure to manage these development, commercialization and execution risks could have a material adverse impact on AEC's prospects for revenue growth.

In addition to dealing with these development and manufacturing execution risks, future AEC growth will likely require increasingly larger amounts of cash to fund the investments in equipment, capital, and development efforts needed to achieve this growth. While AEC is starting to generate increasing amounts of cash, it is not yet generating sufficient cash to fund this growth. Until that time, absent the incurrence of additional indebtedness to fund this growth, AEC will remain dependent on the MC segment's ability to generate cash, and a significant decline in MC sales, operating income or cash flows could therefore have a material adverse impact on AEC's growth.

Long-term supply contracts in our Albany Engineered Composites segment pose certain risks

AEC has a number of long-term contracts with fixed pricing, and is likely to enter into similar contracts in the future. While long-term contracts provide an opportunity to realize steady and reliable revenues for extended periods, they pose a number of risks, such as program cancellations, reductions or delays in orders by AEC's customers under these contracts, the termination of such contracts or orders, or the occurrence of similar events over which AEC has no or limited control. The occurrence of one or more of these events could have a material adverse effect on AEC revenues and earnings in any period. Such events could also result in the write-off of deferred charges that have been accumulated in anticipation of future revenues.

While long-term fixed-price contracts also provide AEC with the opportunity to enjoy increased profits as the result of cost reductions and efficiencies, their profitability is dependent on estimates and assumptions regarding contract performance costs over the life of the contract, which in some cases can last for many years. Such estimates and assumptions are subject to many variables, and may prove over time to have been inaccurate when made, or may become inaccurate over time, which can lead to volatility of AEC's earnings in the any period. Additionally, many of the parts AEC agrees to develop and produce have highly complex designs, and challenging technical, quality, and engineering specifications. Manufacturing or development challenges, disagreements over technical, quality or other contract requirements, and other variables may arise during development or production that result in higher costs, or an inability to achieve required specifications. If actual production and/or development costs should prove higher, or revenues prove lower, than AEC's estimates, our expected profits may be reduced, or if such costs should exceed contract prices, we may be required to recognize losses for current or future periods. One or more of these events could have a material adverse effect on AEC's revenues or operating results in any period. Such events could also result in the write-off of deferred charges that have been or could be accumulated in anticipation of future revenues.

In the second quarter of 2017, AEC recorded a charge of \$15.8 million related to the revision in the estimated profitability of its BR725 and A380 programs. The charge was driven primarily by a reduction in the estimated future demand in these long-term contracts. Each quarter, the Company updates its outlook for each of its long-term contracts and records the effect of the change in estimated profitability. While the

Company believes its estimates on long-term contracts to be accurate based on available information, new information may become available in future periods, or other changes in the program could occur, which may lead to additional program losses, which could have a material effect on operating results in future periods.

Sales of components for a number of programs that are currently considered to be important to the future sales growth of AEC are pursuant to short-term purchase orders for a finite period or number of parts, or short-term supply agreements with terms of one to four years. Such programs include airframe components for the F-35, forward fuselage frames for the Boeing 787, and spars, tail-rotor pylons, horizontal stabilizers and struts for the CH-53K helicopter. As a result, while AEC reasonably expects to continue as a supplier on these programs as long as it meets its obligations, there can be no assurance that this will be the case, or that, in programs where it is currently a sole supplier that this sole supplier status will continue even if it continues as a supplier. Even if AEC's status as a supplier is extended or renewed, there can be no assurance that such extension or renewal will be on the same or similar commercial or other terms. Any failure by AEC to maintain its current supplier status under these programs, or any material change in their commercial or other terms, could have a material adverse effect on AEC's future sales and operating income.

AEC is subject to significant risks related to the potential manufacture and sale of defective or non-conforming products

AEC manufactures and sells products that are incorporated into commercial and military aircraft. If AEC were to supply products with manufacturing defects, or products that failed to conform to contractual requirements, we could be required to recall and/or replace them, and could also be subject to substantial contractual damages or warranty claims from our customers. AEC could also be subject to product liability claims if such failures were to cause death, injury or losses to third parties, or damage claims resulting from the grounding of aircraft into which such defective or non-conforming products had been incorporated. While we maintain product liability insurance and other insurance at levels we believe to be prudent and consistent with industry practice to help mitigate these risks, these coverages may not be sufficient to fully cover AEC's exposure for such risks, which could have a material adverse effect on AEC's results of operations and cash flows.

Deterioration of current global economic conditions could have an adverse impact on the Company's business and results of operations

The Company identifies in this section a number of risks, the effects of which may be exacerbated by an unfavorable economic climate. For example, a recession could lead to lower consumption in all paper grades including tissue and packaging, which would not only reduce consumption of paper machine clothing but could also increase the risk of greater price competition in the machine clothing industry.

Similarly, in the Company's AEC segment, a decline in global or regional economic conditions could result in lower orders for aircraft or aircraft engines, or the cancellation of existing orders, which would in turn result in reduced demand for the AEC components utilized on such aircraft or engines. Demand for AEC's light-weight composite aircraft components is driven by demand for the lighter, more fuel-efficient aircraft engine and other applications into which they are incorporated, such as the CFM LEAP engine. Fuel costs are a significant part of operating costs for airlines and, in many cases, may constitute a carrier's single largest operating expense. A sustained drop in oil prices, and related decline in the price of jet fuel, could prompt airlines to defer orders or delivery dates for such newer, more fuel-efficient airframes and aircraft engines, as the urgency to reduce fuel consumption may be lessened. In addition, any economic conditions that led to sustained high interest rates could affect the airline's ability to finance new aircraft and engine orders.

Weak or unstable economic conditions also increase the risk that one or more of our customers could be unable to pay outstanding accounts receivable, whether as the result of bankruptcy or an inability to obtain working capital financing from banks or other lenders. In such a case, we could be forced to write off such accounts, which could have a material adverse effect on our business, financial condition, or operating results. Furthermore, both the MC and AEC business segments manufacture products that are custom-designed for a specific customer application. In the event of a customer liquidity issue, the Company could also be required to write off amounts that are included in Contract assets or Inventories. In the case of AEC, such write-offs could also include investments in equipment, tooling, and non-recurring engineering, some of which could be significant depending on the program.

AEC derives a significant portion of its revenue from contracts with the U.S. government, which are subject to unique risks

The funding of U.S. government programs is subject to congressional appropriations. Many of the U.S. government programs in which we participate may last several years, but they are normally funded annually. Changes in military strategy and priorities may affect future opportunities and/or existing programs. Long-term government contracts and related orders are subject to cancellation, delay or restructure, if appropriations for subsequent performance periods are not made. The termination or reduction of funding for existing or new U.S. government programs could result in a material adverse effect on our earnings, cash flow and financial position.

Additionally, our business with the U.S. government is subject to specific procurement regulations and our contract costs are subject to audits by U.S. government agencies. U.S. government representatives may audit our compliance with government regulations, and such audits could result in adjustments to our contract costs. Any costs found to be improperly allocated to a specific contract will not be reimbursed, and such costs already reimbursed must be refunded. If any audit uncovers improper or illegal activities, we may be subject to civil and criminal penalties and administrative sanctions, including termination of contracts, forfeiture of profits, suspension of payments, fines and suspension or prohibition from doing business with the U.S. government, which could result in a material adverse effect on our earnings, cash flow and financial position.

The loss of one or more major customers could have a material adverse effect on sales and profitability

One customer (Safran) accounted for approximately 50 percent of Net sales in the AEC segment in 2019, substantially all of which was under an exclusive long-term supply agreement relating to parts for the LEAP engine. Although we are an exclusive supplier of such parts, our customer is not obligated to purchase any minimum quantity of parts, and cancellation or significant reduction in demand for the LEAP program would have a material adverse impact on segment sales and profitability. LEAP engines are currently used on the Boeing 737 MAX, Airbus A320neo and COMAC aircraft. The grounding of the Boeing 737 MAX noted above led to lower deliveries of parts in 2019 and could result in significantly lower revenue in future periods than previously expected.

The LEAP long-term supply agreement contains certain events of default that, if triggered, could result in termination of the agreement by the customer, which would also have a material adverse impact on segment sales and profitability.

AEC's short- and medium-term non-LEAP future sales growth is currently limited to and dependent upon a small number of customers and programs. Unlike the 3D-woven composite components supplied by ASC, parts supplied for such non-LEAP programs are capable of being made by a number of other suppliers. Such programs include airframe components for the F-35, forward fuselage frames for the Boeing 787, and sponsons, tail-rotor pylons, horizontal stabilizers and struts for the CH-53K helicopter. Any failure by AEC to maintain its current supplier status under these programs, or any material change in their commercial or other terms, could have a material adverse effect on AEC's future sales and operating income.

Our top ten customers in the MC segment accounted for a significant portion of our Net sales in 2019. The loss of one or more of these customers, or a significant decrease in the amount of machine clothing they purchase from us, could have a material adverse impact on segment sales and profitability. We could also be subject to similar impacts if one or more such customers were to suffer financial difficulties and be unable to pay us for products they have purchased. While we normally enter into long-term supply agreements with significant MC customers, the agreements generally do not obligate the customer to purchase any products from us, and may be terminated by the customer at any time with appropriate notice.

The Company may experience supply constraints due to a limited number of suppliers of certain raw materials and equipment

There are a limited number of suppliers of polymer fiber and monofilaments, key raw materials used in the manufacture of Machine Clothing, and of carbon fiber and carbon resin, key raw materials used by AEC. In addition, there are a limited number of suppliers of some of the equipment used in each of the MC and AEC segments. While we have always been able to meet our raw material and equipment needs, the limited number of suppliers of these items creates the potential for disruptions in supply. AEC currently relies on single suppliers to meet the carbon fiber and carbon resin requirements for the LEAP program. Lack of

supply, delivery delays, or quality problems relating to supplied raw materials or for our key manufacturing equipment could harm our production capacity, and could require the Company to attempt to qualify one or more additional suppliers, which could be a lengthy, expensive and uncertain process. Such disruptions could make it difficult to supply our customers with products on time, which could have a negative impact on our business, financial condition, and results of operations.

Some of the Company's competitors in the MC segment have the capability to make and sell paper machines and papermaking equipment as well as other engineered fabrics

Although customers historically have tended to view the purchase of paper machine clothing and the purchase of paper machines as separate purchasing decisions, the ability to bundle fabrics with new machines and after-market services could provide an advantage to our competitors. This underscores the importance of our ability to maintain the technological competitiveness and value of our products, and a failure to do so could have a material adverse effect on our business, financial condition, and results of operations.

Moreover, we cannot predict how the nature of competition in this segment may continue to evolve as a result of future consolidation among our competitors, or consolidation involving our competitors and other suppliers to our customers.

Conditions in the paper industry have required, and could further require, the Company to reorganize its operations, which could result in significant expense and could pose risks to the Company's operations

During the last several years, we have engaged in significant restructuring that included the closing of manufacturing operations. These restructuring activities were intended to match manufacturing capacity to shifting global demand, and also to improve the efficiency of manufacturing and administrative processes. Future shifting of customer demand, the need to reduce costs, or other factors could cause us to determine in the future that additional restructuring steps are required. Restructuring involves risks such as employee work stoppages, slowdowns, or strikes, which can threaten uninterrupted production, maintenance of high product quality, meeting of customers' delivery deadlines, and maintenance of administrative processes. Increases in output in remaining manufacturing operations can likewise impose stress on these remaining facilities as they undertake the manufacture of greater volume and, in some cases, a greater variety of products. Competitors can be quick to attempt to exploit these situations. Although we plan each step of the process carefully, and work to reassure customers who could be affected that their requirements will continue to be met, we could lose customers and associated revenues if we fail to execute properly.

Natural disasters at one or more of our facilities could make it difficult for us to meet our supply obligations to our customers

AEC's production of LEAP engine components is currently located in three facilities. A natural disaster at any of these locations would have a significant adverse effect on AEC's ability to timely satisfy orders for LEAP components. Production of almost all of AEC's other legacy and growth programs – including components for the F-35, fuselage components for the Boeing 787, components for the CH-53K helicopter, vacuum waste tanks for Boeing 7-Series aircraft, and missile bodies for Lockheed Martin's JASSM air-to-surface missiles – is located primarily in facilities in Salt Lake City, Utah or Boerne, Texas.

Significant consolidation of manufacturing operations in our MC segment over the past decade has reduced the number of facilities available to produce our products, and increased utilization significantly at remaining facilities. Not all product lines are produced at, or capable of being produced at, all facilities. We have Machine Clothing facilities located near Mexico City, which has been identified as an area vulnerable to flood, storm surge and earthquake risks, and in the Pearl River Delta area of China, which has been identified as vulnerable to flood, storm and storm surge risks. Additionally, the recent outbreak of the coronavirus has impacted our two manufacturing plants in China.

A significant interruption in the operation of any one or more of our plants, whether as the result of a natural disaster or other causes, could significantly impair our ability to timely meet our supply obligations to customers being supplied from an affected facility. While the occurrence of a natural disaster or other business interruption event in an area where we have a facility may not result in any direct damage to the facility itself, it may cause disruptions in local transportation and public utilities on which such locations are reliant,

and may also hinder the ability of affected employees to report for work. Although we carry property and business interruption insurance to help mitigate the risk of property loss or business interruption that could result from the occurrence of such events, such coverage may not be adequate to compensate us for all loss or damage that we may incur.

The Company is increasingly dependent on information technology and our business, systems, assets and infrastructure face certain risks, including cybersecurity and data leakage risks. The failure to prevent attacks on our operational systems or infrastructure could result in disruptions to our businesses, or the loss or disclosure of confidential and proprietary intellectual property or other assets

As our dependence on information technology and communication systems has increased, so have the risks associated with cyber-attacks from third parties attempting to gain access to our systems, data, or assets using varied means, from electronic “hacking” to traditional social engineering aimed at our employees. The Company has been, and will likely continue to be, the target of such attacks, none of which have, individually or in the aggregate, been material to the Company.

Any significant breakdown, invasion, destruction or interruption of our business systems by employees, others with authorized access to our systems, or unauthorized persons could negatively impact operations. There is also a risk that we could experience a business interruption, theft of information or other assets, or reputational damage. While we have made, and will continue to make, significant investments in business systems, information technology infrastructure, internal controls systems and employee training to attempt to reduce these risks, there can be no assurance that our efforts will prevent breakdowns, losses or breaches that could have a material adverse effect on our business, financial position and results of operations.

Inflation as a result of changes in prices of commodities and labor costs may adversely impact our financial results of operations

The Company is a significant user of raw materials that are based on petroleum or petroleum derivatives. Increases in the prices of petroleum or petroleum derivatives, particularly in regions that are experiencing higher levels of inflation, could increase our costs, and we may not be able to fully offset the effects through price increases, productivity improvements, and cost-reduction programs.

The Company also relies on the labor market in many regions of the world to meet our operational requirements, advance our technology and differentiate products. Low rates of unemployment in key geographic areas in which the Company operates can lead to high rates of turnover and loss of critical talent, which could in turn lead to higher labor costs.

Fluctuations in currency exchange rates could adversely affect the Company's business, financial condition, and results of operations

We operate our business in many regions of the world, and currency rate movements can have a significant effect on operating results. The effect of currency rate changes on gross profit in the MC segment can be difficult to anticipate because we use a global sourcing and manufacturing model. Under this model, while some non-U.S. sales and associated costs are in the same currency, other non-U.S. sales are denominated in currencies other than the currency in which most costs of such sales are incurred. At the same time, the geographic sources of materials purchased (and the currencies in which these purchases are denominated) can vary depending on market forces, and the Company may also shift production of its products between manufacturing locations, which can result in a change in the currency in which certain costs to produce such products are incurred.

Changes in exchange rates can result in revaluation gains and losses that are recorded in Selling, general and administrative expenses or Other expense, net. Revaluation gains and losses occur when our business units have cash, intercompany or third-party trade receivable or payable balances in a currency other than their local reporting (or functional) currency. Operating results can also be affected by the translation of sales and costs, for each non-U.S. subsidiary, from the local functional currency to the U.S. dollar. The translation effect on the income statement is dependent on our net income or expense position in each non-U.S. currency in which we do business. A net income position exists when sales realized in a particular currency exceed expenses paid in that currency; a net expense position exists if the opposite is true.

As a result of these exposures to foreign currency transactions and balances, changes in currency rates could adversely affect the Company's business, financial condition or results of operations.

The Company may fail to adequately protect its proprietary technology, which would allow competitors or others to take advantage of its research and development efforts

Proprietary trade secrets are a source of competitive advantage in each of our segments. If our trade secrets were to become available to competitors, it could have a negative impact on our competitive strength. We employ measures to maintain the confidential nature of these secrets, including maintaining employment and confidentiality agreements; maintaining clear policies intended to protect such trade secrets; educating our employees about such policies; clearly identifying proprietary information subject to such agreements and policies; and vigorously enforcing such agreements and policies. Despite such measures, our employees, consultants, and third parties to whom such information may be disclosed in the ordinary course of our business may breach their obligations not to reveal such information, and any legal remedies available to us may be insufficient to compensate our damages.

We have a substantial amount of indebtedness. At December 31, 2019, the Company had outstanding long-term debt of \$424 million

At December 31, 2019, our leverage ratio (as defined in our primary borrowing agreement) was 1.35 to 1, and we had borrowed \$424 million under our \$685 million revolving credit facility. While we feel that we generate sufficient cash from operations and have sufficient borrowing capacity to make required capital expenditures to maintain and grow our business, any decrease in our cash generation could result in higher leverage. Higher leverage could hinder our ability to make acquisitions, capital expenditures, or other investments in our businesses, pay dividends, or withstand business and economic downturns. Our primary borrowing agreement contains a number of covenants and financial ratios that the Company is required to satisfy. The most restrictive of these covenants pertain to prescribed leverage and interest coverage ratios and asset dispositions. Any breach of any such covenants or restrictions would result in a default under such agreement that would permit the lenders to declare all borrowings under such agreement to be immediately due and payable and, through cross-default provisions, could entitle other lenders to accelerate their loans. In such an event, the Company would need to modify or restructure all or a portion of such indebtedness. Depending on prevailing economic conditions at the time, the Company might find it difficult to modify or restructure the debt on attractive terms, or at all.

We use interest rate swap agreements to help manage the interest cost associated with our borrowings. We account for those swaps as a hedge of future cash flows and, accordingly, changes in the fair value of the swaps are recorded in Other comprehensive income. Borrowings under the revolving credit facility and the interest rate swaps are currently based on LIBOR, which is expected to be phased out and replaced by the end of 2021. Future changes in the interest rate benchmark could affect the Company's cash flows, or the effectiveness of the swap agreements, which could have an effect on net income.

As of December 31, 2019, we had approximately \$261 million of additional borrowing capacity under our \$685 million revolving credit facility. Incurrence of additional indebtedness could increase the above-described risks associated with higher leverage. In addition, any such indebtedness could contain terms that are more restrictive than our current facilities.

The Company is subject to legal proceedings and legal compliance risks, and has been named as defendant in a large number of suits relating to the actual or alleged exposure to asbestos-containing products

We are subject to a variety of legal proceedings. Pending proceedings that the Company determines are material are disclosed in Note 21 to the Consolidated Financial Statements in Item 8, which is incorporated herein by reference. Litigation is an inherently unpredictable process and unanticipated negative outcomes are always possible. An adverse outcome in any period could have an adverse impact on the Company's operating results for that period.

We are also subject to a variety of legal compliance risks. While we believe that we have adopted appropriate risk management and compliance programs, the global and diverse nature of our operations means that legal compliance risks will continue to exist and related legal proceedings and other contingencies, the outcome of which cannot be predicted with certainty, are likely to arise from time to time. Failure to resolve successfully any legal proceedings related to compliance matters could have an adverse impact on our results in any period.

Changes in actuarial assumptions and differences between actual experience and assumptions could adversely affect our pension and postretirement benefit costs and liabilities

Although we have reduced pension liabilities by a significant amount during the past few years, as of December 31, 2019, remaining net liabilities under our defined benefit pension plans exceeded plan assets by \$15.5 million (\$7.5 million for the U.S. plan, \$8.0 million for non-U.S. plans). Additionally, the liability for unfunded postretirement welfare benefits, principally in the United States, totaled \$54.4 million. Annual expense associated with these plans, as well as annual cash contributions, are subject to a number of variables, including discount rates, return on plan assets, mortality, and differences between actuarial assumptions and actual experience. Those liabilities include \$74.6 million of deferred costs which are included in Accumulated other comprehensive income. The deferred costs will be amortized into expense in future periods, or a significant charge could be recorded if we were to settle pension or postretirement obligations.

Although the Company has taken actions to hedge certain pension plan assets to the pension liabilities, weakness in investment returns on plan assets, changes in discount rates or actuarial assumptions, and actual future experience could result in higher benefit plan expense and the need to increase pension plan contributions in future years.

The Company is exposed to the risk of increased expense in health-care related costs

We are largely self-insured for some employee and business risks, including health care and workers' compensation programs in the United States. Losses under all of these programs are accrued based upon estimates of the ultimate liability for claims reported and an estimate of claims incurred but not reported, with assistance from third-party actuaries and service providers. However, these liabilities are difficult to assess and estimate due to unknown factors, including the severity of an illness or injury and the number of incidents not reported. The accruals are based upon known facts and historical trends, and management believes such accruals to be adequate. The Company also maintains stop-loss insurance policies to protect against catastrophic claims above certain limits. If actual results significantly differ from estimates, our financial condition, results of operations, and cash flows could be materially impacted by losses under these programs, as well as higher stop-loss premiums in future periods.

Changes in or interpretations of tax rules, structures, country profitability mix, and regulations may adversely affect our effective tax rate

We are a United States-based multinational company subject to tax in the United States and foreign tax jurisdictions. Unanticipated changes in tax rates, or tax policies in the countries in which we operate, could affect our future results of operations. Our future effective tax rate could be unfavorably affected by changes in or interpretation of tax rules and regulations in the jurisdictions in which we do business, by structural changes in the Company's businesses, by unanticipated decreases in the amount of revenue or earnings in countries with low statutory tax rates, or by changes in the valuation of our deferred tax assets and liabilities. Additionally, changes in the tax laws in any country may be difficult to interpret without additional guidance, which could lead to future adjustments to our financial statements.

The Company has substantial deferred tax assets that could become impaired, resulting in a charge to earnings

The Company has substantial deferred tax assets in several tax jurisdictions, including the U.S. Realization of deferred tax assets is dependent upon many factors, including generation of future taxable income in specific countries. (See Note 7 to the Consolidated Financial Statements in Item 8, which is incorporated herein by reference, for a discussion of this matter.) Lower than expected operating results, organizational changes, or changes in tax laws could result in those deferred tax assets becoming impaired, thus resulting in a charge to earnings.

Our business could be adversely affected by adverse outcomes of pending or future tax audits

The Company is currently under audit in certain jurisdictions and could be audited in other jurisdictions in the future. While the Company believes its tax filings to be correct, a final adverse outcome with respect to pending or future audits could have a material adverse impact on the Company's results in any period in which it occurs.

The Company's insurance coverage may be inadequate to cover other significant risk exposures

In addition to asbestos-related claims, the Company may be exposed to other liabilities related to the products and services we provide. AEC is engaged in designing, developing, and manufacturing components for commercial jet aircraft and defense and technology systems and products. We expect this portion of the business to grow in future periods. Although we maintain insurance for the risks associated with this business, there can be no assurance that the amount of our insurance coverage will be adequate to cover all claims or liabilities. In addition, there can be no assurance that insurance coverage will continue to be available to us in the future at a cost that is acceptable. Any material liability not covered by insurance could have a material adverse effect on our business, financial condition, and results of operations.

The Company has significant manufacturing operations outside of the U.S., which could involve many uncertainties

We currently have manufacturing facilities outside the U.S. In 2019, 46 percent of consolidated Net sales were generated by our non-U.S. subsidiaries. Operations outside of the U.S. are subject to a number of risks and uncertainties, including: governments may impose limitations on our ability to repatriate funds; governments may impose withholding or other taxes on remittances and other payments from our non-U.S. operations, or the amount of any such taxes may increase; an outbreak or escalation of any insurrection or armed conflict may occur; governments may seek to nationalize our assets; or governments may impose or increase investment barriers or other restrictions affecting our business. In addition, emerging markets pose other uncertainties, including the protection of our intellectual property, pressure on the pricing of our products, and risks of political instability. The occurrence of any of these conditions could disrupt our business or prevent us from conducting business in particular countries or regions of the world.

We have significant manufacturing operations in Mexico, Canada and China. Changes in U.S. trade policy with these countries, or other changes in U.S. laws and policies governing foreign trade, as well as any responsive or retaliatory changes in regulations or policies by such countries, could have an adverse impact on our business, either directly or in the form of increased costs due to their impacts on our supply chain. While the direct impact to date of recent developments in global trade and tariff policy has not been significant, there is a risk that the impact of such developments on companies in our supply chain will be reflected in higher costs from affected suppliers. In addition, the Company has manufacturing operations in the United Kingdom that could be impacted by uncertainties surrounding Brexit.

Our global presence subjects us to certain risks, including controls on foreign exchange and the repatriation of funds. While we have been able to repatriate current earnings in excess of working capital requirements from certain countries in which we operate without substantial governmental restrictions, there can be no assurance that we will be able to cost effectively repatriate foreign earnings in the future.

The Company is subject to laws and regulations worldwide, changes to which could increase our costs and have a material adverse effect on our financial condition or results of operations

The Company is subject to laws and regulations relating to employment practices and benefits, taxes, import and export matters, corruption, foreign-exchange controls, competition, workplace health and safety, intellectual property, health-care, the environment and other areas. These laws and regulations have a significant impact on our domestic and international operations.

We incur significant expenses to comply with laws and regulations. Changes or additions to laws and regulations could increase these expenses, which could have an adverse impact on our financial condition and results of operations. Such changes could also have an adverse impact on our customers and suppliers, which in turn could adversely impact the Company.

While we have implemented policies and training programs designed to ensure compliance, there can be no assurance that our employees or agents will not violate such laws, regulations or policies, which could have a material adverse impact on our financial condition or results of operations.

The Standish Family continues to have considerable influence over the management and affairs of the Company and matters requiring stockholder approval

As of May 8, 2019, the Standish Family held in the aggregate shares entitling them to cast approximately 52.7 percent of the combined votes entitled to be cast by all stockholders of the Company. After a public offering of a portion of their shares, the Standish Family now holds in the aggregate shares entitling them to cast approximately 34.5 percent of the combined votes entitled to be cast by all stockholders of the Company. As a result, we are no longer a “controlled company” within the meaning of the corporate governance requirements of the NYSE. Pursuant to these requirements, our Compensation Committee and Governance Committee are now required to be composed entirely of “independent directors” (as defined by NYSE listing rules), and a majority of our board of directors are required to be independent. Even before such offering, a majority of our board of directors and these two committees consisted of directors that our board of directors had determined to be independent. Even though we are no longer a “controlled company” under NYSE listing rules, the Standish Family will continue to have considerable influence over the management and affairs of the Company and matters requiring stockholder approval, including the election of directors and approval of significant corporate transactions. This could have the effect of delaying or preventing a change in control or a merger, consolidation, or other business combination at a premium price, even if such transaction were favored by our other stockholders.

Certain provisions of our Certificate of Incorporation, our Bylaws and Delaware law could hinder, delay or prevent a change in control of us that you might consider favorable, which could also adversely affect the price of our Class A Common Stock

Certain provisions under our Certificate of Incorporation, our Bylaws and Delaware law could discourage, delay or prevent a transaction involving a change in control of the Company, even if doing so would benefit our stockholders. These provisions could delay or prevent a change in control and could limit the price that investors might be willing to pay in the future for shares of our Class A Common Stock.

Our Certificate of Incorporation authorizes our board of directors to issue new series of preferred stock without stockholder approval. Depending on the rights and terms of any new series created, and the reaction of the market to the series, the rights or value of our Class A Common Stock could be negatively affected. For example, subject to applicable law, our board of directors could create a series of preferred stock with superior voting rights to our existing common stock. The ability of our board of directors to issue this new series of preferred stock could also prevent or delay a third party from acquiring us, even if doing so would be beneficial to our stockholders.

We may not pay cash dividends on our Class A Common Stock

It is our current practice to pay cash dividends on our common stock. There can be no assurance, however, that we will pay dividends in the future in the amounts that we have in the past, or at all. Our board of directors may change the timing and amount of any future dividend payments or eliminate the payment of future dividends in its sole discretion, without any prior notice to our stockholders. Our ability to pay dividends will depend upon many factors, including our financial position and liquidity, results of operations, legal requirements, restrictions that may be imposed by the terms of our current and future credit facilities and other debt obligations and other factors deemed relevant by our board of directors. For example, we have a substantial amount of indebtedness and while we feel that we generate sufficient cash from operations and have sufficient borrowing capacity to make required capital expenditures to maintain and grow our business, any decrease in our cash generation could result in higher leverage. Higher leverage could hinder our ability to make acquisitions, capital expenditures, or other investments in our businesses, pay dividends, or withstand business and economic downturns.

In the future, we may also enter into other credit agreements or other borrowing arrangements or issue debt securities that, in each case, restrict or limit our ability to pay cash dividends on our Class A Common Stock. In addition, since a significant portion of our cash is generated from operations of our subsidiaries, our ability to pay dividends is in part dependent on the ability of our subsidiaries – some of which are located outside of the United States – to make distributions to us. Such distributions will be subject to their operating results, cash requirements and financial condition, as well as our ability to repatriate cash held by non-U.S. subsidiaries. Any change in the level of our dividends or the suspension of the payment thereof could adversely affect the market price of our Class A Common Stock.

If securities or industry analysts do not publish research or publish inaccurate or unfavorable research about our business, our stock price and trading volume could decline

The trading market for our Class A Common Stock depends in part on the research and reports that securities or industry analysts publish about us or our business. If one or more of the analysts who covers us downgrades our Class A Common Stock or publishes inaccurate or unfavorable research about our business, our stock price would likely decline. If one or more of these analysts ceases coverage of us or fails to publish reports on us regularly, demand for our Class A Common Stock could decrease, which could cause our stock price and trading volume to decline.

Future sales of shares by us or our existing stockholders could cause our stock price to decline

Sales of substantial amounts of our common stock in the public market, or the perception that these sales could occur, could cause the market price of our common stock to decline or might make it more difficult for us to sell equity securities in the future at a time and at a price that we deem appropriate.

As of February 19, 2020 we had 30,690,022 shares of Class A Common Stock outstanding and 1,617,998 shares of Class B Common Stock outstanding, each of which is convertible at any time into an equal number of shares of Class A Common Stock. In addition, shares of Class A Common Stock are issuable upon the exercise of outstanding stock options or the vesting of outstanding equity awards, and certain shares are reserved for future issuance under our equity compensation plans.

Item 1B. UNRESOLVED STAFF COMMENTS

None.

Item 2. PROPERTIES

Our principal manufacturing facilities are located in Brazil, Canada, China, France, Germany, Italy, Mexico, South Korea, Sweden, the United Kingdom, and the United States. The aggregate square footage of our operating facilities in the United States is approximately 2.0 million square feet, of which 1.1 million square feet are owned and 0.9 million square feet are leased. Our facilities located outside the United States comprise approximately 3.6 million square feet, of which 3.1 million square feet are owned and 0.5 million square feet are leased. We consider these facilities to be in good condition and suitable for our purpose. The capacity associated with these facilities is adequate to meet production levels required and anticipated through 2020.

Item 3. LEGAL PROCEEDINGS

The information set forth above under Note 21 to the Consolidated Financial Statements in Item 8, which is incorporated herein by reference.

Item 4. MINE SAFETY DISCLOSURES

None.

PART II

Item 5. MARKET FOR THE REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS, AND ISSUER PURCHASES OF EQUITY SECURITIES

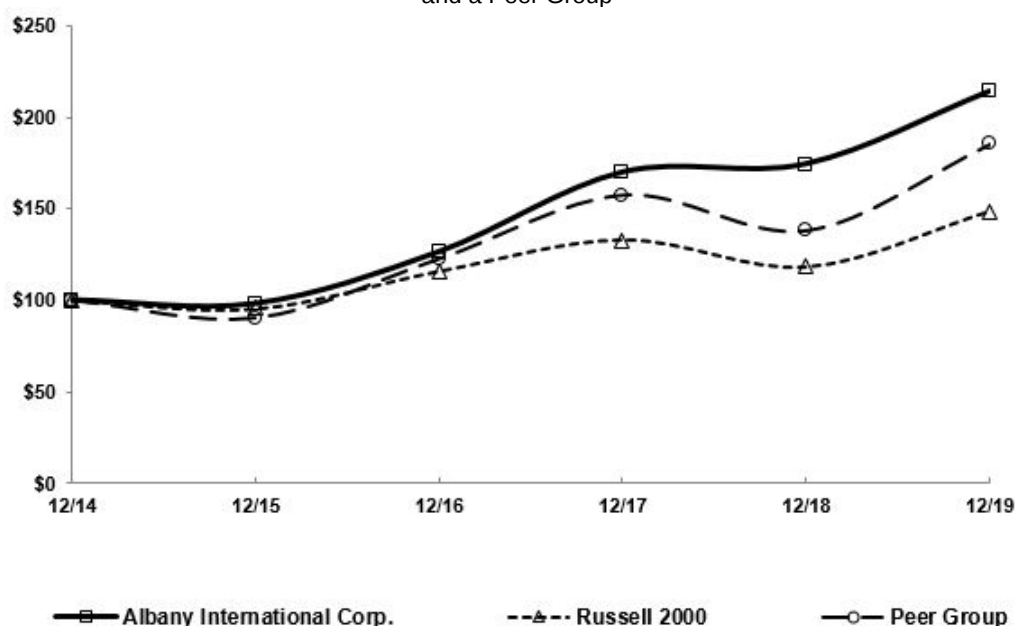
We have two classes of Common Stock, Class A Common Stock and Class B Common Stock, each with a par value of \$0.001 and equal liquidation rights. Our Class A Common Stock is principally traded on the New York Stock Exchange under the symbol AIN. According to Broadridge, as of December 31, 2019, there were over 20,000 beneficial owners of our Class A Common Stock, including employees owning shares through our 401(k) defined contribution plan. Our Class B Common Stock does not trade publicly. As of December 31, 2019, there were 6 holders of Class B Common Stock. Dividends are paid equally on shares of each class. Our cash dividends, and the high and low prices per share of our Class A Common Stock, were as follows for the periods presented:

<u>Quarter Ended</u>	<u>March 31</u>	<u>June 30</u>	<u>September 30</u>	<u>December 31</u>
2019				
Cash dividends per share	\$ 0.18	\$ 0.18	\$ 0.18	\$ 0.19
Class A Common Stock prices:				
High	\$78.45	\$82.91	\$91.51	\$90.30
Low	\$60.82	\$69.29	\$78.41	\$75.92
2018				
Cash dividends per share	\$ 0.17	\$ 0.17	\$ 0.17	\$ 0.18
Class A Common Stock prices:				
High	\$67.30	\$65.45	\$81.40	\$78.31
Low	\$60.05	\$58.35	\$60.70	\$58.41

The graph below matches the cumulative 5-Year total return of holders of Albany International Corp.'s common stock with the cumulative total returns of the Russell 2000 index and a customized peer group of twenty three companies that includes: Actuant Corp, Astronics Corp, Barnes Group Inc., Circor International Inc., Curtiss-wright Corp, Ducommun Inc., Enpro Industries Inc., Esco Technologies Inc., Heico Corp, Hexcel Corp, IDEX Corp, Kadant Inc., National Presto Industries Inc., Neenah Inc., Nordson Corp, OMNOVA Solutions Inc., P H Glatfelter Co, Raven Industries Inc., Rogers Corp, Schweitzer-Mauduit International Inc., Tredgar Corp, Trimas Corp and Watts Water Technologies Inc. The graph assumes that the value of the investment in our common stock, in each index, and in the peer group (including reinvestment of dividends) was \$100 on December 31, 2014 and tracks it through December 31, 2019.

COMPARISON OF 5 YEAR CUMULATIVE TOTAL RETURN*

Among Albany International Corp., the Russell 2000 Index, and a Peer Group



*\$100 invested on 12/31/14 in stock or index, including reinvestment of dividends.

Fiscal year ending December 31. Copyright© 2020 Russell Investment Group. All rights reserved.

December 31,	2014	2015	2016	2017	2018	2019
Albany International Corp.	100.00	98.03	126.25	169.79	174.31	214.02
Russell 2000	100.00	95.59	115.95	132.94	118.30	148.49
Peer Group	100.00	90.46	122.80	157.45	138.10	185.25

The stock price performance included in this graph is not necessarily indicative of future stock price performance.

Restrictions on dividends and other distributions are described in Note 17 of the Consolidated Financial Statements in Item 8, which is incorporated herein by reference.

Disclosures of securities authorized for issuance under equity compensation plans are included under Item 12 of this Form 10-K.

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

Item 6. SELECTED FINANCIAL DATA

The following selected historical financial data have been derived from our Consolidated Financial Statements in Item 8, which is incorporated herein by reference. The data should be read in conjunction with those financial statements and Management's Discussion and Analysis of Financial Condition and Results of Operations in Item 7, which is incorporated herein by reference.

(in thousands, except per share amounts)	2019	2018	2017	2016	2015
Summary of Operations					
Net sales ⁽²⁾⁽³⁾⁽⁶⁾	\$1,054,132	\$ 982,479	\$ 863,717	\$ 779,839	\$ 709,868
Cost of goods sold ⁽²⁾⁽³⁾⁽⁴⁾⁽⁵⁾	656,431	632,730	567,434	478,555	429,929
Restructuring and other ⁽⁵⁾⁽⁹⁾	2,905	15,570	13,491	8,376	23,846
Operating income/(loss) ⁽²⁾⁽⁴⁾	193,576	137,408	78,676	94,132	67,128
Interest expense, net	16,921	18,124	17,091	13,464	9,984
Income/(loss) from continuing operations	133,383	83,019	32,585	52,812	57,265
Net income attributable to the Company	132,398	82,891	33,111	52,733	57,279
Earnings per share attributable to Company Shareholders – Basic	4.10	2.57	1.03	1.64	1.79
Earnings per share attributable to Company Shareholders – Diluted	4.10	2.57	1.03	1.64	1.79
Dividends declared per share	0.73	0.69	0.68	0.68	0.67
Weighted average number of shares outstanding – basic	32,296	32,252	32,169	32,086	31,978
Capital expenditures, including software	67,955	82,886	87,637	73,492	50,595
Financial position					
Cash	\$ 195,540	\$ 197,755	\$ 183,727	\$ 181,742	\$ 185,113
Asset held for sale ⁽⁷⁾⁽¹⁰⁾	515	—	—	—	4,988
Property, plant and equipment, net ⁽¹⁾⁽²⁾⁽⁷⁾	466,462	462,055	454,302	422,564	357,470
Total assets ⁽¹⁾⁽²⁾⁽³⁾⁽⁵⁾⁽⁶⁾	1,474,368	1,417,992	1,361,198	1,263,433	1,009,562
Current liabilities ⁽¹⁾⁽²⁾⁽⁸⁾	202,719	189,306	161,517	200,009	126,231
Long-term debt ⁽¹⁾	424,009	523,707	514,120	432,918	265,080
Total noncurrent liabilities ⁽¹⁾⁽²⁾⁽⁸⁾	568,960	620,406	626,666	552,134	380,778
Total liabilities ⁽¹⁾⁽²⁾⁽³⁾	771,679	809,712	788,183	752,143	507,009
Total equity ⁽¹⁾⁽³⁾	702,689	608,280	573,015	511,290	502,553

- (1) In 2019, we adopted the provisions of ASC 842, "Leases", using the modified retrospective (or cumulative effect) method for transition. Under this transition method, periods prior to 2019 have not been restated and the cumulative effect of initially applying the new standard was recorded as an adjustment to Retained earnings at January 1, 2019.
- (2) In 2019, we acquired the outstanding shares of CirComp GmbH for net cash of \$36.3 million, which includes approximately \$5.5 million of deferred payments. The table above includes operational results of the acquired entity from November 20, 2019 to December 31, 2019.
- (3) In 2018, we adopted the provisions of ASC 606, "Revenue from contracts with customers", using the modified retrospective (or cumulative effect) method for transition. Under this transition method, periods prior to 2018 have not been restated and the cumulative effect of initially applying the new standard was recorded as an adjustment to Retained earnings at January 1, 2018.
- (4) In 2018, we adopted the provisions of ASU 2017-07, "Compensation – Retirement Benefits: improving the presentation of net periodic pension cost and net periodic postretirement benefit cost". This update resulted in some pension costs being presented on different line items in the Consolidated Statement of Income. As required by that update, we have reclassified pension costs for periods prior to 2018.

- (5) In 2017, we discontinued the Bear Claw[®] line of hydraulic fracturing components used in the oil and gas industry, which led to a charge of \$2.8 million to Cost of goods sold for the write-off of inventory, and a non-cash restructuring charge of \$4.5 million for the write-off of equipment and intangibles.
- (6) In 2016, we acquired the outstanding shares of Harris Corporation's composite aerostructures business for cash of \$187 million, plus the assumption of certain liabilities. The table above includes operational results from April 8, 2016 to December 31, 2016 and for full years 2017 through 2019.
- (7) In 2018, we discontinued operations at the Company's MC production facility in Sélestat, France, and wrote down the land and building to its estimated fair market value. The value of \$0.5 million as of December 31, 2019 reflects the estimated selling price. We anticipate the sale of the property to occur in 2020.
- (8) In 2015, we adopted the provisions of ASU 2015-17, "Income Taxes" using the prospective transition method. This accounting update affected the amount and classification of deferred tax assets and liabilities.
- (9) During the period 2015 through 2019, we recorded restructuring charges related to organizational changes and cost reduction initiatives.
- (10) In 2015, we discontinued operations at the Company's pressing fabric manufacturing facility in Germany, and recorded a charge of \$3.3 million related to the write down of the land and building to their estimated fair market value. This asset was reclassified from Property, plant, and equipment to Asset held for sale.

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

Management's Discussion and Analysis of Financial Condition and Results of Operations ("MD&A") is intended to help the reader understand the results of operations and financial condition of the Company. MD&A is provided as a supplement to, and should be read in conjunction with, our Consolidated Financial Statements and the accompanying Notes, in Item 8.

Business Environment Overview and Trends

Our reportable segments, Machine Clothing ("MC") and Albany Engineered Composites ("AEC") draw on the same advanced textiles and materials processing capabilities, and compete on the basis of product-based advantage that is grounded in those core capabilities.

The MC segment is the Company's long-established core business and primary generator of cash. While it has suffered from well-documented declines in publication grades in the Company's traditional markets, the paper and paperboard industry is still expected to grow slightly on a global basis, driven by demand for packaging and tissue grades, as well as the expansion of paper consumption and production in Asia and South America. We feel we are well-positioned in key markets, with high-quality, low-cost production in growth markets, substantially lower fixed costs in mature markets, and continued strength in new product development, technical product support, and manufacturing technology. Because of pricing pressures and industry overcapacity, the machine clothing and paper industries will continue to face top line pressure. Despite continued market pressure on revenue, the business retains the potential for maintaining stable earnings in the future. It has been a significant generator of cash, and we seek to maintain the cash-generating potential of this business by maintaining the low costs that we have achieved through continuous focus on cost-reduction initiatives, and competing vigorously by using our differentiated and technically superior products to reduce our customers' total cost of operation and improve their paper quality.

The AEC segment provides significant growth potential for our Company both near and long term. Our strategy is to grow by focusing our proprietary 3D-woven technology, as well as our non-3D technology capabilities, on high-value aerospace (both commercial and defense) applications, while at the same time performing successfully on our portfolio of growth programs. AEC (including Albany Safran Composites, LLC ("ASC"), in which our customer SAFRAN Group owns a 10 percent noncontrolling interest) supplies a number of customers in the aerospace industry. AEC's largest aerospace customer is the SAFRAN Group and sales to SAFRAN, through ASC, (consisting primarily of fan blades and cases for CFM's LEAP engine) accounted for approximately 22 percent of the Company's consolidated net sales in 2019. The LEAP engine is used on the Airbus A320neo and Boeing 737 MAX family of jets, the latter of which is currently under a

grounding order. AEC, through ASC, also supplies 3D-woven composite fan cases for the GE9X engine. AEC's current portfolio of non-3D programs includes components for the F-35, fuselage components for the Boeing 787, components for the CH-53K helicopter, vacuum waste tanks for Boeing 7-Series aircraft, and missile bodies for Lockheed Martin's JASSM air-to-surface missiles. AEC is actively engaged in research to develop new applications in both commercial and defense aircraft engine and airframe markets.

Consolidated Results of Operations

Net sales

The following table summarizes our Net sales by business segment:

Years ended December 31,	(in thousands, except percentages)		
	2019	2018	2017
Machine Clothing	\$ 601,254	\$611,858	\$590,357
Albany Engineered Composites	452,878	370,621	273,360
Total	\$1,054,132	\$982,479	\$863,717
% change	7.3%	13.8%	—

2019 vs. 2018

- Changes in currency translation rates had the effect of decreasing 2019 Net sales by \$14.8 million (1.4% of Net sales) compared to 2018. That currency translation effect was principally due to the weaker euro and Chinese renminbi in 2019, as compared to 2018.
- Excluding the effect of changes in currency translation rates:
 - Consolidated Net sales increased 8.8%.
 - Net sales in MC were flat compared to 2018, as increases in sales for tissue and packaging grades were offset by decreases in sales for publication grades.
 - Net sales in AEC increased 23.4%, driven by growth in the LEAP, F-35, CH-53K and Boeing 787 programs.

2018 vs. 2017

Effective January 1, 2018, the Company adopted the provisions of ASC 606, "Revenue from contracts with customers", using the modified retrospective (or cumulative effect) method for transition. Under this transition method, periods prior to 2018 were not restated, which affects comparability of results for 2018 and 2017. The following table summarizes the effect on various financial statement line items that resulted from the adoption of ASC 606:

Increase/(decrease) attributable to adoption of ASC 606 for the year ended December 31, 2018

(in thousands)	Machine Clothing	Albany Engineered Composites	Income tax and noncontrolling interest effects	Total Company
Net sales	\$(3,970)	\$(3,150)	\$ —	\$(7,120)
Gross profit	(1,617)	4,930	—	3,313
Selling, technical, general and research expenses	(12)	—	—	(12)
Operating income and Income before income taxes	(1,605)	4,930	—	3,325
Income taxes	—	—	877	877
Net income	(1,605)	4,930	(877)	2,448
Net income attributable to the noncontrolling interest in ASC	—	—	129	129
Net income attributable to the Company	\$(1,605)	\$ 4,930	\$(1,006)	\$ 2,319

- Changes in currency translation rates had the effect of increasing Net sales by \$8.5 million (0.9% of Net sales), compared to 2017. That currency translation effect was principally due to the euro being stronger in 2018, as compared to 2017.
- Excluding the effect of changes in currency translation rates:
 - Consolidated Net sales increased 12.8%. Excluding the additional effect of applying ASC 606 in 2018, but not 2017, Net sales increased 13.6%.

- Net sales in MC increased 2.6%. Excluding the additional effect of applying ASC 606 in 2018, Net sales increased 3.3%, principally due to global growth in sales for packaging and tissue grades.
- Net sales in AEC increased 34.7%. Excluding the additional effect of applying ASC 606 in 2018, Net sales increased 35.9%, primarily driven by growth in the LEAP, Boeing 787, F-35, and CH-53K programs.

Backlog

Backlog in the MC segment was \$165.6 million at December 31, 2019, compared to \$170.5 million at December 31, 2018. Backlog in the AEC segment decreased to \$288.1 million at December 31, 2019, compared to \$393.3 million at December 31, 2018. The decrease reflects the grounding of the Boeing 737 MAX aircraft. All of the backlog in MC and approximately 95% of the AEC backlog is expected to be invoiced during the next 12 months.

Gross Profit

The following table summarizes Gross profit by business segment:

Years ended December 31,	(in thousands, except percentages)		
	2019	2018	2017
Machine Clothing	\$309,641	\$297,416	\$280,686
Albany Engineered Composites	88,060	52,550	15,875
Corporate expenses	—	(217)	(278)
Total	<u>\$397,701</u>	<u>\$349,749</u>	<u>\$296,283</u>
% of Net Sales	37.7%	35.6%	34.3%

The increase in 2019 Gross profit, as compared to 2018, was principally due to the net effect of the following individually significant items:

- The increase in MC Gross profit of \$12.2 million, was principally due to a \$9.0 million reduction in depreciation expense that resulted principally from significant investments made approximately ten years ago that have become fully depreciated.
- The increase in AEC Gross profit of \$35.5 million, was principally due to the effect of the following individually significant items:
 - Favorable adjustments to the estimated profitability of long-term contracts increased Gross profit by \$10.8 million in 2019, compared to a decrease of \$2.0 million in 2018.
 - The Net sales increase in 2019, as described above, increased Gross profit by approximately \$12 million.
 - AEC Gross profit was also increased as a result of productivity improvements.

The increase in 2018 Gross profit, as compared to 2017, was principally due to the net effect of the following individually significant items:

- The increase in MC Gross profit of \$16.7 million, was principally due to the effect of the following individually significant items:
 - Higher sales in MC generated an increase in gross profit of approximately \$10 million.
 - Changes in currency translation rates, principally the Brazilian real, had the effect of increasing MC Gross profit by approximately \$5 million.
 - MC Gross profit was also increased as a result of productivity improvements, which include the impact of continuous cost reduction initiatives.
- The increase in AEC Gross profit of \$36.7 million was principally due to the effect of the following individually significant items:
 - Changes in the estimated profitability of long-term contracts decreased Gross profit by \$2.0 million in 2018, and by \$11.5 million in 2017. As further described below, the 2017 effect principally related to manufacturing contracts for the BR725 and A380 programs.

- During the third quarter of 2017, the Company decided to discontinue the Bear Claw® line of hydraulic fracking components used in the oil and gas industry, which was part of the 2016 business acquisition. That decision resulted in a \$2.8 million charge to Cost of goods sold for the write-off of inventory.
- The Net sales increase in 2018, as described above, increased Gross profit by approximately \$10 million.
- The remaining 2018 increase in AEC Gross profit was principally due to improved productivity resulting from the deployment of a disciplined standardized operational system across AEC plants, as well as the favorable impact of continuous improvement programs.

Selling, Technical, General, and Research (STG&R)

Selling, technical, general and research (STG&R) expenses include selling, general, administrative, technical, product engineering and research expenses.

The following table summarizes STG&R by business segment:

Years ended December 31,	(in thousands, except percentages)		
	2019	2018	2017
Machine Clothing	\$116,546	\$115,305	\$123,277
Albany Engineered Composites	30,707	32,855	37,470
Corporate expenses	53,967	48,611	43,369
Total	\$201,220	\$196,771	\$204,116
% of Net Sales	19.1%	20.0%	23.6%

The increase in STG&R expenses in 2019 compared to 2018, was principally due to the following individually significant items:

- MC revaluation of nonfunctional currency assets and liabilities resulted in losses of \$0.6 million in 2019 and gains of \$0.8 million in 2018.
- AEC STG&R expenses decreased \$2.1 million principally due to lower spending on research and development in 2019, as compared to 2018.
- Corporate STG&R expenses increased principally due to costs in 2019 for terminations and professional fees associated with various initiatives.

The decrease in STG&R expenses in 2018 compared to 2017, was principally due to the following individually significant items:

- MC revaluation of nonfunctional currency assets and liabilities resulted in gains of \$0.8 million in 2018 and losses of \$3.9 million in 2017.
- Changes in currency translation rates increased MC STG&R expenses by \$0.4 million, principally due to the stronger euro, which more than offset decreases that resulted from the weaker Brazilian real.
- AEC STG&R expenses decreased \$4.6 million principally due to restructuring and other organization changes.
- Corporate STG&R expenses increased by \$5.2 million principally due to higher costs to support continued growth in AEC.

Research and Development

The following table is a subset of the STG&R table above and summarizes expenses associated with internally funded research and development by business segment:

Years ended December 31,	(in thousands)		
	2019	2018	2017
Machine Clothing	\$16,412	\$17,474	\$18,483
Albany Engineered Composites	10,521	12,278	12,188
Total	<u>\$26,933</u>	<u>\$29,752</u>	<u>\$30,671</u>

Restructuring

In addition to the items discussed above affecting gross profit, and STG&R expenses, operating income was affected by restructuring costs of \$2.9 million in 2019, \$15.6 million in 2018, and \$13.5 million in 2017.

The following table summarizes Restructuring expense, net by business segment:

Years ended December 31,	(in thousands)		
	2019	2018	2017
Machine Clothing	\$1,129	\$12,278	\$ 3,429
Albany Engineered Composites	1,833	3,048	10,062
Corporate expenses	(57)	244	—
Total	<u>\$2,905</u>	<u>\$15,570</u>	<u>\$13,491</u>

In 2017, the Company announced a proposal to close its MC production facility in Sélestat, France, and the proposal was approved by the French Labor Ministry in 2018. The restructuring program was driven by the Company's need to balance manufacturing capacity with demand. We recorded restructuring expense of \$1.1 million in 2017 and \$10.7 million in 2018, which included severance and outplacement costs for the approximately 50 positions that were terminated under this plan. To date, we have recorded \$12.7 million of restructuring charges related to these actions. Annual cost savings associated with this action principally resulted in lower Cost of goods sold in 2019.

In 2016, the Company discontinued research and development activities at its MC facility in Sélestat, France, which resulted in \$2.2 million of restructuring expense in 2016. In 2017 and 2018, we recorded additional restructuring charges of \$1.6 million and \$1.0 million, related to a 2016 restructuring at the same location. Total restructuring costs for that initiative, including 2016, was \$3.9 million.

In 2017, the Company initiated work force reductions and facility rationalization in AEC locations in Salt Lake City, Utah and Rochester, New Hampshire. Restructuring charges include expenses of \$0.1 million in 2019, \$1.1 million in 2018, and \$5.0 million in 2017. To date, we have recorded \$6.2 million of restructuring charges related to these actions.

In 2018, the Company discontinued certain manufacturing processes at its AEC facility in Salt Lake City, Utah, which resulted in \$1.9 million of restructuring in 2018, which included a non-cash restructuring charge of \$1.7 million, and an additional \$0.2 million for severance. The non-cash restructuring charge resulted from writing down manufacturing equipment used in that line of business to its estimated value. In 2019, the Company wrote off the remaining \$1.2 million book value of that equipment as the Company has been unable to sell it.

In 2017, the Company decided to discontinue the Bear Claw[®] line of hydraulic fracturing components used in the oil and gas industry. This decision resulted in a non-cash restructuring charge of \$4.5 million for the write-off of intangible assets and equipment, and a \$2.8 million charge to Cost of goods sold for the write-off of inventory.

For more information on our restructuring charges, see Note 5 to the Consolidated Financial Statements in Item 8, which is incorporated herein by reference.

Operating Income

The following table summarizes operating income/(loss) by business segment:

Years ended December 31,	(in thousands)		
	2019	2018	2017
Machine Clothing	\$191,965	\$169,836	\$153,980
Albany Engineered Composites	55,520	16,647	(31,657)
Corporate expenses	(53,909)	(49,075)	(43,647)
Total	\$193,576	\$137,408	\$ 78,676

Other Earnings Items

Years ended December 31,	(in thousands)		
	2019	2018	2017
Interest expense, net	\$16,921	\$18,124	\$17,091
Other (income)/expense, net	(1,557)	4,037	6,877
Income tax expense	44,829	32,228	22,123
Net income/(loss) attributable to the noncontrolling interest	985	128	(526)

Interest Expense

Interest expense, net, decreased \$1.2 million in 2019 principally due to lower debt balances resulting from higher cash flow in the AEC business and lower interest rates as a result of lower market rates and a lower margin from a lowered leverage ratio. See "Liquidity and Capital Resources" for further discussion of borrowings and interest rates.

Other (income)/expense, net

The change in Other (income)/expense, net included the following individually significant items:

- In 2019, we recorded a \$0.5 million charge related to the freezing of defined benefit plan accruals in the United Kingdom.
- In 2018, we recorded a \$2.2 million charge related to the settlement of a portion of our non-U.S. defined benefit pension plan liabilities and a curtailment gain of \$0.7 million related to the restructuring in Sélestat, France.
- Foreign currency revaluations of cash and intercompany balances resulted in net gains of \$4.5 million in 2019, and \$0.1 million in 2018, and net losses of \$4.6 million in 2017.
- In 2017, we recorded a gain of \$2.0 million based on an insurance settlement related to a theft in 2016.

Income Taxes

The Company has operations which constitute a taxable presence in 18 countries outside of the United States. The majority of these countries had income tax rates that are above the United States federal tax rate of 21% in 2019. The jurisdictional location of earnings is a significant component of our effective tax rate each year and, therefore, on our overall income tax expense.

The Company's effective tax rate for fiscal years 2019, 2018 and 2017 was 25.2%, 28.0% and 40.4%, respectively.

The tax rate is affected by recurring items, such as the income tax rate in the U.S. and in non-U.S. jurisdictions and the mix of income earned in those jurisdictions and discrete items that may occur in any given year but are not consistent from year to year.

Significant items that impacted the 2019 effective tax rate included the following (percentages reflect the effect of each item as a percentage of income before income taxes):

- A tax benefit of \$0.1 million (-0.1%) related to foreign tax rate changes.
- A tax benefit of \$1.5 million (-0.9%) related to U.S. and Non-U.S. return to provision adjustments.

- A tax benefit of \$1.4 million (-0.8%) related to changes in the opening valuation allowances.
- A tax expense of \$0.9 million (0.5%) related to the creation of a valuation allowance.
- A net effective tax rate expense of 0.5% was recognized from income tax rate differences between non-U.S. and U.S. jurisdictions. U.S. tax costs on foreign earnings that have been or will be repatriated and foreign withholdings resulted in an increase of 0.8% to the effective tax rate.
- A tax benefit of \$2.9 million (-1.6%) related to the settlement of audits throughout the year.
- A tax benefit of \$0.2 million (-0.1%) related to amended tax return adjustments.
- Income tax rate on continuing operations, excluding discrete items, was 28.0%.

Significant items that impacted the 2018 effective tax rate included the following (percentages reflect the effect of each item as a percentage of income before income taxes):

- A tax benefit of \$1.0 million (-0.9%) related to the impact of the adjustment to the 2017 mandatory deemed repatriation provision.
- A tax charge of \$1.6 million (1.4%) related to the impact of the adjustment to the 2017 re-measurement of U.S. net deferred tax assets.
- A tax charge of \$0.4 million (0.4%) related to foreign tax rate changes.
- A tax benefit of \$1.3 million (-1.1%) related to U.S. and Non-U.S. return to provision adjustments.
- A tax benefit of \$4.9 million (-4.2%) related to changes in the opening valuation allowances.
- A net effective tax rate expense of 0.2% was recognized from income tax rate differences between non-U.S. and U.S. jurisdictions. U.S. tax costs on foreign earnings that have been or will be repatriated and foreign withholdings resulted in an increase of 3.9% to the effective tax rate.
- A tax charge of \$1.3 million (1.1%) related to the settlement of audits throughout the year.
- Income tax rate on continuing operations, excluding discrete items, was 31.3%.

Significant items that impacted the 2017 effective tax rate included the following (percentages reflect the effect of each item as a percentage of income before income taxes):

- A tax charge of \$5.8 million (10.5%) related to the impact of the mandatory deemed repatriation.
- A tax charge of \$1.9 million (3.4%) related to U.S. and Non-U.S. tax rate changes.
- A tax benefit of \$0.8 million (-1.5%) related to U.S. and Non-U.S. return to provision adjustments.
- A tax benefit of \$3.5 million (-6.4%) related to changes in the opening valuation allowances.
- A net effective tax rate reduction of 10.5% was recognized from income tax rate differences between non-U.S. and U.S. jurisdictions. Earnings in Brazil, Switzerland, Mexico and China, where tax rates are lower than the U.S. notional rate of 35%, contributed to the majority of the reduction noted. U.S. tax costs on foreign earnings that have been or will be repatriated and foreign withholdings resulted in an increase of 1.4% to the effective tax rate.
- A tax charge of \$1.4 million (2.4%) related to the settlement of audits throughout the year.
- Income tax rate on continuing operations, excluding discrete items, was 32%.

Segment Results of Operations

Machine Clothing Segment

Machine Clothing is our primary business segment and accounted for 57 percent of our consolidated revenues during 2019. MC products are purchased primarily by manufacturers of paper and paperboard.

According to RISI, Inc., global production of paper and paperboard is expected to grow at an annual rate of approximately 1 percent over the next five years, driven primarily by global growth in packaging and tissue, which is expected to be greater than expected declines in publication grades.

While the MC business has suffered from well-documented declines in publication grades in the Company's traditional markets, the paper and paperboard industry is still expected to grow slightly on a global basis, driven by demand for packaging and tissue grades, as well as the expansion of paper consumption and production in Asia and South America. We feel we are well-positioned in these markets, with high-quality,

low-cost production in growth markets, substantially lower fixed costs in mature markets, and continued strength in new product development, technical product support, and manufacturing technology. Recent technological advances in paper machine clothing, while contributing to the papermaking efficiency of customers, have lengthened the useful life of many of our products and had an adverse impact on overall paper machine clothing demand.

The Company's manufacturing and product platforms position us well to meet these shifting demands across product grades and geographic regions. Our strategy for meeting these challenges continues to be to grow share in all markets, with new products and technology, and to maintain our manufacturing footprint to align with global demand, while we offset the effects of inflation through continuous productivity improvement.

We have incurred significant restructuring charges in recent periods as we reduced MC manufacturing capacity and administrative positions in various countries.

Review of Operations

Years ended December 31,	(in thousands, except percentages)		
	2019	2018	2017
Net sales	\$601,254	\$611,858	\$590,357
% change from prior year	-1.7%	3.6%	—
Gross profit	309,641	297,416	280,686
% of net sales	51.5%	48.6%	47.5%
STG&R expenses	116,546	115,305	123,277
Operating income	191,965	169,836	153,980

Net Sales

2019 vs. 2018

- Changes in currency translation rates had the effect of decreasing 2019 sales by \$10.5 million compared to 2018. That currency translation effect was principally due to the weaker euro and Chinese renminbi in 2019, compared to 2018.
- Excluding the effect of changes in currency translation rates, Net sales in MC were flat compared to 2018, as increases in sales for tissue and packaging grades were offset by decreases in sales for publication grades.

2018 vs. 2017

- Changes in currency translation rates had the effect of increasing 2018 sales by \$6.1 million compared to 2017. That currency translation effect was principally due to the euro being stronger in 2018 than in 2017.
- Excluding the effect of changes in currency translation rates, Net sales in MC increased 2.6%. Excluding the additional effect of applying ASC 606 in 2018, but not 2017, Net sales increased 3.3%, principally due to global growth in sales for the packaging and tissue grades.

Gross Profit

2019 vs. 2018

- MC Gross profit increased principally due to a reduction of \$9.0 million in depreciation expense due primarily to a number of significant investments made approximately ten years ago, that have become fully depreciated.

2018 vs. 2017

- Higher sales in MC generated an increase in gross profit of approximately \$10 million.
- Changes in currency translation rates, principally the Brazilian real, had the effect of increasing MC gross profit approximately \$5 million.
- MC Gross profit was also increased as a result of productivity improvements, which include the effect of continuous cost reduction initiatives.

Operating Income**2019 vs. 2018**

The increase in Operating income was principally due to the net effect of the following individually significant items:

- Gross profit increased \$12.2 million, principally due to lower depreciation expense as described above.
- STG&R expenses increased \$1.2 million, principally due to year-over-year changes in foreign currency revaluation gains and losses, as described above.
- Restructuring charges were \$1.1 million in 2019, compared to \$12.3 million in 2018.

2018 vs. 2017

The increase in Operating income was principally due to the net effect of the following individually significant items:

- Gross profit increased \$16.7 million due to higher sales, resulting from changes in currency translation rates, as described above.
- STG&R expenses decreased \$8.0 million, principally due to year-over-year changes in foreign currency revaluation gains and losses, as described above.
- Restructuring charges were \$12.3 million in 2018, compared to \$3.4 million in 2017.

Albany Engineered Composites Segment

The Albany Engineered Composites (AEC) segment, including Albany Safran Composites, LLC (ASC), in which our customer SAFRAN Group owns a 10 percent noncontrolling interest, provides highly engineered advanced composite structures to customers primarily in the aerospace (both commercial and defense) industry. AEC's largest program relates to CFM International's LEAP engine. AEC, through ASC, is the exclusive supplier of advanced composite fan blades and cases for this program under a long-term supply contract. The LEAP engine is used on the Airbus A320neo and Boeing 737 MAX family of jets, the latter of which is currently under a grounding order. Other significant AEC programs include components for the F-35, fuselage frames for the Boeing 787, components for the CH-53K helicopter, and the fan case for the GE9X engine.

On November 20, 2019, the Company acquired CirComp GmbH, a privately-held developer and manufacturer of high-performance composite components located in Kaiserslautern, Germany for \$32.4 million. The Company also agreed to pay approximately \$5.5 million that will become due, as certain post-closing obligations are performed. Expense related to that agreement will be recognized over the five-year performance period. As the acquisition occurred during the year, the Company's 2019 results of operations include only a portion of the year, which can affect comparability amongst periods. The acquired entity is part of the AEC segment. Management believes that the acquisition complements and expands Albany's portfolio of proprietary, advanced manufacturing technologies for composite components, increases the Company's position as a leading innovator in advanced materials processing and automation and opens a geographic footprint in Europe to better serve our global customer base.

The following table presents operational results of the acquired entity that are included in the Consolidated Statements of Income:

<u>(in thousands)</u>	<u>November 20 to December 31, 2019</u>
Net sales	\$485
Gross profit	27
Selling, technical, general and research expenses	189
Restructuring expense	—
Operating loss	(162)

Review of Operations

Years ended December 31,	(in thousands, except percentages)		
	2019	2018	2017
Net sales	\$452,878	\$370,621	\$273,360
% change from prior year	22.2%	35.6%	—
Gross profit	88,060	52,550	15,875
% of net sales	19.4%	14.2%	5.8%
STG&R expenses	30,707	32,855	37,470
Operating income/(loss)	55,520	16,647	(31,657)

Net Sales**2019 vs. 2018**

The increase in Net sales was principally due to the net effect of the following individually significant items:

- Excluding the effect of changes in currency translation rates, Net sales increased 23.4%, primarily driven by growth in the LEAP, F-35, CH-53K and Boeing 787 programs.

2018 vs. 2017

The increase in Net sales was principally due to the net effect of the following individually significant items:

- Excluding the effect of changes in currency translation rates, Net sales increased 34.7%. Excluding the impact of applying ASC 606 in 2018, but not 2017, Net sales increased 35.9%, primarily driven by growth in the LEAP, Boeing 787, F-35, and CH-53K programs.

Gross Profit**2019 vs. 2018**

The increase in AEC Gross profit in 2019 was principally due to the net effect of the following individually significant items:

- Favorable adjustments to the estimated profitability of long-term contracts increased Gross profit by \$10.8 million in 2019, compared to a decrease of \$2.0 million in 2018.
- The Net sales increase in 2019, as described above, increased Gross profit by approximately \$12 million.
- AEC Gross profit was also increased in 2019 by productivity improvements.

2018 vs. 2017

The increase in AEC Gross profit in 2018 was principally due to the net effect of the following individually significant items:

- Changes in the estimated profitability of long-term contracts decreased Gross profit by \$2.0 million in 2018, and by \$11.5 million in 2017. As further described below, the 2017 effect principally related to manufacturing contracts for the BR725 and A380 programs.
- During the third quarter of 2017, the Company decided to discontinue the Bear Claw[®] line of hydraulic fracking components used in the oil and gas industry, which was part of the 2016 SLC acquisition. That decision resulted in a \$2.8 million charge to Cost of goods sold for the write-off of inventory.
- The Net sales increase in 2018, as described above, increased Gross profit by approximately \$10 million.
- The remaining 2018 increase in AEC Gross profit was principally due to improved productivity resulting from the deployment of a disciplined standardized operational system across AEC plants, as well as the favorable impact of continuous improvement programs.

Long-term contracts

AEC has contracts with certain customers, including its contract for the LEAP program, where revenue is determined by a cost-plus-fee arrangement. Revenue earned under these arrangements accounted for approximately 49 percent of segment revenue in 2019 and 2018, and 44 percent in 2017. LEAP engines are currently used on the Boeing 737 MAX, Airbus A320neo and COMAC aircraft. A number of countries, including the United States, have issued orders grounding Boeing 737 MAX aircraft. If these groundings cause a continued reduction in production of this aircraft, this would have an adverse impact on demand for our LEAP engine parts. Such a decrease could, in turn, trigger an increase in demand for A320neo aircraft, which could somewhat offset this negative impact.

In addition, AEC has long-term contracts in which the selling price is fixed. In accounting for those contracts, we estimate the profit margin expected at the completion for the contract and recognize a pro-rata share of that profit during the course of the contract using a cost-to-cost approach. Changes in estimated contract profitability will affect revenue and gross profit when the change occurs, which could have a significant favorable or unfavorable effect on revenue and gross profit in any reporting period. For contracts with anticipated losses, a provision for the entire amount of the estimated remaining loss is charged against income in the period in which the loss becomes known. Contract losses are determined considering all direct and indirect contract costs, exclusive of any selling, general or administrative cost allocations, which are treated as period expenses. Expected losses on projects include losses on contract options that are probable of exercise, excluding profitable options that often follow.

The sum of net adjustments to the estimated profitability of long-term contracts increased AEC operating income by \$10.8 million in 2019, decreased AEC operating income by \$2.0 million in 2018, and decreased AEC operating income by \$11.5 million in 2017. The favorable effects in 2019 were largely attributable to efficiency improvements during the ramp-up of several programs.

The unfavorable effect for 2017 was driven by an AEC contract for the manufacture of composite components for the Rolls-Royce BR725 engine, which powers Gulfstream's G-650 business jet. The contract obligates AEC to supply these components for the life of the BR725 program. During the second quarter of 2017, the Company revised its estimate of the profitability of this contract and we recorded a charge of \$10.2 million as a provision for anticipated losses through the end of the program. The charge was driven primarily by a reduction in the estimated future demand for these components. The SLC business had a contract for the manufacture of composite struts for the Airbus A380, under which it supplied composite wing box struts. During the second quarter of 2017, the Company revised its estimate of the profitability of this contract and determined that a charge of \$5.6 million should be recorded as a provision for anticipated losses through contract completion. The revision was driven by a decrease in estimated demand for these components during the contract term, as well as by program inefficiencies. In the fourth quarter of 2017, we amended a long-term agreement with a licensor for the A380 program, which resulted in a \$4.9 million decrease to Cost of goods sold.

Selling, Technical, General, and Research (STG&R)

2019 vs. 2018

STG&R expenses decreased \$2.2 million principally due to lower spending on research and development in 2019, as compared to 2018.

2018 vs. 2017

STG&R expenses decreased \$4.6 million principally due to restructuring and other organization changes.

Operating Income/(Loss)

2019 vs. 2018

The increase in Operating income of \$38.9 million in 2019 was principally due to the net effect of the following individually significant items:

- An increase in Net sales and strong productivity, as described above.
- A decrease of \$1.2 million in Restructuring expenses, as described above.

2018 vs. 2017

The increase in Operating income of \$48.3 million in 2018 was principally due to the net effect of the following individually significant items:

- An increase in Net sales and strong productivity, as described above.
- The \$15.8 million charge recorded in the second quarter of 2017, as described above.
- The \$2.8 million charge to Cost of goods sold in 2017 for the write-off of Bear Claw® inventory.
- A decrease of \$7.0 million in Restructuring expenses, as described above.

Liquidity and Capital Resources**Cash Flow Summary**

For the years ended December 31,	(in thousands)		
	2019	2018	2017
Net income	\$ 133,383	\$ 83,019	\$ 32,585
Depreciation and amortization	70,795	79,036	71,956
Changes in working capital ^(a)	(8,011)	(21,034)	(15,859)
Changes in long-term liabilities, deferred taxes and other credits	7,129	3,493	(11,409)
Write-off of pension liability adjustment due to settlement/curtailment	450	1,494	—
Write-off of intangible assets in a discontinued product line	—	—	4,149
Other operating items	(3,394)	(13,523)	(17,206)
Net cash provided by operating activities	200,352	132,485	64,216
Net cash used in investing activities	(98,748)	(82,886)	(87,637)
Net cash provided by/(used in) financing activities	(100,307)	(27,258)	12,867
Effect of exchange rate changes on cash flows	(3,512)	(8,313)	12,539
Increase/(decrease) in cash and cash equivalents	(2,215)	14,028	1,985
Cash and cash equivalents at beginning of year	197,755	183,727	181,742
Cash and cash equivalents at end of year	\$ 195,540	\$197,755	\$183,727

(a) Includes Accounts receivable, Contract assets, Inventories, and Accounts payable.

Operating activities

Cash provided by operating activities was \$200.4 million in 2019, compared to \$132.5 million in 2018, and \$64.2 million in 2017. The net increase in cash provided by operating activities in 2019 was due to increased profitability in both MC and AEC. The growth in MC profitability was due to productivity improvements and cost-reduction initiatives. The growth in AEC profitability was due to an increase in Net sales and favorable adjustments to long-term contracts. Cash flow for Contract assets and Inventories was a use of \$28.1 million principally due to a slowdown of production for the Boeing 737 MAX aircraft. Additionally, the Noncurrent receivables held by AEC resulted in a use of cash of \$1.3 million in 2019, \$12.2 million in 2018 and \$18.8 million in 2017. Changes in long-term liabilities, deferred taxes and other liabilities resulted in an increase to cash flows of \$7.1 million in 2019, \$3.5 million in 2018, and a use of cash of \$11.4 million in 2017. The amount reported for 2017 was principally due to an amendment to a long-term agreement with a licensor for the A380 program. That agreement resulted in a \$3.0 million cash payment, plus a \$4.9 million reduction in the present value of the obligation to the supplier. Cash paid for income taxes was \$25.9 million, \$28.1 million, and \$23.7 million in 2019, 2018, and 2017, respectively.

At December 31, 2019, the Company had \$195.5 million of cash and cash equivalents, of which \$156.9 million was held by subsidiaries outside of the United States. As disclosed in Note 7 of the Consolidated Financial Statements in Item 8, we determined that all but \$94.4 million of this amount (which represents the amount of cumulative earnings expected to be repatriated to the United States at some point in the future) is intended to be utilized by these non-U.S. operations for an indefinite period of time. Our current

plans do not anticipate that we will need funds generated from foreign operations to fund our domestic operations or satisfy debt obligations in the United States. In the event that such funds were to be needed to fund operations in the U.S., and if associated accruals for taxes have not already been provided, we would be required to record additional tax expense.

Investing Activities

On November 20, 2019, the Company acquired CirComp GmbH, a privately-held developer and manufacturer of high-performance composite components located in Kaiserslautern, Germany for net cash of \$30.8 million. Total capital expenditures for continuing operations, including purchased software, were \$68.0 million in 2019, compared to \$82.9 million in 2018, and \$87.6 million in 2017. In the AEC segment, capital expenditures were \$48.8 million in 2019, compared to \$60.1 million in 2018, and \$63.9 million in 2017. We currently estimate capital expenditures to be \$75 million to \$85 million in 2020.

Financing Activities and Capital Resources

We finance our business activities primarily with cash generated from operations and borrowings, largely through our revolving credit agreement as discussed below. Our subsidiaries outside of the United States may also maintain working capital lines with local banks, but borrowings under such local facilities tend not to be significant. The majority of our cash balance at December 31, 2019 was held by non-U.S. subsidiaries. Based on cash on hand and credit facilities, we anticipate that the Company has sufficient capital resources to operate for the foreseeable future. We were in compliance with all debt covenants as of December 31, 2019.

On November 7, 2017, we entered into a \$685 million unsecured Five-Year Revolving Credit Facility Agreement (the "Credit Agreement") which amended and restated the prior \$550 million Agreement, entered into on April 8, 2016 (the "Prior Agreement"). Under the Credit Agreement, \$424 million of borrowings were outstanding as of December 31, 2019. The applicable interest rate for borrowings was LIBOR plus a spread, based on our leverage ratio at the time of borrowing. At the time of the last borrowing on December 30, 2019, the spread was 1.375%. The spread was based on a pricing grid, which ranged from 1.250% to 1.750%, based on our leverage ratio. Based on our maximum leverage ratio and our Consolidated EBITDA, and without modification to any other credit agreements, as of December 31, 2019, we would have been able to borrow an additional \$261 million under the Agreement.

For more information, see Note 17 to the Consolidated Financial Statements in item 8, which is incorporated herein by reference.

Off-Balance Sheet Arrangements

As of December 31, 2019, we have no off-balance sheet arrangements required to be disclosed pursuant to Item 303(a)(4) of Regulation S-K.

Contractual Obligations

As of December 31, 2019, we have the following cash flow obligations:

(in millions)	Total	Payments Due by Period			
		Less than one year	One to three years	Three to five years	After five years
Total debt	\$424.0	\$ —	\$424.0	\$ —	\$ —
Interest payments ^(a)	41.4	14.8	26.6	—	—
Pension plan contributions ^(b)	2.4	2.4	—	—	—
Other postretirement benefits ^(c)	54.4	3.8	7.4	7.2	36.0
Restructuring accruals	2.0	1.3	0.7	—	—
Other noncurrent liabilities ^(d)	—	—	—	—	—
Operating leases	21.3	5.2	7.2	3.6	5.3
Finance leases	32.9	3.3	6.7	7.1	15.8
Totals	<u>\$578.4</u>	<u>\$30.8</u>	<u>\$472.6</u>	<u>\$17.9</u>	<u>\$57.1</u>

- (a) The terms of variable-rate debt arrangements, including interest rates and maturities, are included in Note 17 of the Consolidated Financial Statements in Item 8. The interest payments are based on the assumption that we maintain \$74 million of variable rate debt until the November 2017 Credit Agreement matures on November 7, 2022, and the rate as of December 31, 2019 (3.43%) continues until October 17, 2022, then continues at 3.19% until maturity. Both rates include the effects of interest rate hedging transactions.
- (b) We estimate the total of pension benefits to be paid directly by the Company and pension contributions to be \$2.4 million in 2020. However, that estimate is subject to revision based on many factors. The Company may also make voluntary contributions to pension trusts that exist in certain countries. The amount of contributions after 2020 is subject to many variables, including return of pension plan assets, interest rates, and tax and employee benefit laws. Therefore, contributions beyond 2020 are not included in this schedule.
- (c) Estimated cash outflow for other postretirement benefits is consistent with the expected benefit payments as presented in Note 4 of the Consolidated Financial Statements in Item 8 for the next five years. Beyond five years, expected benefit payments are not consistent with those presented in Note 4, due to the many variables associated with this estimate.
- (d) Estimated payments for deferred compensation, interest rate swap agreements, and other noncurrent liabilities are not included in this table due to the uncertain timing of the ultimate cash settlement. Also, this table does not reflect unrecognized tax benefits, the timing of which is uncertain. Refer to Note 7 of the Consolidated Financial Statements in Item 8, for additional discussion on unrecognized tax benefits.

The foregoing table should not be deemed to represent all of our future cash requirements, which will vary based on our future needs. While the cash required to satisfy the obligations set forth in the table is reasonably determinable in advance, many other cash needs, such as raw materials costs, payroll, and taxes, are dependent on future events and are harder to predict. In addition, while the contingencies described in Note 21 of the Consolidated Financial Statements in Item 8 are not currently anticipated to have a material adverse effect on our Company, there can be no assurance that this may not change. Subject to the foregoing, we currently expect that cash from operations and the other sources of liquidity described above will be sufficient to enable us to meet the foregoing cash obligations, as well as to meet our other cash requirements.

Recent Accounting Pronouncements

A discussion of recent accounting pronouncements is set forth in Item 8 Financial Statements and Supplementary Data, Note 1, which is incorporated herein by reference.

Critical Accounting Policies and Estimates

For the discussion of our accounting policies, see Item 8 Financial Statements and Supplementary Data, Note 1, which is incorporated herein by reference. The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make assumptions and estimates that directly affect the amounts reported in the Consolidated Financial Statements.

Each of these assumptions is subject to uncertainties and changes in those assumptions or judgments can affect our results of operations. In addition to the accounting policies stated in Item 8, financial statement amounts and disclosures are significantly influenced by market factors, judgments and estimates as described below.

Revenue Recognition

Effective January 1, 2018, the Company adopted the provisions of ASC 606, *Revenue from contracts with customers*. The standard replaces numerous requirements in U.S. GAAP, including industry-specific requirements, and provides companies with a single model for recognizing revenue from contracts with customers. See additional information in Item 8.

Contracts with customers in the Machine Clothing segment have various terms that can affect the point in time when revenue is recognized. The contractual terms are closely monitored in order to ensure revenue is recognized in the proper period.

Products and services provided under long-term contracts represent a significant portion of sales in the Albany Engineered Composites segment. AEC's largest source of revenue is derived from the LEAP contract under a cost-plus-fee agreement. Beginning in 2018, the fee is variable based on our success in achieving certain cost targets. Revenue is recognized over time as costs are incurred. Under this contract, there is significant judgment involved in determining applicable contract costs and the amount of revenue to be recognized.

We also have fixed price long-term contracts, for which we use the percentage of completion (actual cost to estimated cost) method. That method requires significant judgment and estimation, which could be considerably different if the underlying circumstances were to change. When adjustments in estimated contract revenues or costs are required, any changes from prior estimates are included in earnings in the period the change occurs.

The Albany Engineered Composites segment also has some long-term aerospace contracts under which there are two phases: a phase during which the production part is designed and tested, and a phase of supplying production parts. During the design and testing phases, we perform pre-production or nonrecurring engineering services, which are normally considered a fulfillment activity, rather than a performance obligation. Fulfillment activities that create resources that will be used in satisfying performance obligations in the future, and are expected to be recovered, are capitalized in Other assets. The capitalized costs are amortized into Cost of goods sold over the period over which the asset is expected to contribute to future cash flows which includes anticipated renewal periods. Accumulated capitalized costs are written-off when those costs are determined to be unrecoverable.

For contracts with anticipated losses, a provision for the entire amount of the estimated remaining loss is charged against income in the period in which the loss becomes known. Contract loss provisions include contract options that are probable of exercise, excluding any profitable options that might be expected to follow. Contract losses are determined considering all direct and indirect contract costs, exclusive of any selling, general or administrative cost allocations, which are treated as period expenses. Under the new standard, we are required to limit our estimate of contract values to the period of the legally enforceable contract, which in many cases is considerably shorter than the contract period used under the former standard. While certain contracts are expected to be profitable over the course of the program life when including expected renewals, under the new standard, our estimate of contract revenues and costs is limited to the estimated value of enforceable rights and obligations, excluding anticipated renewals. In some cases, this shorter contract period may result in a loss contract provision at the inception of the contract. Also, refer to information under *Long-term Contracts* in Item 7, *Management's Discussion and Analysis* of this Form 10-K, which is incorporated herein by reference.

Pension and Postretirement Liabilities

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. As of December 31, 2019, total liabilities under our defined benefit pension plans (including unfunded plans) exceeded plan assets by \$15.5 million, of which \$8.0 million was for plans outside of the U.S. Additionally, at December 31, 2019, other postretirement

liabilities totaled \$54.4 million, substantially all of which related to our U.S. plan. As of December 31, 2019, we have unrecognized pretax net losses of \$63.9 million for pension plans and \$10.7 million for other postretirement benefit plans that may be amortized into earnings in future periods.

We are required to consider current market conditions, including changes in interest rates, in making these assumptions. For 2020, we anticipate pension contributions and direct payments to retirees to total \$2.4 million, and payments for other postretirement benefit plans to be \$3.8 million. Changes in the related pension and other postretirement benefit costs or credits may occur in the future due to changes in the assumptions. 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, and actual contributions could vary significantly. Assumptions used for determining pension and other postretirement plan liabilities and expenses are evaluated and updated at least annually.

Income Taxes

In the ordinary course of business, there is inherent uncertainty in determining assets and liabilities related to income tax balances. We exercise significant judgment in order to estimate taxes payable or receivable in future periods. Tax-related balances may also be impacted by organizational changes or changes in the tax laws of any country in which we operate. We assess our income tax positions and record tax assets and liabilities for all years subject to examination based upon management's evaluation of the facts, circumstances, and information available at the reporting date. For those tax positions where it is more likely than not that a tax benefit will be sustained, we have determined the amount of the tax benefit to be recognized by estimating the largest amount of tax benefit that has a greater than 50 percent likelihood of being realized upon ultimate settlement with a taxing authority that has full knowledge of all relevant information.

Deferred tax assets are expected to be realized through the reversal of existing temporary differences and future taxable income. A 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 valuation allowances will not be needed, the valuation allowance will be adjusted.

In late 2017, new tax legislation was enacted in the United States which resulted in significant charges to income tax expense. Charges associated with the Tax Reform Act were recorded in 2017 and represent the Company's best estimates and provisional amounts. Adjustments recorded to the provisional amounts through the fourth quarter of 2018 are included in Income tax expense.

Goodwill and Intangible assets

Goodwill is not amortized, but is tested for impairment at least annually. Estimating the fair value of reporting units requires the use of estimates and significant judgments that are based on a number of factors including expected future operating results. It is possible that these judgments and estimates could change in future periods.

The determination of the fair value of intangible assets acquired in a business acquisition, including the Company's acquisitions in 2019 and 2016, is subject to many estimates and assumptions. We review amortizable intangible asset groups for impairment whenever events or changes in circumstances indicate that the related carrying amounts may not be recoverable.

Non-GAAP Measures

This Form 10-K contains certain non-GAAP metrics, including: net sales, and percent change in net sales, excluding the impact of currency translation effects (for each segment and on a consolidated basis); EBITDA and Adjusted EBITDA (for each segment and on a consolidated basis, represented in dollars or as a percentage of net sales); Net debt; and Adjusted earnings per share (or Adjusted EPS). Such items are provided because management believes that they provide additional useful information to investors regarding the Company's operational performance.

Presenting sales and increases or decreases in Net sales, after currency effects are excluded, can give management and investors insight into underlying sales trends. EBITDA, Adjusted EBITDA and Adjusted EPS are performance measures that relate to the Company's continuing operations. EBITDA, or net income with interest, taxes, depreciation, and amortization added back, is a common indicator of financial performance

used, among other things, to analyze and compare core profitability between companies and industries because it eliminates effects due to differences in financing, asset bases and taxes. An understanding of the impact in a particular period of specific restructuring costs, acquisition and related retention agreement expenses, currency revaluation, pension settlement/curtailment charges, inventory write-offs associated with discontinued businesses, or other gains and losses, on net income (absolute as well as on a per-share basis), operating income or EBITDA can give management and investors additional insight into core financial performance, especially when compared to periods in which such items had a greater or lesser effect, or no effect. Restructuring expenses in the MC segment, while frequent in recent years, are reflective of significant reductions in manufacturing capacity and associated headcount in response to shifting markets, and not of the profitability of the business going forward as restructured. Net debt, is, in the opinion of the Company, helpful to investors wishing to understand what the Company's debt position would be if all available cash were applied to pay down indebtedness. EBITDA, Adjusted EBITDA, and Adjusted earnings per share are performance measures that relate to the Company's continuing operations.

Net sales, or percent changes in net sales, excluding currency rate effects, are calculated by converting amounts reported in local currencies into U.S. dollars at the exchange rate of a prior period. These amounts are then compared to the U.S. dollar amount as reported in the current period. The Company calculates EBITDA by removing the following from Net income: Interest expense net, Income tax expense, and Depreciation and amortization expense. Adjusted EBITDA is calculated by: adding to EBITDA costs associated with restructuring, inventory write-offs associated with discontinued businesses, adding charges and credits related to pension plan settlements and curtailments; adding (or subtracting) revaluation losses (or gains); subtracting (or adding) gains (or losses) from the sale of buildings or investments; subtracting insurance recovery gains in excess of previously recorded losses; adding acquisition and related retention agreement expenses and subtracting (or adding) Income (or loss) attributable to the non-controlling interest in Albany Safran Composites (ASC). Adjusted earnings per share is calculated by adding to (or subtracting from) net income attributable to the Company per share, on an after-tax basis: restructuring charges; inventory write-offs associated with discontinued businesses; pension settlements/curtailments; the effect of changes in the income tax rate; foreign currency revaluation losses (or gains); acquisition-related expenses; and losses (or gains) from the sale of investments.

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

The following tables show the calculation of EBITDA and Adjusted EBITDA:

Consolidated results Years ended December 31,	(in thousands)		
	2019	2018	2017
Operating income (GAAP)	\$193,576	\$137,408	\$ 78,676
Interest, taxes, other income/(expense)	(60,193)	(54,389)	(46,091)
Net income (GAAP)	133,383	83,019	32,585
Interest expense, net	16,921	18,124	17,091
Income tax expense	44,829	32,228	22,123
Depreciation and amortization expense	70,795	79,036	71,956
EBITDA (non-GAAP)	265,928	212,407	143,755
Restructuring expenses, net	2,905	15,570	13,491
Foreign currency revaluation (gains)/losses	(3,190)	(341)	8,761
Pension settlement/curtailment expense	478	1,494	—
Acquisition expenses	501	—	—
Retention agreement expense	120	—	—
Write-off of inventory in a discontinued product line	—	—	2,800
Pre-tax (income)/loss attributable to noncontrolling interest in ASC	(1,308)	(197)	567
Adjusted EBITDA (non-GAAP)	\$265,434	\$228,933	\$169,374

	(in thousands)			
Year ended December 31, 2019	<u>Machine Clothing</u>	<u>Albany Engineered Composites</u>	<u>Corporate expenses and other</u>	<u>Total Company</u>
Operating income/(loss) (GAAP)	\$191,965	\$ 55,520	\$ (53,909)	\$193,576
Interest, taxes, other income/(expense)	—	—	(60,193)	(60,193)
Net income/(loss) (GAAP)	191,965	55,520	(114,102)	133,383
Interest expense, net	—	—	16,921	16,921
Income tax expense	—	—	44,829	44,829
Depreciation and amortization expense	21,876	44,670	4,249	70,795
EBITDA (non-GAAP)	213,841	100,190	(48,103)	265,928
Restructuring expenses, net	1,129	1,833	(57)	2,905
Foreign currency revaluation (gains)/losses	630	643	(4,463)	(3,190)
Pension curtailment expense	—	—	478	478
Acquisition expenses	—	301	200	501
Retention agreement expense	—	120	—	120
Pre-tax (income) attributable to noncontrolling interest in ASC	—	(1,308)	—	(1,308)
Adjusted EBITDA (non-GAAP)	<u>\$215,600</u>	<u>\$101,779</u>	<u>\$ (51,945)</u>	<u>\$265,434</u>

	(in thousands)			
Year ended December 31, 2018	<u>Machine Clothing</u>	<u>Albany Engineered Composites</u>	<u>Corporate expenses and other</u>	<u>Total Company</u>
Operating income/(loss) (GAAP)	\$169,836	\$16,647	\$ (49,075)	\$137,408
Interest, taxes, other income/(expense)	—	—	(54,389)	(54,389)
Net income/(loss) (GAAP)	169,836	16,647	(103,464)	83,019
Interest expense, net	—	—	18,124	18,124
Income tax expense	—	—	32,228	32,228
Depreciation and amortization expense	30,813	43,205	5,018	79,036
EBITDA (non-GAAP)	200,649	59,852	(48,094)	212,407
Restructuring expenses, net	12,278	3,048	244	15,570
Foreign currency revaluation (gains)/losses	(826)	547	(62)	(341)
Pension settlement/curtailment expense	—	—	1,494	1,494
Pre-tax (income) attributable to noncontrolling interest in ASC	—	(197)	—	(197)
Adjusted EBITDA (non-GAAP)	<u>\$212,101</u>	<u>\$63,250</u>	<u>\$ (46,418)</u>	<u>\$228,933</u>

	(in thousands)			
Year ended December 31, 2017	<u>Machine Clothing</u>	<u>Albany Engineered Composites</u>	<u>Corporate expenses and other</u>	<u>Total Company</u>
Operating income/(loss) (GAAP)	\$153,980	\$(31,657)	\$(43,647)	\$ 78,676
Interest, taxes, other income/(expense)	—	—	(46,091)	(46,091)
Net income/(loss) (GAAP)	153,980	(31,657)	(89,738)	32,585
Interest expense, net	—	—	17,091	17,091
Income tax expense	—	—	22,123	22,123
Depreciation and amortization expense	33,527	33,533	4,896	71,956
EBITDA (non-GAAP)	187,507	1,876	(45,628)	143,755
Restructuring expenses, net	3,429	10,062	—	13,491
Foreign currency revaluation losses	3,903	214	4,644	8,761
Write-off of inventory in a discontinued product line	—	2,800	—	2,800
Pre-tax loss attributable to noncontrolling interest in ASC	—	567	—	567
Adjusted EBITDA (non-GAAP)	<u>\$194,839</u>	<u>\$ 15,519</u>	<u>\$(40,984)</u>	<u>\$169,374</u>

The Company discloses certain income and expense items on a per-share basis. The Company believes that such disclosures provide important insight into the underlying earnings and are financial performance metrics commonly used by investors. The Company calculates the per-share amount for items included in continuing operations by using the income tax rate based on income from continuing operations and the weighted-average number of shares outstanding for each period. Year-to-date earnings per-share effects are determined by adding the amounts calculated at each reporting period.

The following tables show the earnings per share effect of certain income and expense items:

	(in thousands, except per share amounts)			
Year ended December 31, 2019	Pre tax Amounts	Tax Effect	After tax Effect	Per Share Effect
Restructuring expenses, net	\$ 2,905	\$ 824	\$ 2,081	\$ 0.06
Foreign currency revaluation (gains)/losses	(3,190)	(904)	(2,286)	(0.07)
Pension curtailment charge	478	91	387	0.01
Acquisition expenses	501	120	381	0.01
Retention agreement expense	120	36	84	—

	(in thousands, except per share amounts)			
Year ended December 31, 2018	Pre tax Amounts	Tax Effect	After tax Effect	Per Share Effect
Restructuring expenses, net	\$15,570	\$4,904	\$10,666	\$ 0.34
Foreign currency revaluation (gains)/losses	(341)	3	(344)	(0.01)
Net Pension settlement/curtailment charge	1,494	348	1,146	0.04

	(in thousands, except per share amounts)			
Year ended December 31, 2017	Pre tax Amounts	Tax Effect	After tax Effect	Per Share Effect
Restructuring expenses, net	\$13,491	\$4,768	\$8,723	\$0.27
Foreign currency revaluation (gains)/losses	8,761	3,107	5,654	0.18
Write-off of inventory in a discontinued product line	2,800	1,036	1,764	0.05

The following table contains the calculation of full-year Adjusted EPS, excluding adjustments:

Years ended December 31,	Per share amounts (Basic)		
	2019	2018	2017
Earnings per share (GAAP)	\$ 4.10	\$ 2.57	\$ 1.03
Adjustments, after tax:			
Restructuring expenses, net	0.06	0.34	0.27
Foreign currency revaluation (gains)/losses	(0.07)	(0.01)	0.18
Write-off of inventory in a discontinued product line	—	—	0.05
Pension settlement/curtailment charge	0.01	0.04	—
Acquisition expenses	0.01	—	—
Adjusted earnings per share (non-GAAP)	<u>\$ 4.11</u>	<u>\$ 2.94</u>	<u>\$ 1.53</u>

The following table contains the calculation of net debt:

	(in thousands)		
As of December 31,	2019	2018	2017
Notes and loans payable	\$ —	\$ —	\$ 262
Current maturities of long-term debt	20	1,224	1,799
Long-term debt	424,009	523,707	514,120
Total debt	424,029	524,931	516,181
Cash and cash equivalents	195,540	197,755	183,727
Net debt	\$228,489	\$327,176	\$332,454

Item 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

We have 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.

Foreign Currency Exchange Rate Risk

We have manufacturing plants and sales transactions worldwide and therefore are 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, we periodically enter into forward exchange contracts either to hedge the net assets of a foreign investment or to provide an economic hedge against future cash flows. The total net assets of non-U.S. operations and long-term intercompany loans denominated in nonfunctional currencies subject to potential loss amount to approximately \$570.2 million. The potential loss in fair value resulting from a hypothetical 10 percent adverse change in quoted foreign currency exchange rates amounts to \$57.0 million. Furthermore, related to foreign currency transactions, we have exposure to various nonfunctional currency balances totaling \$77.9 million. This amount includes, on an absolute basis, exposures to assets and liabilities held in currencies other than our local entity's functional currency. On a net basis, we had \$25.4 million of foreign currency assets as of December 31, 2019. As currency rates change, these nonfunctional currency balances are revalued, and the corresponding adjustment is recorded in the income statement. A hypothetical change of 10 percent in currency rates could result in an adjustment to the income statement of approximately \$2.5 million. Actual results may differ.

Interest Rate Risk

We are exposed to interest rate fluctuations with respect to our variable rate debt, depending on general economic conditions.

On December 31, 2019, we had the following variable rate debt:

(in thousands, except interest rates)

Long-term debt

Credit agreement with borrowings outstanding, net of fixed rate portion, at an end of period interest rate of 3.185%

in 2019, due in 2022

\$74,000

Total

\$74,000

Assuming borrowings were outstanding for an entire year, an increase of one percentage point in weighted average interest rates would increase/decrease interest expense by \$0.7 million. To manage interest rate risk, we may periodically enter into interest rate swap agreements to effectively fix the interest rates on variable debt to a specific rate for a period of time. (See Note 18 to the Consolidated Financial Statements in Item 8).

Item 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

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Report of Independent Registered Public Accounting Firm

To the Shareholders and Board of Directors
Albany International Corp.:

Opinion on the Consolidated Financial Statements

We have audited the accompanying consolidated balance sheets of Albany International Corp. and subsidiaries (the Company) as of December 31, 2019 and 2018, the related consolidated statements of income, comprehensive income, and cash flows for each of the years in the three-year period ended December 31, 2019, and the related notes and financial statement Schedule II – Valuation and Qualifying Accounts (collectively, the consolidated financial statements). In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2019 and 2018, and the results of its operations and its cash flows for each of the years in the three-year period ended December 31, 2019, in conformity with U.S. generally accepted accounting principles.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the Company's internal control over financial reporting as of December 31, 2019, based on criteria established in *Internal Control – Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission, and our report dated February 28, 2020 expressed an unqualified opinion on the effectiveness of the Company's internal control over financial reporting.

Change in Accounting Principle

As discussed in Notes 1 and 2 to the consolidated financial statements, the Company has changed its method of accounting for revenue as of January 1, 2018 due to the adoption of Accounting Standards Codification Topic 606, *Revenue from Contracts with Customers*.

Basis for Opinion

These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement, whether due to error or fraud. Our audits included performing procedures to assess the risks of material misstatement of the consolidated financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. We believe that our audits provide a reasonable basis for our opinion.

Critical Audit Matters

The critical audit matters communicated below are matters arising from the current period audit of the consolidated financial statements that were communicated or required to be communicated to the audit committee and that: (1) relate to accounts or disclosures that are material to the consolidated financial statements and (2) involved our especially challenging, subjective, or complex judgments. The communication of critical audit matters does not alter in any way our opinion on the consolidated financial statements, taken as a whole, and we are not, by communicating the critical audit matters below, providing separate opinions on the critical audit matters or on the accounts or disclosures to which they relate.

Evaluation of estimated total contract costs at completion for Albany Engineered Composites revenue recognition

As discussed in Note 2 to the consolidated financial statements, the Albany Engineered Composites (AEC) segment had net sales of \$452.9 million for the year ended December 31, 2019 of which \$424.3 million was recognized over time as costs are incurred. Under the cost-to-cost measure of progress, the extent of progress toward completion is measured based on the ratio of costs incurred to date to the total estimated costs at completion of the performance obligation. Revenue, including profit, is recorded proportionally as costs are incurred.

We identified the evaluation of estimated total contract costs at completion to recognize revenue for certain AEC contracts as a critical audit matter because of the varied nature and inherent complexities of the contractual performance obligations. A high degree of auditor judgment was required to evaluate the estimates of total contract costs, primarily material and labor, at completion for those contracts.

The primary procedures we performed to address this critical audit matter included the following. We tested certain controls over the Company's estimated costs at completion process, including controls related to developing forecasted material and labor costs. We read relevant agreements, including amendments, to identify significant contract terms and compared the terms to the Company's recognition of revenue for these contracts. We inspected the Company's analysis of the contract's status, including forecasted costs, which we compared against historical costs, and assessed changes to gross margin.

Evaluation of the Machine Clothing revenue recognized at a point in time

As discussed in Note 2 to the consolidated financial statements, the Machine Clothing (MC) segment had net sales of \$601.3 million for the year ended December 31, 2019. Contracts with customers in the MC segment have various terms that can affect the point-in-time when revenue is recognized. The Company recognizes revenue within the MC segment when the performance obligation related to the manufacture and delivery of a product has been satisfied, generally determined based on arrival at the location specified by the customer in accordance with the contract terms. The contractual terms must be closely monitored by the Company in order to ensure revenue is recognized in the proper period.

We identified the evaluation of the MC segment revenue recognized at a point-in-time for certain contracts as a critical audit matter. While our report dated February 28, 2020 expressed an unqualified opinion on the effectiveness of the Company's internal control over financial reporting as of December 31, 2019, during a portion of the year, controls over certain point-in-time revenue transactions were ineffective. As a result, a high degree of auditor judgment was required to evaluate when revenue should be recognized due to the variability of contractual terms affecting when the performance obligation has been satisfied, specifically when the satisfaction of the performance obligation occurs close to the end of the reporting period.

The primary procedures we performed to address this critical audit matter included the following. We tested certain internal controls over the Company's MC segment revenue process, including controls related to assessing when performance obligations have been satisfied. Specifically, we tested controls over sales orders for the relevance and reliability of certain financial information and review of proof of delivery. We evaluated the timing of revenue recognition by examining a sample of MC segment revenue transactions and comparing relevant information to source documentation, such as proof of delivery. We confirmed the location and existence of certain MC segment products held at third parties to assess when the Company had satisfied its performance obligations.

/s/ KPMG LLP

We have served as the Company's auditor since 2014.

Albany, New York
February 28, 2020

Report of Independent Registered Public Accounting Firm

To the Shareholders and Board of Directors
Albany International Corp.:

Opinion on Internal Control Over Financial Reporting

We have audited Albany International Corp. and subsidiaries' (the Company) internal control over financial reporting as of December 31, 2019, based on criteria established in *Internal Control – Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission. In our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2019, based on criteria established in *Internal Control – Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the consolidated balance sheets of the Company as of December 31, 2019 and 2018, the related consolidated statements of income, comprehensive income, and cash flows for each of the years in the three-year period ended December 31, 2019, and the related notes and financial statement Schedule II – Valuation and Qualifying Accounts (collectively, the consolidated financial statements), and our report dated February 28, 2020 expressed an unqualified opinion on those consolidated financial statements.

The Company acquired CirComp GmbH (CirComp) during 2019, and management excluded from its assessment of the effectiveness of the Company's internal control over financial reporting as of December 31, 2019, CirComp's internal control over financial reporting associated with total assets of \$41.1 million and total net sales of \$0.5 million included in the consolidated financial statements of the Company as of and for the year ended December 31, 2019. Our audit of internal control over financial reporting of the Company also excluded an evaluation of the internal control over financial reporting of CirComp.

Basis for Opinion

The Company's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Management's Report on Internal Control over Financial Reporting (Item 9A). Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audit in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audit also included performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

Definition and Limitations of Internal Control Over Financial Reporting

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

/s/ KPMG LLP

Albany, New York
February 28, 2020

Albany International Corp.
CONSOLIDATED STATEMENTS OF INCOME
For the years ended December 31,
(in thousands, except per share amounts)

	<u>2019</u>	<u>2018</u>	<u>2017</u>
Net sales	\$1,054,132	\$982,479	\$863,717
Cost of goods sold	656,431	632,730	567,434
Gross profit	397,701	349,749	296,283
Selling, general and administrative expenses	163,651	156,189	162,942
Technical and research expenses	37,569	40,582	41,174
Restructuring expenses, net	2,905	15,570	13,491
Operating income	193,576	137,408	78,676
Interest income	(2,729)	(2,118)	(1,511)
Interest expense	19,650	20,242	18,602
Other (income)/expense, net	(1,557)	4,037	6,877
Income before income taxes	178,212	115,247	54,708
Income tax expense	44,829	32,228	22,123
Net income	133,383	83,019	32,585
Net income/(loss) attributable to the noncontrolling interest	985	128	(526)
Net income attributable to the Company	\$ 132,398	\$ 82,891	\$ 33,111
Earnings per share attributable to Company shareholders — Basic	\$ 4.10	\$ 2.57	\$ 1.03
Earnings per share attributable to Company shareholders — Diluted	\$ 4.10	\$ 2.57	\$ 1.03
Dividends declared per share, Class A and Class B	\$ 0.73	\$ 0.69	\$ 0.68

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

Albany International Corp.
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
For the years ended December 31,
(in thousands)

	<u>2019</u>	<u>2018</u>	<u>2017</u>
Net income	\$133,383	\$ 83,019	\$32,585
Other comprehensive income/(loss), before tax:			
Foreign currency translation and other adjustments	(8,747)	(27,383)	44,162
Pension settlements and curtailments	450	1,494	—
Pension/postretirement plan remeasurement	(1,796)	851	2,955
Amortization of pension and postretirement liability adjustments:			
Prior service credit	(4,420)	(4,454)	(4,453)
Net actuarial loss	4,480	5,175	5,439
Payments and amortization related to interest rate swaps included in earnings	(1,011)	(146)	1,490
Derivative valuation adjustment	(9,512)	3,832	325
Income taxes related to items of other comprehensive income/(loss):			
Pension settlements and curtailments	(74)	(348)	—
Pension/postretirement plan remeasurement	359	(408)	(918)
Amortization of pension and postretirement liability adjustments	(13)	(158)	(22)
Payments and amortization related to interest rate swaps included in earnings	259	37	(566)
Derivative valuation adjustment	2,432	(979)	(124)
Comprehensive income	115,790	60,532	80,873
Comprehensive income/(loss) attributable to the noncontrolling interest	975	111	(520)
Comprehensive income attributable to the Company	<u>\$114,815</u>	<u>\$ 60,421</u>	<u>\$81,393</u>

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

Albany International Corp.
CONSOLIDATED BALANCE SHEETS
At December 31,
(in thousands, except per share data)

	2019	2018
Assets		
Current assets:		
Cash and cash equivalents	\$ 195,540	\$ 197,755
Accounts receivable, net	218,271	223,176
Contract assets	79,070	57,447
Inventories	95,149	85,904
Income taxes prepaid and receivable	6,162	7,473
Prepaid expenses and other current assets	24,142	21,294
Total current assets	618,334	593,049
Property, plant and equipment, net	466,462	462,055
Intangibles, net	52,892	49,206
Goodwill	180,934	164,382
Deferred income taxes	51,621	62,622
Noncurrent receivables	41,234	45,061
Other assets	62,891	41,617
Total assets	\$1,474,368	\$1,417,992
Liabilities		
Current liabilities:		
Accounts payable	\$ 65,203	\$ 52,246
Accrued liabilities	125,885	129,030
Current maturities of long-term debt	20	1,224
Income taxes payable	11,611	6,806
Total current liabilities	202,719	189,306
Long-term debt	424,009	523,707
Other noncurrent liabilities	132,725	88,277
Deferred taxes and other liabilities	12,226	8,422
Total liabilities	771,679	809,712
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 39,098,792 in 2019 and 37,450,329 in 2018	39	37
Class B Common Stock, par value \$.001 per share; authorized 25,000,000 shares; issued and outstanding 1,617,998 in 2019 and 3,233,998 in 2018	2	3
Additional paid-in capital	432,518	430,555
Retained earnings	698,496	589,645
Accumulated items of other comprehensive income:		
Translation adjustments	(122,852)	(115,976)
Pension and postretirement liability adjustments	(49,994)	(47,109)
Derivative valuation adjustment	(3,135)	4,697
Treasury stock (Class A), at cost; 8,408,770 shares in 2019 and 8,418,620 shares in 2018	(256,391)	(256,603)
Total Company shareholders' equity	698,683	605,249
Noncontrolling interest	4,006	3,031
Total Equity	702,689	608,280
Total liabilities and shareholders' equity	\$1,474,368	\$1,417,992

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

Albany International Corp.
CONSOLIDATED STATEMENTS OF CASH FLOWS
For the years ended December 31,
(in thousands)

	2019	2018	2017
Operating Activities			
Net income	\$ 133,383	\$ 83,019	\$ 32,585
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation	62,085	68,800	61,517
Amortization	8,710	10,236	10,439
Change in deferred taxes and other liabilities	13,702	8,972	(1,264)
Provision for write-off of property, plant and equipment	3,119	3,707	2,870
Non-cash interest expense	605	459	660
Write-off of pension liability adjustment due to settlement/curtailment	450	1,494	—
Compensation and benefits paid or payable in Class A Common Stock	2,063	2,203	2,133
Write-off of intangible assets in a discontinued product line	—	—	4,149
Changes in operating assets and liabilities that provided/(used) cash, net of impact of business acquisition:			
Accounts receivable	9,587	(19,139)	(21,859)
Contract assets	(19,199)	(10,267)	—
Inventories	(8,923)	(968)	3,090
Prepaid expenses and other current assets	(2,291)	(5,815)	(4,989)
Income taxes prepaid and receivable	1,390	(1,402)	(941)
Accounts payable	10,524	9,340	2,910
Accrued liabilities	(7,393)	8,209	5,303
Income taxes payable	3,979	(824)	(799)
Noncurrent receivables	(1,341)	(12,249)	(18,766)
Other noncurrent liabilities	(6,573)	(5,479)	(10,145)
Other, net	(3,525)	(7,811)	(2,677)
Net cash provided by operating activities	200,352	132,485	64,216
Investing Activities			
Purchase of business, net of cash acquired	(30,793)	—	—
Purchases of property, plant and equipment	(67,358)	(81,579)	(85,510)
Purchased software	(597)	(1,307)	(2,127)
Net cash used in investing activities	(98,748)	(82,886)	(87,637)
Financing Activities			
Proceeds from borrowings	45,000	26,031	115,334
Principal payments on debt	(120,017)	(29,913)	(84,047)
Principal payments on finance lease liabilities	(1,180)	—	—
Debt acquisition costs	—	—	(2,130)
Cash received to settle swap agreements	—	—	6,346
Taxes paid in lieu of share issuance	(971)	(1,652)	(1,364)
Proceeds from options exercised	112	202	597
Dividends paid	(23,251)	(21,926)	(21,869)
Net cash (used in)/provided by financing activities	(100,307)	(27,258)	12,867
Effect of exchange rate changes on cash and cash equivalents	(3,512)	(8,313)	12,539
(Decrease)/increase in cash and cash equivalents	(2,215)	14,028	1,985
Cash and cash equivalents at beginning of year	197,755	183,727	181,742
Cash and cash equivalents at end of year	\$ 195,540	\$197,755	\$183,727

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

ALBANY INTERNATIONAL CORP.**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, Albany, we, us, or our) after elimination of intercompany transactions. We have a 50 percent interest in an entity in Russia. The consolidated financial statements include our original investment in the entity, plus our share of undistributed earnings or losses, in the account "Other Assets."

The Company owns 90 percent of the common equity of Albany Safran Composites, LLC (ASC) which is reported within the Albany Engineered Composites (AEC) segment. Additional information regarding that entity is included in Note 10.

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. Estimates are used in accounting for, among other things, revenue recognition, contract profitability, allowances for doubtful accounts, rebates and sales allowances, inventory allowances, pension benefits, goodwill and intangible assets, contingencies, income tax related balances, and other accruals. Our estimates are based on historical experience and on various other assumptions, which are believed to be reasonable under the circumstances. Due to the inherent uncertainty involved in making estimates, actual results reported in future periods may differ from those estimates. Estimates and assumptions are reviewed periodically, and the effects of any revisions are reflected in the consolidated financial statements in the period they are determined to be necessary.

Revenue Recognition

Effective January 1, 2018, the Company adopted the provisions of ASC 606, *Revenue from contracts with customers*, using the modified retrospective (or cumulative effect) method for transition. Under this transition method, periods prior to 2018 were not restated and the cumulative effect of initially applying the new standard was recorded as an adjustment to Retained earnings at January 1, 2018. The standard replaces numerous requirements in U.S. GAAP, including industry-specific requirements, and provides companies with a single model for recognizing revenue from contracts with customers. We applied the new accounting standard to contracts which were not completed by December 31, 2017.

In our Machine Clothing (MC) business segment, prior to 2018, we recorded revenue from the sale of a product when persuasive evidence of an arrangement existed, delivery had occurred, title was transferred, the selling price was fixed, and collectability was reasonably assured. Under the new standard, we recognize MC revenue when we satisfy our performance obligations related to the manufacture and delivery of a product, which, in certain cases, results in earlier recognition of revenue associated with these contracts.

In our Albany Engineered Composites (AEC) business segment, revenue from a number of long-term contracts was, prior to 2018, recorded on the basis of the units-of-delivery method, which is considered an output method. Under the new standard, revenue from most of these contracts is recognized over time using an input method as the measure of progress, which generally results in earlier recognition of revenue. Prior to adoption of the new standard, the classification of revenue in excess of progress billings on long-term contracts was included in Accounts receivable. Under the new standard, such assets are considered Contract assets, which are rights to consideration that are conditional on something other than the passage of time, such as completion of remaining performance obligations. As a result of adoption of the new standard, such assets were reclassified at transition from Accounts receivable to Contract assets. In addition, under the new standard, we are required to limit our estimate of contract values to the period of the legally enforceable contract, which in many cases is considerably shorter than the contract period used under the former standard. While certain contracts are expected to be

ALBANY INTERNATIONAL CORP.**Notes to Consolidated Financial Statements****1. Accounting Policies — (continued)**

profitable over the course of the program life when including expected renewals, under the new standard, our estimate of contract revenues and costs is limited to the estimated value of enforceable rights and obligations, excluding anticipated renewals. In some cases, this shorter contract period may result in a loss contract provision at contract inception. Expected losses on projects include losses on contract options that are probable of exercise, excluding profitable options that often follow.

Products and services provided under long-term contracts represent a significant portion of sales in the Albany Engineered Composites segment. We have a contract with a major customer for which revenue is recognized under a cost-plus-fee agreement. We also have fixed price long-term contracts, for which we use the percentage of completion (actual cost to estimated cost) method. That method requires significant judgment and estimation, which could be considerably different if the underlying circumstances were to change. When adjustments in estimated contract revenues or costs are required, any changes from prior estimates are included in earnings in the period the change occurs. The sum of net adjustments to the estimated profitability of long-term contracts increased AEC operating income by \$10.8 million in 2019, decreased AEC operating income by \$2.0 million in 2018, and decreased AEC operating income by \$11.5 million in 2017. The favorable effects in 2019 were largely attributable to efficiency improvements during the ramp-up of several programs. The unfavorable effects in 2017 included charges on the BR725 and A380 programs. For contracts with anticipated losses, a provision for the entire amount of the estimated remaining loss is charged against income in the period in which the loss becomes known. Contract losses are determined considering all direct and indirect contract costs, exclusive of any selling, general or administrative cost allocations, which are treated as period expenses.

Additional accounting policies related to revenue from contracts with customers are set forth in Note 2.

We limit the concentration of credit risk in receivables by closely monitoring credit and collection policies. We record allowances for sales returns as a deduction in the computation of net sales. Such provisions are recorded on the basis of written communication with customers and/or historical experience. Any value added taxes that are imposed on sales transactions are excluded from net sales.

Cost of Goods Sold

Cost of goods sold includes the cost of materials, provisions for obsolete inventories, labor and supplies, shipping and handling costs, depreciation of manufacturing facilities and equipment, purchasing, receiving, warehousing, and other expenses. Cost of goods sold also includes provisions for loss contracts and charges for the write-off of inventories that result from an exit activity.

Selling, General, Administrative, Technical, and Research Expenses

Selling, general, administrative, and technical expenses are primarily comprised of wages, benefits, travel, professional fees, revaluation of trade foreign currency balances, and other costs, and are expensed as incurred. Selling expense includes provisions for bad debts and costs related to contract acquisition. Research expenses are charged to operations as incurred and consist primarily of compensation, supplies, and professional fees incurred in connection with intellectual property. Total company research expense was \$26.9 million in 2019, \$29.8 million in 2018, and \$30.7 million in 2017.

The Albany Engineered Composites segment participates in both company-sponsored, and customer-funded research and development. Some customer-funded research and development may be on a cost-sharing basis and considered to be a collaborative arrangement, in which case both parties are active participants and are exposed to the risks and rewards dependent on the success of the activity. In such cases, amounts charged to the collaborating entity are credited against research and development expense. For customer-funded research and development in which we anticipate funding to exceed expenses, we include amounts charged to the customer in Net sales, while expenses are included in Cost of goods sold.

ALBANY INTERNATIONAL CORP.**Notes to Consolidated Financial Statements****1. Accounting Policies — (continued)****Restructuring Expense**

We may incur expenses related to exiting a line of business or restructuring of our operations, which could include employee termination costs, costs to consolidate or close facilities, or costs to terminate contractual relationships. Restructuring expenses may also include impairment of Property, plant and equipment, as described below under "Property, Plant and Equipment". Employee termination costs include the severance pay and social costs for periods after employee service is completed. Termination costs related to an ongoing benefit arrangement are recognized when the amount becomes probable and estimable. Termination costs related to a one-time benefit arrangement are recognized at the communication date to employees. Costs related to contract termination, relocation of employees, outplacement and the consolidation or the closure of facilities, are recognized when incurred.

Income Taxes

Deferred income taxes are recognized for the tax consequences of temporary differences and tax attributes by applying enacted statutory tax rates applicable for future years to differences between existing assets and liabilities for financial reporting and income tax return purposes. 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 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 valuation allowances will not be needed, the valuation allowance will be adjusted.

In the ordinary course of business there is inherent uncertainty in quantifying our income tax positions. We assess our income tax positions and record tax benefits for all years subject to examination based upon management's evaluation of the facts, circumstances, and information available at the reporting date. For those tax positions where it is more likely than not that a tax benefit will be sustained, we have determined the amount of the tax benefit to be recognized by estimating the largest amount of tax benefit that has a greater than 50 percent likelihood of being realized upon ultimate settlement with a taxing authority that has full knowledge of all relevant information. For those income tax positions where it is not more-likely-than-not that a tax benefit will be sustained, no tax benefit has been recognized in the financial statements. Where applicable, associated interest and penalties have also been recognized. We recognize accrued interest and penalties related to unrecognized tax benefits as a component of income tax expense.

Earnings Per Share

Basic net income or loss 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. If we report a net loss from continuing operations, the diluted loss is equal to the basic earnings per share calculation.

Translation of Financial Statements

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

Selling, general, and administrative expenses include foreign currency gains and losses resulting from third party balances, such as receivables and payables, which are denominated in a currency other than the entity's functional currency. Gains or losses resulting from cash and short-term intercompany loans and balances denominated in a currency other than the entity's functional currency, and foreign currency options are generally included in Other expense, net. Gains and losses on long-term intercompany loans not intended to be repaid in the foreseeable future are recorded in other comprehensive income. There were no such intercompany loans during 2019 and 2018.

ALBANY INTERNATIONAL CORP.

Notes to Consolidated Financial Statements

1. Accounting Policies — (continued)

The following table summarizes foreign currency transaction gains and losses recognized in the income statement:

<u>(in thousands)</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
(Gains)/losses included in:			
Selling, general, and administrative expenses	\$ 1,281	\$(274)	\$4,127
Other expense, net	<u>(4,471)</u>	<u>(67)</u>	<u>4,634</u>
Total transaction (gains)/losses	<u><u>\$ (3,190)</u></u>	<u><u>\$(341)</u></u>	<u><u>\$8,761</u></u>

The following table presents foreign currency gains on long-term intercompany loans that were recognized in Other comprehensive income:

<u>(in thousands)</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Gain on long-term intercompany loans	\$ —	\$ —	\$1,867

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.

Accounts Receivable

Accounts receivable includes trade receivables and bank promissory notes. In connection with certain sales in Asia Pacific, the Company accepts a bank promissory note as customer payment. The notes may be presented for payment at maturity, which is less than one year.

The Company maintains allowances for doubtful accounts for estimated losses resulting from the inability of its customers to make required payments. The Company determines the allowance based on historical write-off experience, customer-specific facts and economic conditions. If the financial condition of the Company's customers were to deteriorate, resulting in an impairment of their ability to make payments, additional allowances could be required.

The Company also has Noncurrent receivables in the AEC segment that represent revenue earned which have extended payment terms. The Noncurrent receivables will be invoiced to the customer, with 2% interest, over a 10-year period starting in 2020.

See additional information set forth in Notes 2 and 11.

Contract Assets and Contract Liabilities

Contract assets includes unbilled amounts typically resulting from sales under contracts when the cost-to-cost method of revenue recognition is utilized, and revenue recognized exceeds the amount billed to the customer. Contract assets are transferred to Accounts receivable, net, when the entitlement to payment becomes unconditional. Contract liabilities include advance payments and billings in excess of revenue recognized. Contract liabilities are included in Accrued liabilities in the Consolidated Balance Sheet.

See additional information set forth in Notes 2 and 12.

Inventories

Costs included in inventories are raw materials, labor, supplies and allocable depreciation and overhead. Raw material inventories are valued on an average cost basis. Other inventory cost elements are valued at cost, using the first-in, first-out method. The Company writes down the inventories for estimated obsolescence, and to lower of cost or net realizable value based upon assumptions about future demand and market conditions. Write-downs of inventories are charged to Cost of goods sold. If actual demand or market conditions are less favorable than those projected by the Company, additional inventory write-downs may be required. Once established, the original cost of the inventory less the related write-down represents the new cost basis of such inventories.

ALBANY INTERNATIONAL CORP.**Notes to Consolidated Financial Statements****1. Accounting Policies — (continued)**

See additional information set forth in Notes 2 and 13.

Leases

Effective January 1, 2019, we adopted the provisions of ASC 842, Leases, using the effective date (or modified retrospective) approach for transition. Under this transition method, periods prior to 2019 have not been restated, and the cumulative effect of initially applying the new standard was recorded as an adjustment to Retained earnings at January 1, 2019.

The new standard is intended to increase transparency and comparability among organizations by requiring the recognition of right of use (“ROU”) assets and lease liabilities on the balance sheet. Most prominent among the changes under the new standard is the recognition of ROU assets and lease liabilities by lessees for those leases classified as operating leases. Under the new standard, disclosures are required to meet the objective of enabling users of financial statements to assess the amount, timing, and uncertainty of cash flows arising from leases. We applied the new accounting standard to leases existing at the date of initial application of January 1, 2019.

We elected the available package of practical expedients, which permitted us to not reassess under the new standard our prior conclusions about lease identification, lease classification and initial direct costs. We implemented processes and internal controls to enable the preparation of financial information related to this standard.

The most significant impacts resulting from the adoption of the new standard was the recognition of ROU assets and lease liabilities for operating leases on our balance sheet for our real estate and automobile operating leases, as well as to the derecognition and reassessment of assets and liabilities related to our primary manufacturing facility in Salt Lake City, Utah (SLC lease), which had been accounted for as a build-to-suit lease with a failed sale-leaseback. For that lease, transitional guidance required the derecognition of existing assets and liabilities and a reassessment of lease classification. We determined that the lease met the criteria for recording as a finance lease and we determined the January 1, 2019 values of the ROU asset and lease liability on the basis of that reassessment. The change in the SLC lease-related assets and liabilities resulted in a \$0.3 million pre-tax reduction to Retained earnings at the date of adoption.

We have certain lease agreements with lease and non-lease components. For most of these leases, we account for the lease and non-lease components as a single lease component, in accordance with the practical expedient that is available for ongoing accounting. Additionally, for certain other leases, such as for vehicles, we apply a portfolio approach. Such new leases are classified as financing or operating, with classification affecting the pattern and classification of expense recognition in the income statement. Expenses related to operating leases are recognized on a straight-line basis, while those determined to be financing leases are recognized following a front-loaded expense profile, in which interest and amortization are presented separately in the income statement.

Operating lease ROU assets are included in Other assets in the Consolidated Balance Sheets, while finance lease ROU assets are included in Property, plant, and equipment, net. Lease liabilities for both operating and finance leases are included in Accrued liabilities and Other noncurrent liabilities in the Consolidated Balance Sheets.

See additional information set forth in Note 20.

ALBANY INTERNATIONAL CORP.**Notes to Consolidated Financial Statements****1. Accounting Policies — (continued)****Property, Plant and Equipment**

Property, plant and equipment are recorded at cost, or if acquired as part of a business combination, at fair value. Depreciation is recorded using the straight-line method over the estimated useful lives of the assets for financial reporting purposes. In some cases, accelerated methods are used for income tax purposes. 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.

Computer software purchased for internal use, at cost, is amortized on a straight-line basis over five to eight years, depending on the nature of the asset, after being placed into service, and is included in property, plant, and equipment. We capitalize internal and external costs incurred related to the software development stage. Capitalized salaries, travel, and consulting costs related to the software development were immaterial in 2019 and 2018.

We review 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 group may not be recoverable from the estimated future cash flows expected to result from its use and eventual disposition.

See additional information set forth in Note 14.

Goodwill, Intangibles, and Other Assets

Goodwill and intangible assets with indefinite useful lives are not amortized, but are tested for impairment at least annually. Goodwill represents the excess of the purchase price over the fair value of the net tangible and identifiable intangible assets acquired in each business combination. Our reportable segments are consistent with our operating segments. See additional information set forth in Note 15.

Intangible assets acquired in a business combination are recognized at fair value and amortized to Cost of goods sold or Selling, general and administrative expenses over the estimated useful lives of the assets. We review amortizable intangible asset groups for impairment whenever events or changes in circumstances indicate that the related carrying amounts may not be recoverable.

We have an investment in a company in Russia that is accounted for under the equity method of accounting and is included in Other assets, amounting to \$0.5 million in 2019 and \$0.4 million in 2018. We perform regular reviews of the financial condition of the investee to determine if our investment is other than temporarily impaired. If the financial condition of the investee were to no longer support their valuation, we would record an impairment provision.

For some AEC contracts, we perform pre-production or nonrecurring engineering services. These costs are normally considered a fulfillment activity, rather than a performance obligation. Fulfillment activities that create resources that will be used in satisfying performance obligations in the future, and are expected to be recovered, are capitalized to Other assets, which is classified as a noncurrent asset in the Consolidated Balance Sheets. The capitalized costs are amortized into Cost of goods sold over the period over which the asset is expected to contribute to future cash flows, which includes anticipated renewal periods.

Included in Other assets is \$21.3 million in 2019 and \$14.2 million in 2018 for defined benefit pension plans where plan assets exceed the projected benefit obligations. Other assets also includes financial assets of \$0.8 million in 2019 and \$5.3 million in 2018. See additional information set forth in Note 18.

ALBANY INTERNATIONAL CORP.**Notes to Consolidated Financial Statements****1. Accounting Policies — (continued)****Stock-Based Compensation**

We have stock-based compensation plans for key employees. Stock options are accounted for in accordance with applicable guidance for the modified prospective transition method of share-based payments. No options have been granted since 2002. See additional information set forth in Note 22.

Derivatives

We use derivatives from time to time to reduce potentially large adverse effects from changes in currency exchange rates and interest rates. We monitor our exposure to these risks and evaluate, on an ongoing basis, the risk of potentially large adverse effects versus the costs associated with hedging such risks.

We may use interest rate swaps in the management of interest rate exposures and foreign currency derivatives in the management of foreign currency exposure related to assets and liabilities (including net investments in subsidiaries located outside the U.S.) denominated in foreign currencies. When we enter into a derivative contract, we make a determination whether the transaction is deemed to be a hedge for accounting purposes. For those contracts deemed to be a hedge, we formally document the relationship between the derivative instrument and the risk being hedged. In this documentation, we specifically identify the asset, liability, forecasted transaction, cash flow, or net investment that has been designated as the hedged item, and evaluate whether the derivative instrument is expected to reduce the risks associated with the hedged item. To the extent these criteria are not met, we do not use hedge accounting for the derivative.

All derivative contracts are recorded at fair value, as a net asset or a net liability. Changes in the fair value of the hedge are recorded, net of tax, in other comprehensive income. For transactions that are designated as hedges, we perform an evaluation of the effectiveness of the hedge. We measure the effectiveness of hedging relationships both at inception and on an ongoing basis.

For derivatives that are designated and qualify as hedges of net investments in subsidiaries located outside the United States, changes in the fair value of derivatives are reported in other comprehensive income as part of the Cumulative translation adjustment.

Pension and Postretirement Benefit Plans

As described in Note 4, we have pension and postretirement benefit plans covering substantially all employees. Our defined benefit pension plan in the United States was closed to new participants as of October 1998 and, as of February 2009, benefits accrued under this plan were frozen.

We have liabilities for postretirement benefits in the U.S. and Canada. Substantially all of the liability relates to the U.S. plan. Effective January 2005, our postretirement benefit plan in the U.S. was closed to new participants, except for certain life insurance benefits. In September 2008, we changed the cost sharing arrangement under this program such that increases in health care costs are the responsibility of plan participants and, in August 2013, we reduced the life insurance benefit for retirees and eliminated that benefit for active employees.

The pension plans are generally trustee or insured, and accrued amounts are funded as required in accordance with governing laws and regulations. The annual expense and liabilities 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. We consider current market conditions, including changes in interest rates, in making these assumptions. Discount rate assumptions are based on the population of plan participants and a mixture of high-quality fixed-income investments with durations that match expected future payments. The assumption for expected return on plan assets is based on historical and expected returns on various categories of plan assets.

ALBANY INTERNATIONAL CORP.**Notes to Consolidated Financial Statements****1. Accounting Policies — (continued)****Recent Accounting Pronouncements**

In June 2016, an accounting update was issued which replaces the incurred loss impairment methodology under current GAAP with a methodology that reflects expected credit losses and requires consideration of a broader range of reasonable and supportable information to inform credit loss estimates. The measurement of expected credit losses under the current expected losses (CECL) methodology is applicable to financial assets measured at amortized cost, which includes Short-term securities, Trade receivables, Contract assets, and Noncurrent receivables. The Company is required to estimate a CECL allowance using relevant available information. Historical credit loss experience will provide the basis for the estimation of expected credit losses, and adjustments may be made for differences in current asset-specific risk characteristics. A CECL allowance for credit losses will be measured on a collective (pool) basis when similar risk characteristics exist. Where financial instruments do not share risk characteristics, they will be evaluated on an individual basis. The principal effect on the Company's financial statements will be an increase in credit loss reserve on financial instruments, which the Company does not expect to be material. The Company will adopt the new standard using a modified retrospective transition approach as of January 1, 2020, which will be our date of initial application. Consequently, financial information will not be updated and the disclosures required under the new standard will not be provided for dates and periods before January 1, 2020. Additionally, the Company is evaluating changes to our accounting policies, processes and internal controls to ensure we meet the standard's reporting and disclosure requirements.

In August 2018, an accounting update was issued which aims to improve the overall usefulness of disclosures to financial statement users and reduce unnecessary costs to companies when preparing fair value measurement disclosures. We will adopt the new standard as of January 1, 2020 and do not expect the adoption to significantly impact our financial statements.

In August 2018, an accounting update was issued which aims to improve the overall usefulness of disclosures to financial statement users and reduce unnecessary costs to companies when preparing defined benefit plan disclosures. We plan to adopt the new standard effective January 1, 2021. We do not expect the adoption of this update to significantly impact our financial statements.

In November 2018, an accounting update was issued which clarifies when transactions between collaborative arrangement participants are in the scope of ASC 606. The update also provides some guidance on presentation of transactions not in the scope of ASC 606. We will adopt the new standard as of January 1, 2020 and do not expect the adoption to significantly impact our financial statements.

In December 2019, an accounting update was issued which removes certain exceptions for recognizing deferred taxes for investments and performing intra-period tax allocations. The update also adds guidance to reduce complexity in certain areas, including recognizing deferred taxes for tax goodwill and allocating taxes to members of a consolidated group. We plan to adopt the new standard as of January 1, 2021 and we are assessing the potential impact on our financial statements.

2. Revenue Recognition

Effective January 1, 2018, the Company adopted the provisions of ASC 606, *Revenue from contracts with customers*, using the modified retrospective (or cumulative effect) method for transition. Under this transition method, periods prior to 2018 were not restated and the cumulative effect of initially applying the new standard was recorded as an adjustment to Retained earnings at January 1, 2018.

ALBANY INTERNATIONAL CORP.**Notes to Consolidated Financial Statements****2. Revenue Recognition — (continued)**

For periods ending after December 31, 2017, we account for a contract when it has approval and commitment from both parties, the rights of the parties are identified, payment terms are identified, the contract has commercial substance, and collectability of consideration is probable. Revenue is measured based on the consideration specified in the contract with the customer, and excludes any amounts collected on behalf of third parties. We recognize revenue when we satisfy a performance obligation by transferring control over a product or service, or a series of distinct goods or services, to the customer which occurs either at a point in time, or over time, depending on the performance obligation in the contract. A performance obligation is a promise in the contract to transfer a distinct good or service to the customer, and is the unit of account under ASC 606. "Control" refers to the ability to direct the use of, and obtain substantially all of the remaining benefits from the product. A contract's transaction price is allocated to each material distinct performance obligation and is recognized as revenue when, or as, the performance obligation is satisfied.

In our MC segment, our primary performance obligation in most contracts is to provide solution-based, custom-designed fabrics and belts to the customer. We satisfy this performance obligation upon transferring control of the product to the customer at a specific point in time. Contracts with customers in the MC segment have various terms that can affect the point in time when revenue is recognized. Generally, the customer obtains control when the product has been received at the location specified by the customer, at which time the only remaining obligations under the contract may be fulfillment costs, in the form of shipping and handling, which are accrued when control of the product is transferred.

In the MC segment, contracts with certain customers may also obligate us to provide various product-related services at no additional cost to the customer. When this obligation is material in the context of the contract with the customer, we recognize a separate performance obligation and allocate revenue to those services on a relative estimated standalone selling price basis. The standalone selling price for these services is determined based upon an analysis of the services offered and an assessment of the price we might charge for such services as a separate offering. As we typically provide such services on a stand-ready basis, we recognize this revenue over time. Revenue allocated to such service performance obligations is the only MC revenue that is recognized over time.

In our AEC segment, we primarily enter into contracts to manufacture and deliver highly engineered advanced composite products to our customers. A significant portion of AEC revenue is earned under short duration, firm-fixed-price orders that are placed under a master agreement containing general terms and conditions applicable to all orders placed under the master agreement. To determine the proper revenue recognition method, we evaluate whether two or more orders or contracts should be combined and accounted for as one single contract, and whether the combined or single contract contains single or multiple performance obligations. This evaluation requires significant judgment, and the decision to combine a group of contracts, or to allocate revenue from the combined or single contract among multiple performance obligations, could have a significant impact on the amount of revenue and profit recorded in a given period. For most AEC contracts, the nature of our promise (or our performance obligation) to the customer is to manage the contract and provide a significant service of integrating a complex set of tasks and components into a single project or capability, which will often result in the delivery of multiple highly interdependent and interrelated units.

At the inception of a contract, we estimate the transaction price based on our current rights, and do not contemplate future modifications (including unexercised options) or follow-on contracts until they become legally enforceable. Many AEC contracts are subsequently modified to include changes in specifications, requirements or price, which may create new or change existing enforceable rights and obligations. Depending on the nature of the modification, we consider whether to account for the modification as an adjustment to the existing contract or as a separate contract. Generally, we are able to conclude that such modifications are not distinct from the existing contract, due to the significant integration of the obligations, and the interrelated nature of tasks, provided for in the modification and the existing contract. Therefore, such modifications are accounted for as if they were part of the existing contract, and we accumulate the values of such modifications in our estimates of contract value.

ALBANY INTERNATIONAL CORP.

Notes to Consolidated Financial Statements

2. Revenue Recognition — (continued)

Revenue is recognized over time for a large portion of our contracts in AEC as most of our contracts have provisions that, under the guidance in ASC 606, are deemed to transfer control to the customer over time. Revenue is recognized based on the extent of progress towards completion of the performance obligation. The selection of the method to measure progress toward completion requires judgment and is based on the nature of the products or services to be provided. We generally use the cost-to-cost measure of progress for our contracts because it best depicts the transfer of assets to the customer which occurs as we incur costs to produce the contract deliverables. Under the cost-to-cost measure of progress, the extent of progress toward completion is measured based on the ratio of costs incurred to date to the total estimated costs at completion of the performance obligation. Revenue, including profit, is recorded proportionally as costs are incurred. Accounting for long-term contracts requires significant judgment and estimation, which could be considerably different if the underlying circumstances were to change. When any adjustments of estimated contract revenue or costs are required, any changes from prior estimates are included in revenues or earnings in the period in which the change occurs.

In other AEC contracts, revenue is recognized at a point in time because the products are offered to multiple customers, or we do not have an enforceable right to payment until the product is shipped or delivered to the location specified by the customer in the contract.

AEC's largest source of revenue is derived from the LEAP contract (see Note 10) under a cost-plus-fee agreement. Beginning in 2018, the fee is variable based on our success in achieving certain cost targets. Revenue is recognized over time as costs are incurred. Under this contract, there is significant judgment involved in determining applicable contract costs and expected margin, and therefore, in determining the amount of revenue to be recognized.

Payment terms granted to MC and AEC customers reflect general competitive practices. Terms vary with product, competitive conditions, and the country of operation.

The following table provides a summary of the composition of each business segment:

Segment	Product Group	Principal Product or Service	Principal Locations
Machine Clothing (MC)	Machine Clothing	Paper machine clothing: Permeable and impermeable belts used in the manufacture of paper, paperboard, tissue and towel, and pulp	World-wide
		Engineered fabrics: Belts used in the manufacture of nonwovens, fiber cement and several other industrial applications	
Albany Engineered Composites (AEC)	Albany Safran Composites (ASC)	3D-woven, injected composite components for aircraft engines	Rochester, NH Commercy, France Queretaro, Mexico Salt Lake City, UT
	Airframe and engine Components (Other AEC)	Composite airframe and engine components for military and commercial aircraft	Boerne, TX Queretaro, Mexico Kaiserslautern, Germany

ALBANY INTERNATIONAL CORP.

Notes to Consolidated Financial Statements

2. Revenue Recognition — (continued)

We disaggregate revenue earned from contracts with customers for each of our business segments and product groups based on the timing of revenue recognition, and groupings used for internal review purposes.

The following table presents disaggregated revenue for each product group by timing of revenue recognition:

(in thousands)	For the year ended December 31, 2019		
	Point in Time Revenue Recognition	Over Time Revenue Recognition	Total
Machine Clothing	\$598,054	\$ 3,200	\$ 601,254
Albany Engineered Composites ASC	—	220,188	220,188
Other AEC	28,584	204,106	232,690
Total Albany Engineered Composites	28,584	424,294	452,878
Total revenue	\$626,638	\$427,494	\$1,054,132

(in thousands)	For the year ended December 31, 2018		
	Point in Time Revenue Recognition	Over Time Revenue Recognition	Total
Machine Clothing	\$608,658	\$ 3,200	\$611,858
Albany Engineered Composites ASC	—	182,699	182,699
Other AEC	21,614	166,308	187,922
Total Albany Engineered Composites	21,614	349,007	370,621
Total revenue	\$630,272	\$352,207	\$982,479

The following table disaggregates MC segment revenue by significant product groupings (paper machine clothing (PMC) and engineered fabrics), and, for PMC, the geographical region to which the paper machine clothing was sold:

(in thousands)	For the years ended December 31,	
	2019	2018
Americas PMC	\$316,355	\$303,768
Eurasia PMC	210,961	227,493
Engineered Fabrics	73,938	80,597
Total Machine Clothing Net sales	\$601,254	\$611,858

In accordance with ASC 606-10-50-14, we do not disclose the value of unsatisfied performance obligations for contracts with an original expected duration of one year or less. Contracts in the MC segment are generally for periods of less than a year. Most contracts in the AEC segment are short duration firm-fixed-price orders representing performance obligations with an original maturity of less than one year. Remaining performance obligations on contracts that had an original duration of greater than one year totaled \$82 million as of both December 31, 2019 and 2018, and related primarily to firm contracts in the AEC segment. Of the remaining performance obligations as of December 31, 2019 we expect to recognize as revenue approximately \$67 million during 2020, with the remainder to be recognized in 2021.

ALBANY INTERNATIONAL CORP.**Notes to Consolidated Financial Statements****3. Reportable Segments and Geographic Data**

In accordance with applicable disclosure guidance for enterprise segments and related information, the internal organization that is used by management for making operating decisions and assessing performance is used as the basis for our reportable segments.

The accounting policies of the segments are the same as those described in Note 1. Corporate expenses include wages and benefits for corporate headquarters personnel, costs related to information systems development and support, and professional fees related to legal, audit, and other activities. These costs are not allocated to the reportable segments because the decision-making for these functions lies outside of the segments.

Machine Clothing:

The Machine Clothing ("MC") segment supplies permeable and impermeable belts used in the manufacture of paper, paperboard, tissue and towel nonwovens, fiber cement and several other industrial applications. We sell our MC products directly to customer end-users in countries across the globe. Our products, manufacturing processes, and distribution channels for MC are substantially the same in each region of the world in which we operate.

We design, manufacture, and market paper machine clothing (used in the manufacturing of paper, paperboard, tissue and towel) for each section of the paper machine and for every grade of paper. Paper machine clothing products are customized, consumable products of technologically sophisticated design that utilize polymeric materials in a complex structure.

Albany Engineered Composites:

The Albany Engineered Composites ("AEC") segment, including Albany Safran Composites, LLC ("ASC"), in which our customer SAFRAN Group ("Safran") owns a 10 percent noncontrolling interest, provides highly engineered, advanced composite structures to customers in the commercial and defense aerospace industries. AEC's largest program relates to CFM International's LEAP engine. Under this program, AEC through ASC, is the exclusive supplier of advanced composite fan blades and cases under a long-term supply contract. The manufacturing spaces used for the production of parts under the long-term supply agreement are owned by Safran, and leased to the Company at either a market rent or a minimal cost. All lease expense is reimbursable by Safran to the Company due to the cost-plus nature of the supply agreement. In 2019, Safran leased manufacturing space from AEC for the GE9X program. Rent paid by Safran under this lease amount to \$0.2 million in 2019. AEC Net sales to Safran were \$226.8 million in 2019, \$186.3 million in 2018, and \$119.2 million in 2017. The total of Accounts receivable, Contract assets and Noncurrent receivable due from Safran amounted to \$114.5 million and \$96.2 million as of December 31, 2019 and 2018, respectively. Other significant programs served by AEC include the F-35, Boeing 787, Sikorsky CH-53K and JASSM, as well as the fan case for the GE9X engine. In 2019, approximately 25 percent of AEC sales were related to U.S. government contracts or programs.

ALBANY INTERNATIONAL CORP.
Notes to Consolidated Financial Statements
3. Reportable Segments and Geographic Data — (continued)

As described in Note 2, effective January 1, 2018, the Company adopted the provisions of ASC 606, "Revenue from contracts with customers", using the cumulative effect method for translation. Periods prior to 2018 have not been restated. The following tables show data by reportable segment, reconciled to consolidated totals included in the financial statements:

<u>(in thousands)</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>Year ended December 31, 2018 Increase/(decrease) attributable to application of ASC 606</u>
Net Sales				
Machine Clothing	\$ 601,254	\$611,858	\$590,357	\$(3,970)
Albany Engineered Composites	452,878	370,621	273,360	(3,150)
Consolidated total	<u>\$1,054,132</u>	<u>\$982,479</u>	<u>\$863,717</u>	<u>\$(7,120)</u>
Depreciation and amortization				
Machine Clothing	21,875	30,813	33,527	—
Albany Engineered Composites	44,670	43,205	33,533	—
Corporate expenses	4,250	5,018	4,896	—
Consolidated total	<u>\$ 70,795</u>	<u>\$ 79,036</u>	<u>\$ 71,956</u>	<u>\$ —</u>
Operating income/(loss)				
Machine Clothing	191,965	169,836	153,980	(1,605)
Albany Engineered Composites	55,520	16,647	(31,657)	4,930
Corporate expenses	(53,909)	(49,075)	(43,647)	—
Operating income	<u>\$ 193,576</u>	<u>\$137,408</u>	<u>\$ 78,676</u>	<u>\$ 3,325</u>
Reconciling items:				
Interest income	(2,729)	(2,118)	(1,511)	—
Interest expense	19,650	20,242	18,602	—
Other expense, net	(1,557)	4,037	6,877	—
Income before income taxes	<u>\$ 178,212</u>	<u>\$115,247</u>	<u>\$ 54,708</u>	<u>\$ 3,325</u>

The table below presents restructuring costs by reportable segment (also see Note 5):

<u>(in thousands)</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Restructuring expenses, net			
Machine Clothing	\$1,129	\$12,278	\$ 3,429
Albany Engineered Composites	1,833	3,048	10,062
Corporate expenses	(57)	244	—
Consolidated total	<u>\$2,905</u>	<u>\$15,570</u>	<u>\$13,491</u>

In the measurement of assets utilized by each reportable segment, we include Inventories, Accounts receivable, net, Contract assets, Noncurrent receivables, Property, plant and equipment, net, Intangibles, net and Goodwill. On November 20, 2019, the Company acquired CirComp GmbH, resulting in a \$35.3 million increase in AEC assets.

ALBANY INTERNATIONAL CORP.

Notes to Consolidated Financial Statements

3. Reportable Segments and Geographic Data — (continued)

The following table presents assets and capital expenditures by reportable segment:

(in thousands)	2019	2018	2017
Segment assets			
Machine Clothing	\$ 441,072	\$ 453,836	\$ 464,468
Albany Engineered Composites	693,799	633,394	584,076
Reconciling items:			
Cash	195,540	197,755	183,727
Income taxes prepaid, receivable and deferred	57,783	70,095	74,914
Prepaid and Other assets	86,174	62,912	54,013
Consolidated total assets	<u>\$1,474,368</u>	<u>\$1,417,992</u>	<u>\$1,361,198</u>
Capital expenditures and purchased software			
Machine Clothing	\$ 16,707	\$ 20,230	\$ 20,522
Albany Engineered Composites	48,753	60,121	63,865
Corporate expenses	2,495	2,535	3,250
Consolidated total	<u>\$ 67,955</u>	<u>\$ 82,886</u>	<u>\$ 87,637</u>

At the January 1, 2018 date of adoption of ASC 606, MC assets increased by \$22.5 million, and AEC assets decreased by \$14.1 million. Excluded from segment assets are cash, tax related assets, prepaid and other current assets, and certain other assets not directly associated with segment operations.

In 2018, AEC finalized a modification to the lease of its primary manufacturing facility in Salt Lake City, Utah, which increased the manufacturing space and extended the minimum lease period until December 31, 2029. The lease modification resulted in a non-cash increase of \$12.7 million to both Property, plant and equipment, net, and to Long-term debt in the Consolidated Balance Sheets in 2018. Effective January 1, 2019, we adopted the provisions of ASC 842, Leases, which resulted in changes to the amount and classification of the associated assets and liabilities, as depicted in Note 20. Due to the non-cash nature of the modification and subsequent adoption of the new Lease accounting standard, changes during both 2018 and 2019 are excluded from amounts reported in the Consolidated Statements of Cash Flows.

ALBANY INTERNATIONAL CORP.

Notes to Consolidated Financial Statements

3. Reportable Segments and Geographic Data — (continued)

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. Net sales recorded by our entity in Switzerland are derived from products sold throughout Europe and Asia, and are invoiced in various currencies.

(in thousands)	2019	2018	2017
Net sales			
United States	\$ 574,063	\$519,349	\$459,525
Switzerland	146,571	157,339	147,601
France	91,783	85,386	57,195
Mexico	73,039	48,534	31,902
Brazil	64,666	62,093	60,535
China	48,586	50,923	48,920
Other countries	55,424	58,855	58,039
Consolidated total	<u>\$1,054,132</u>	<u>\$982,479</u>	<u>\$863,717</u>
Property, plant and equipment, at cost, net			
United States	\$ 275,965	\$272,584	\$252,639
Mexico	45,640	40,343	22,981
France	43,986	50,245	58,196
China	41,799	48,686	61,840
United Kingdom	11,047	12,042	14,256
South Korea	10,795	12,396	14,558
Germany (a)	10,577	27	39
Canada	9,509	8,154	10,230
Other countries	17,144	17,578	19,563
Consolidated total	<u>\$ 466,462</u>	<u>\$462,055</u>	<u>\$454,302</u>

(a) In 2019, the Company acquired CirComp GmbH, which resulted in an increase in Property, plant and equipment of \$10.6 million.

4. Pensions and Other Postretirement Benefit Plans**Pension Plans**

The Company has defined benefit pension plans covering certain U.S. and non-U.S. employees. The U.S. qualified defined benefit pension plan has been closed to new participants since October 1998 and, as of February 2009, benefits accrued under this plan were frozen. As a result of the freeze, employees covered by the pension plan will receive, at retirement, benefits accrued through February 2009, but no benefits accrue after that date. Benefit accruals under the U.S. Supplemental Executive Retirement Plan ("SERP"), which is an unfunded plan, were similarly frozen. The U.S. pension plan accounts for 45 percent of consolidated pension plan assets, and 46 percent of consolidated pension plan obligations. The eligibility, benefit formulas, and contribution requirements for plans outside of the U.S. vary by location.

The December 31, 2019 benefit obligations for the U.S. pension and postretirement plans were calculated using the Pri-2012 mortality table with MP-2017 generational projection. For U.S. pension funding purposes, the Company uses the plan's IRS-basis current liability as its funding target, which is determined based on mandated assumptions.

ALBANY INTERNATIONAL CORP.**Notes to Consolidated Financial Statements****4. Pensions and Other Postretirement Benefit Plans — (continued)****Other Postretirement Benefits**

In addition to providing pension benefits, the Company provides various medical, dental, and life insurance benefits for certain retired United States employees. U.S. employees hired prior to 2005 may become eligible for these benefits if they reach normal retirement age while working for the Company. Benefits provided under this plan are subject to change. Retirees share in the cost of these benefits. Any new employees hired after January 2005 who wish to be covered under this plan will be responsible for the full cost of such benefits. In September 2008, we changed the cost-sharing arrangement under this program such that increases in health care costs are the responsibility of plan participants. In August 2013, we reduced the life insurance benefit for retirees and eliminated the benefit for active employees.

The Company also provides certain postretirement life insurance benefits to retired employees in Canada. As of December 31, 2019, the accrued postretirement liability was \$53.2 million in the U.S. and \$1.2 million in Canada. The Company accrues the cost of providing postretirement benefits during the active service period of the employees. The Company currently funds the plans as claims are paid.

Accounting guidance requires the recognition of the funded status of each defined benefit and other postretirement benefit plan. Each overfunded plan is recognized as an asset and each underfunded plan is recognized as a liability. Company pension plan data for U.S. and non-U.S. plans has been combined for both 2019 and 2018, except where indicated below.

The Company's pension and postretirement benefit costs and benefit obligations are based on actuarial valuations that are affected by many assumptions, the most significant of which are the assumed discount rate, expected rate of return on pension plan assets, and mortality. Each of the assumptions is reviewed and updated annually, as appropriate. The assumed rates of return for pension plan assets are determined for each major asset category based on historical rates of return for assets in that category and expectations of future rates of return based, in part, on simulated future capital market performance. The assumed discount rate is based on yields from a portfolio of currently available high-quality fixed-income investments with durations matching the expected future payments, based on the demographics of the plan participants and the plan provisions.

Gains and losses arise from changes in the assumptions used to measure the benefit obligations, and experience different from what had been assumed, including asset returns different than what had been expected. The Company amortizes gains and losses in excess of a "corridor" over the average future service of the plan's current participants. The corridor is defined as 10 percent of the greater of the plan's projected benefit obligation or market-related value of plan assets. The market-related value of plan assets is also used to determine the expected return on plan assets component of net periodic cost. The Company's market-related value for its U.S. plan is measured by first determining the absolute difference between the actual and the expected return on the plan assets. The absolute difference in excess of 5 percent of the expected return is added to the market-related value over two years; the remainder is added to the market-related value immediately.

To the extent the Company's unrecognized net losses and unrecognized prior service costs, including the amount recognized through accumulated other comprehensive income, are not reduced by future favorable plan experience, they will be recognized as a component of the net periodic cost in future years.

ALBANY INTERNATIONAL CORP.

Notes to Consolidated Financial Statements

4. Pensions and Other Postretirement Benefit Plans — (continued)

The following table sets forth the plan benefit obligations:

(in thousands)	As of December 31, 2019		As of December 31, 2018	
	Pension plans	Other postretirement benefits	Pension plans	Other postretirement benefits
Benefit obligation, beginning of year	\$201,450	\$51,127	\$230,911	\$58,531
Service cost	2,543	189	2,723	232
Interest cost	7,216	2,115	7,217	2,024
Plan participants' contributions	243	—	228	—
Actuarial (gain)/loss	22,645	4,686	(10,666)	(6,100)
Benefits paid	(8,404)	(3,782)	(7,814)	(3,473)
Settlements and curtailments	(1,768)	—	(13,807)	—
Plan amendments and other	152	—	534	—
Foreign currency changes	3,134	49	(7,876)	(87)
Benefit obligation, end of year	\$227,211	\$54,384	\$201,450	\$51,127
Accumulated benefit obligation	\$218,006	\$ —	\$193,870	\$ —
Weighted average assumptions used to determine benefit obligations, end of year:				
Discount rate — U.S. plan	3.40%	3.27%	4.41%	4.31%
Discount rate — non-U.S. plans	2.31%	3.05%	2.98%	3.65%
Compensation increase — U.S. plan	—	3.00%	—	3.00%
Compensation increase — non-U.S. plans	2.81%	3.00%	3.02%	3.00%

The following sets forth information about plan assets:

(in thousands)	As of December 31, 2019		As of December 31, 2018	
	Pension plans	Other postretirement benefits	Pension plans	Other postretirement benefits
Fair value of plan assets, beginning of year	\$178,942	\$ —	\$205,586	\$ —
Actual return on plan assets, net of expenses	32,367	—	(8,449)	—
Employer contributions	4,670	3,782	10,071	3,474
Plan participants' contributions	243	—	228	14
Benefits paid	(8,404)	(3,782)	(7,813)	(3,488)
Settlements	(260)	—	(13,029)	—
Foreign currency changes	4,197	—	(7,652)	—
Fair value of plan assets, end of year	\$211,755	\$ —	\$178,942	\$ —

ALBANY INTERNATIONAL CORP.

Notes to Consolidated Financial Statements

4. Pensions and Other Postretirement Benefit Plans — (continued)

The funded status of the plans was as follows:

(in thousands)	As of December 31, 2019		As of December 31, 2018	
	Pension plans	Other postretirement benefits	Pension plans	Other postretirement benefits
Fair value of plan assets	\$211,755	\$ —	\$178,942	\$ —
Benefit obligation	227,211	54,384	201,450	51,127
Funded status	\$ (15,456)	\$ (54,384)	\$ (22,508)	\$ (51,127)
Accrued benefit cost, end of year	\$ (15,456)	\$ (54,384)	\$ (22,508)	\$ (51,127)
Amounts recognized in the consolidated balance sheet consist of the following:				
Noncurrent asset	\$ 21,337	\$ —	\$ 14,206	\$ —
Current liability	(2,155)	(3,808)	(2,124)	(3,890)
Noncurrent liability	(34,638)	(50,576)	(34,590)	(47,237)
Net amount recognized	\$ (15,456)	\$ (54,384)	\$ (22,508)	\$ (51,127)
Amounts recognized in accumulated other comprehensive income consist of:				
Net actuarial loss	\$ 63,240	\$ 28,119	\$ 68,110	\$ 25,660
Prior service cost/(credit)	639	(17,434)	1,020	(21,922)
Net amount recognized	\$ 63,879	\$ 10,685	\$ 69,130	\$ 3,738

The composition of the net pension plan funded status as of December 31, 2019 was as follows:

(in thousands)	U.S. plan	Non-U.S. plans	Total
Pension plans with pension assets	\$(660)	\$17,546	\$16,886
Pension plans without pension assets	(6,799)	(25,543)	(32,342)
Total	\$(7,459)	\$(7,997)	\$(15,456)

The net underfunded balance in the U.S. principally relates to the Supplemental Executive Retirement Plan.

ALBANY INTERNATIONAL CORP.

Notes to Consolidated Financial Statements

4. Pensions and Other Postretirement Benefit Plans — (continued)

The composition of the net periodic benefit plan cost for the years ended December 31, 2019, 2018, and 2017, was as follows:

(in thousands)	Pension plans			Other postretirement benefits		
	2019	2018	2017	2019	2018	2017
Components of net periodic benefit cost:						
Service cost	\$ 2,543	\$ 2,723	\$ 2,720	\$ 189	\$ 232	\$ 244
Interest cost	7,216	7,217	7,476	2,114	2,024	2,214
Expected return on assets	(8,285)	(8,873)	(8,152)	—	—	—
Amortization of prior service cost/(credit)	68	34	36	(4,488)	(4,488)	(4,488)
Amortization of net actuarial loss	2,253	2,219	2,628	2,227	2,956	2,811
Settlement	(16)	2,246	—	—	—	—
Curtailement (gain)/loss	466	(752)	—	—	—	—
Net periodic benefit cost	\$ 4,245	\$ 4,814	\$ 4,708	\$ 42	\$ 724	\$ 781

Weighted average assumptions used to determine net cost:

Discount rate — U.S. plan	4.41%	3.70%	4.20%	4.31%	3.59%	4.00%
Discount rate — non-U.S. plans	2.98%	2.83%	2.98%	3.65%	3.40%	3.70%
Expected return on plan assets — U.S. plan	4.57%	3.87%	4.40%	—	—	—
Expected return on plan assets — non-U.S. plans	4.45%	4.83%	4.46%	—	—	—
Rate of compensation increase — U.S. plan	—	—	—	3.00%	—	—
Rate of compensation increase — non-U.S. plans	3.02%	3.04%	3.29%	3.00%	3.00%	3.00%

Pretax (gains)/losses on plan assets and benefit obligations recognized in other comprehensive income for the years ended December 31, 2019, 2018, and 2017, was as follows:

(in thousands)	Pension plans			Other postretirement benefits		
	2019	2018	2017	2019	2018	2017
Settlements/curtailments	\$ (450)	\$(1,494)	\$ —	\$ —	\$ —	\$ —
Asset/liability loss/(gain)	(2,794)	6,411	(4,408)	4,685	(6,100)	2,743
Amortization of actuarial (loss)	(2,253)	(2,219)	(2,628)	(2,227)	(2,956)	(2,811)
Amortization of prior service cost/(credit)	(68)	(34)	(36)	4,488	4,488	4,488
Currency impact	316	(1,389)	1,930	—	—	2
Cost/(benefit) in Other comprehensive income	\$ (5,249)	\$ 1,275	\$(5,142)	\$ 6,946	\$(4,568)	\$ 4,422

ALBANY INTERNATIONAL CORP.

Notes to Consolidated Financial Statements

4. Pensions and Other Postretirement Benefit Plans — (continued)

The estimated amounts that will be amortized from accumulated other comprehensive income into net periodic benefit cost in 2020 are as follows:

<u>(in thousands)</u>	<u>Total pension</u>	<u>Total postretirement benefits</u>
Actuarial loss	\$2,409	\$ 2,592
Prior service cost/(benefit)	32	(4,488)
Total	<u>\$2,441</u>	<u>\$(1,896)</u>

Investment Strategy

Our investment strategy for pension assets differs for the various countries in which we have defined benefit pension plans. Some of our defined benefit plans do not require funded trusts and, in those arrangements, the Company funds the plans on a "pay as you go" basis. The largest of the funded defined benefit plans is the United States plan.

United States plan:

During 2009, we changed our investment strategy for the United States pension plan by adopting a liability-driven investment strategy. Under this arrangement, the Company seeks to invest in assets that track closely to the discount rate that is used to measure the plan liabilities. Accordingly, the plan assets are primarily debt securities. The change in investment strategy is reflective of the Company's 2008 decision to freeze benefit accruals under the plan.

Non-United States plans:

For the countries in which the Company has funded pension trusts, the investment strategy may also be liability driven or, in other cases, to achieve a competitive, total investment return, achieving diversification between and within asset classes and managing other risks. Investment objectives for each asset class are determined based on specific risks and investment opportunities identified. Actual allocations to each asset class vary from target allocations due to periodic investment strategy changes, market value fluctuations, the length of time it takes to fully implement investment allocation positions, and the timing of benefit payments and contributions.

Fair-Value Measurements

The following tables present plan assets as of December 31, 2019, and 2018, using the fair-value hierarchy, which has three levels based on the reliability of inputs used, as described in Note 17. Certain investments that are measured at fair value using net asset value (NAV) as a practical expedient are not required to be categorized in the fair value hierarchy table. The total fair value of these investments is included in the table below to permit reconciliation of the fair value hierarchy to amounts presented in the funded status table above. As of December 31, 2019 and 2018, there were no investments expected to be sold at a value materially different than NAV.

ALBANY INTERNATIONAL CORP.

Notes to Consolidated Financial Statements

4. Pensions and Other Postretirement Benefit Plans — (continued)

(in thousands)	Assets at Fair Value as of December 31, 2019			Total
	Quoted prices in active markets Level 1	Significant other observable inputs Level 2	Significant unobservable inputs Level 3	
Common Stocks and equity funds	\$ 216	\$ —	\$ —	\$ 216
Debt securities	—	92,721	—	92,721
Insurance contracts	—	—	3,244	3,244
Cash and short-term investments	2,793	—	—	2,793
Total investments in the fair value hierarchy	<u>\$3,009</u>	<u>\$92,721</u>	<u>\$3,244</u>	<u>98,974</u>
Investments at net asset value:				
Common Stocks and equity funds				56,846
Fixed income funds				52,751
Limited partnerships				3,184
Total plan assets				<u>\$211,755</u>

(in thousands)	Assets at Fair Value as of December 31, 2018			Total
	Quoted prices in active markets Level 1	Significant other observable inputs Level 2	Significant unobservable inputs Level 3	
Common Stocks and equity funds	\$ 284	\$ —	\$ —	\$ 284
Debt securities	—	78,523	—	78,523
Insurance contracts	—	—	2,890	2,890
Cash and short-term investments	3,016	—	—	3,016
Total investments in the fair value hierarchy	<u>\$3,300</u>	<u>\$78,523</u>	<u>\$2,890</u>	<u>84,713</u>
Investments at net asset value:				
Common Stocks and equity funds				42,852
Fixed income funds				47,534
Limited partnerships				3,843
Total plan assets				<u>\$178,942</u>

The following tables present a reconciliation of Level 3 assets held during the years ended December 31, 2019 and 2018:

(in thousands)	December 31, 2018	Net realized gains	Net unrealized gains	Net purchases, issuances and settlements	Net transfers (out of) Level 3	December 31, 2019
Insurance contracts - total level 3 assets	<u>\$2,890</u>	<u>\$ —</u>	<u>\$20</u>	<u>\$334</u>	<u>\$ —</u>	<u>\$3,244</u>

(in thousands)	December 31, 2017	Net realized gains	Net unrealized gains	Net purchases, issuances and settlements	Net transfers (out of) Level 3	December 31, 2018
Insurance contracts - total level 3 assets	<u>\$2,407</u>	<u>\$ —</u>	<u>\$(45)</u>	<u>\$528</u>	<u>\$ —</u>	<u>\$2,890</u>

ALBANY INTERNATIONAL CORP.

Notes to Consolidated Financial Statements

4. Pensions and Other Postretirement Benefit Plans — (continued)

The asset allocation for the Company's U.S. and non-U.S. pension plans for 2019 and 2018, and the target allocation, by asset category, are as follows:

Asset category	United States Plan			Non-U.S. Plans		
	Target Allocation	Percentage of plan assets at plan measurement date		Target Allocation	Percentage of plan assets at plan measurement date	
		2019	2018		2019	2018
Equity securities	—%	1%	1%	13%	13%	19%
Debt securities	100%	96%	94%	82%	80%	74%
Real estate	—%	2%	4%	1%	1%	1%
Other ⁽¹⁾	—%	1%	1%	4%	6%	6%
	100%	100%	100%	100%	100%	100%

(1) Other includes hedged equity and absolute return strategies, and private equity. The Company has procedures to closely monitor the performance of these investments and compares asset valuations to audited financial statements of the funds.

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.

At the end of 2019 and 2018, the projected benefit obligation, accumulated benefit obligation, and fair value of plan assets for pension plans with projected benefit obligation and an accumulated benefit obligation in excess of plan assets were as follows:

(in thousands)	Plans with projected benefit obligation in excess of plan assets	
	2019	2018
Projected benefit obligation	\$137,123	\$123,261
Fair value of plan assets	100,330	86,547
(in thousands)	Plans with accumulated benefit obligation in excess of plan assets	
	2019	2018
Accumulated benefit obligation	\$134,737	\$120,869
Fair value of plan assets	100,330	86,062

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

(in thousands)	Pension plans	Other postretirement benefits
Expected employer contributions and direct employer payments in the next fiscal year	\$ 2,446	\$ 3,808
Expected benefit payments		
2020	7,905	3,808
2021	8,537	3,738
2022	8,755	3,683
2023	9,068	3,631
2024	9,531	3,555
2025-2029	53,652	16,569

ALBANY INTERNATIONAL CORP.

Notes to Consolidated Financial Statements

5. Restructuring

In 2017, the Company announced a proposal to discontinue operations at its MC production facility in Sélestat, France. The restructuring program was driven by the Company's need to balance manufacturing capacity with demand. During 2017, we incurred \$1.1 million of restructuring expense associated with this proposal but were unable to reasonably estimate the total costs for severance and other charges associated with the proposal as there was no assurance, at that time, that approval for the proposal would be obtained. In 2018, the plan was approved by the French Labor Ministry which led to restructuring expense of \$10.7 million in 2018, which includes severance and outplacement costs for the approximately 50 positions that were terminated under this plan. In 2019, restructuring charges were \$0.9 million. Since 2017, we have recorded \$12.7 million of restructuring charges related to this action. As a result of this action, we recorded a pension plan curtailment gain of \$0.7 million in 2018 which is recorded in Other expense, net.

In 2016, the Company discontinued research and development activities at its MC facility in Sélestat, France as part of a plan to reduce research and development costs. This initiative resulted in 2016 expense of \$2.2 million for severance, outplacement, and the write-off of equipment. In 2017 and 2018, we recorded additional restructuring charges of \$1.6 million and \$1.0 million respectively, related to a 2016 restructuring at the same location. Total restructuring costs for that initiative, including 2016, was \$3.9 million

In 2017, the Company initiated work force reductions and facility rationalization in AEC locations in Salt Lake City, Utah and Rochester, New Hampshire. Restructuring charges include expenses of \$0.1 million in 2019, \$1.1 million in 2018, and \$5.0 million in 2017. To date, we have recorded \$6.2 million of restructuring charges related to these actions.

In 2018, the Company discontinued certain manufacturing processes at its AEC facility in Salt Lake City, Utah, which resulted in \$1.9 million of restructuring in 2018, which included a non-cash restructuring charge of \$1.7 million, and an additional \$0.2 million for severance. The non-cash restructuring charge resulted from writing down manufacturing equipment used in that line of business to its estimated value. In 2019, the Company wrote off the remaining \$1.2 million book value of that equipment as the Company has been unable to sell it. To date, we have recorded \$3.1 million of restructuring charges related to these actions.

In 2017, the Company decided to discontinue the Bear Claw® line of hydraulic fracturing components used in the oil and gas industry, which was part of the AEC business. This decision resulted in a non-cash restructuring charge of \$4.5 million in 2017 for the write-off of intangible assets and equipment, and a \$2.8 million charge to Cost of goods sold for the write-off of inventory.

The following table summarizes charges reported in the Consolidated Statements of Income under "Restructuring expenses, net":

Year ended December 31, 2019 (in thousands)	Total restructuring costs incurred	Termination and other costs	Impairment of assets
Machine Clothing	\$1,129	\$ 667	\$ 462
Albany Engineered Composites	1,833	659	1,174
Corporate expenses	(57)	(57)	—
Total	\$2,905	\$1,269	\$1,636
Year ended December 31, 2018 (in thousands)	Total restructuring costs incurred	Termination and other costs	Impairment of assets
Machine Clothing	\$12,278	\$11,890	\$ 388
Albany Engineered Composites	3,048	1,286	1,762
Corporate expenses	244	244	—
Total	\$15,570	\$13,420	\$2,150

ALBANY INTERNATIONAL CORP.
Notes to Consolidated Financial Statements
5. Restructuring — (continued)

Year ended December 31, 2017 (in thousands)	Total restructuring costs incurred	Termination and other costs	Impairment of assets
Machine Clothing	\$ 3,429	\$2,945	\$ 484
Albany Engineered Composites	10,062	5,004	5,058
Corporate expenses	—	—	—
Total	<u>\$13,491</u>	<u>\$7,949</u>	<u>\$5,542</u>

We expect that approximately \$1.3 million of Accrued liabilities for restructuring at December 31, 2019 will be paid within one year and approximately \$0.7 million will be paid the following year.

The table below presents the changes in restructuring liabilities for 2019 and 2018, all of which related to termination costs:

(in thousands)	December 31, 2018	Restructuring charges accrued	Payments	Currency translation/other	December 31, 2019
Total termination and other costs	<u>\$5,570</u>	<u>\$1,269</u>	<u>\$(5,084)</u>	<u>\$287</u>	<u>\$2,042</u>
(in thousands)	December 31, 2017	Restructuring charges accrued	Payments	Currency translation/other	December 31, 2018
Total termination and other costs	<u>\$3,326</u>	<u>\$13,420</u>	<u>\$(10,696)</u>	<u>\$(480)</u>	<u>\$5,570</u>

6. Other (income)/expense, net

The components of Other (income)/expense, net, are:

(in thousands)	2019	2018	2017
Currency transactions	\$(4,473)	\$ (67)	\$ 4,634
Bank fees and amortization of debt issuance costs	348	417	487
Pension settlements and curtailments	450	1,494	—
Components of net periodic pension and postretirement cost other than service	1,105	1,089	2,525
Gain on insurance recovery	—	—	(2,000)
Other	1,013	1,104	1,231
Total	<u>\$(1,557)</u>	<u>\$4,037</u>	<u>\$ 6,877</u>

In 2019, the Company took actions to freeze accrued benefits under the United Kingdom defined benefit pension plan, which resulted in a curtailment charge of \$0.5 million.

In 2018, the Company took actions to settle a portion of its non-U.S. defined benefit pension plan liabilities, which resulted in a settlement charge of \$2.2 million.

In 2018, the Company recorded a pension curtailment gain of \$0.7 million related to the restructuring in Sélestat, France.

In 2017, we recorded a gain of \$2.0 million based on an insurance settlement related to a theft in 2016.

ALBANY INTERNATIONAL CORP.

Notes to Consolidated Financial Statements

7. Income Taxes

The following tables present components of income tax expense/(benefit) and income before income taxes on continuing operations:

<u>(in thousands)</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Income tax based on income from continuing operations, at estimated tax rates of 28%, 31%, and 32%, respectively	\$49,977	\$36,044	\$17,519
Income tax before discrete items	49,977	36,044	17,519
Discrete tax expense/(benefit):			
Net impact of mandatory deemed repatriation	—	(1,003)	5,758
Provision for/resolution of tax audits and contingencies, net	(2,874)	1,286	1,329
Adjustments to prior period tax liabilities	(1,637)	(1,284)	(840)
Provision for/adjustment to beginning of year valuation allowances	(525)	(4,882)	(3,522)
Enacted tax legislation	(112)	2,067	1,879
Total income tax expense	\$44,829	\$32,228	\$22,123
<u>(in thousands)</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Income/(loss) before income taxes:			
U.S.	\$ 76,024	\$ 41,875	\$ (5,865)
Non-U.S.	102,188	73,372	60,573
	\$178,212	\$115,247	\$54,708
Income tax provision			
Current:			
Federal	\$ 780	\$ 304	\$ 1,551
State	6,357	4,996	1,770
Non-U.S.	25,255	21,557	19,282
	\$ 32,392	\$ 26,857	\$22,603
Deferred:			
Federal	\$ 10,583	\$ 10,700	\$ 1,881
State	253	(338)	(1,237)
Non-U.S.	1,601	(4,991)	(1,124)
	\$ 12,437	\$ 5,371	\$ (480)
Total income tax expense	\$ 44,829	\$ 32,228	\$22,123

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

<u>(in thousands)</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Net effect of temporary differences	\$ (18)	\$(4,657)	\$(5,774)
Foreign tax credits	12,530	9,437	8,340
Retirement benefits	(752)	2,360	(502)
Net impact to operating loss carryforwards	1,314	1,046	(900)
Enacted changes in tax laws and rates	(112)	2,067	1,878
Adjustment to beginning-of-the-year valuation allowance balance for changes in circumstances	(525)	(4,882)	(3,522)
Total	\$12,437	\$ 5,371	\$ (480)

ALBANY INTERNATIONAL CORP.

Notes to Consolidated Financial Statements

7. Income Taxes — (continued)

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

	<u>2019</u>	<u>2018</u>	<u>2017</u>
U.S. federal statutory tax rate	21.0%	21.0%	35.0%
State taxes, net of federal benefit	3.0	2.9	0.4
Non-U.S. local income taxes	4.4	3.3	5.9
US permanent adjustments	—	(0.3)	0.5
Foreign permanent adjustments	0.4	(0.4)	0.4
Foreign rate differential	0.5	0.2	(10.5)
Net U.S. tax on non-U.S. earnings and foreign withholdings	0.3	5.7	11.9
Provision for/resolution of tax audits and contingencies, net	(1.6)	1.1	2.4
Research and development and other tax credits	(0.3)	(0.1)	(1.5)
Provision for/adjustment to beginning of year valuation allowances	(0.3)	(4.2)	(6.4)
Enacted tax legislation and rate change	(0.1)	1.8	3.0
Return to provision and other adjustments	(2.1)	(3.0)	(0.7)
Effective income tax rate	<u>25.2%</u>	<u>28.0%</u>	<u>40.4%</u>

The Company has operations which constitute a taxable presence in 18 countries outside of the United States. The majority of these countries had income tax rates that are above the United States federal tax rate of 21% during 2019. The jurisdictional location of earnings is a significant component of the Company's effective tax rate each year. The rate impact of this component is influenced by the specific location of non-U.S. earnings and the level of the Company's total earnings. From period to period, the jurisdictional mix of earnings can vary as a result of operating fluctuations in the normal course of business, as well as the extent and location of other income and expense items, such as pension settlement and restructuring charges. The foreign income tax rate differential that is included above in the reconciliation of the effective tax rate includes the difference between tax expense calculated at the U.S. federal statutory tax rate of 21% and the expense accrued based on the different statutory tax rates that apply in the jurisdictions where the income or loss is earned.

During the periods reported, income outside of the U.S. was heavily concentrated within Brazil (blended 34% tax rate), China (25% tax rate), and Mexico (30% tax rate). The foreign rate differential of these jurisdictions was partially offset by Switzerland (7.8% tax rate). As a result, the foreign income tax rate differential was primarily attributable to these tax rate differences.

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

ALBANY INTERNATIONAL CORP.
Notes to Consolidated Financial Statements
7. Income Taxes — (continued)

(in thousands)	U.S.		Non-U.S.	
	2019	2018	2019	2018
Noncurrent deferred tax assets:				
Accounts receivable	\$ 823	\$ 686	\$ 1,050	\$ 1,224
Inventories	636	442	1,231	829
Deferred compensation	4,730	4,460	1,386	1,053
Depreciation and amortization	—	—	4,892	4,252
Postretirement benefits	14,885	14,759	1,048	1,667
Tax loss carryforwards	2,266	1,199	21,467	21,890
Tax credit carryforwards	15,931	30,523	936	1,197
Derivatives	1,411	—	—	—
Reserves	2,953	3,954	—	—
Deferred Revenue	2,417	3,556	—	—
Other	—	516	—	990
Noncurrent deferred tax assets before valuation allowance	46,052	60,095	32,010	33,102
Less: valuation allowance	—	—	(9,102)	(8,389)
Total noncurrent deferred tax assets	46,052	60,095	22,908	24,713
Total deferred tax assets	<u>\$46,052</u>	<u>\$60,095</u>	<u>\$22,908</u>	<u>\$24,713</u>
Noncurrent deferred tax liabilities:				
Unrepatriated foreign earnings	\$ 2,202	\$ 4,028	\$ —	\$ —
Depreciation and amortization	4,404	12,848	—	—
Postretirement benefits	—	—	—	—
Deferred gain	3,391	3,762	—	—
Derivatives	—	1,162	—	—
Flow-through DTL's	6,205	2,192	—	—
Deferred Revenue	—	—	8,492	5,740
Other	510	—	3,137	—
Total noncurrent deferred tax liabilities	<u>\$16,712</u>	<u>\$23,992</u>	<u>\$11,629</u>	<u>\$ 5,740</u>
Net deferred tax liabilities	<u>\$16,712</u>	<u>\$23,992</u>	<u>\$11,629</u>	<u>\$ 5,740</u>
Net deferred tax asset	<u>\$29,340</u>	<u>\$36,103</u>	<u>\$11,279</u>	<u>\$18,973</u>

Deferred income tax assets, net of valuation allowances, are expected to be realized through the reversal of existing taxable temporary differences and future taxable income. In 2019, the Company recorded the following movements in its valuation allowance: the Company recorded a valuation allowance of \$0.8 million for one of its Mexican subsidiaries, and the Company also recorded a \$0.1 million decrease in a valuation allowance due to a net reduction in the related deferred tax assets. Additionally, the Company recorded a \$1.3 million out-of-period immaterial adjustment related to a German tax valuation allowance that was released in 2018.

At December 31, 2019, the Company had available approximately \$112.9 million of net operating loss carryforwards, for which the Company has a deferred tax asset of \$24.3 million, with expiration dates ranging from one year to indefinite that may be applied against future taxable income. The Company believes that it is more likely than not that certain benefits from these net operating loss carryforwards will not be realized and, accordingly, the Company has recorded a valuation allowance of \$9.1 million as of December 31, 2019. Additionally, management has evaluated its ability to utilize its other non-U.S. tax attributes during the various carryforward periods and has concluded that the Company will more likely than not be able to utilize the remaining non-U.S. tax attributes. Included in the net operating loss carryforward is approximately \$38.8 million of state net operating loss carryforwards that are subject to various business apportionment

ALBANY INTERNATIONAL CORP.

Notes to Consolidated Financial Statements

7. Income Taxes — (continued)

factors and multiple jurisdictional requirements when utilized. In addition, the Company had available a foreign tax credit carryforward of \$11.7 million that will begin to expire in 2025, U.S. and non-U.S. research and development credit carryforwards of \$8.0 million and \$0.9 million, respectively, that will begin to expire in 2025.

The Company reported a U.S. net deferred tax asset of \$29.3 million at December 31, 2019, which contained \$22.6 million of tax attributes with limited lives. Although the Company is in a cumulative book income position for the three-year period ending December 31, 2019, management has evaluated its ability to utilize these tax attributes during the carryforward period. The Company's future profits from operations, available tax elections and tax planning opportunities more likely than not will generate income of sufficient character to utilize the remaining tax attributes. Accordingly, no valuation allowance has been established for the U.S. net deferred tax assets.

The Company records the residual U.S. and foreign taxes on certain amounts of foreign earnings that have been targeted for repatriation to the U.S. These amounts are not considered to be indefinitely reinvested, and the Company accrued for the tax cost on these earnings to the extent they cannot be repatriated in a tax-free manner. The Company has targeted for repatriation \$94.4 million of current year and prior year earnings of the Company's foreign operations. If these earnings were distributed, the Company would be subject to foreign withholding taxes of \$1.2 million and state income taxes of \$1.0 million which have already been recorded.

The accumulated undistributed earnings of the Company's foreign operations not targeted for repatriation to the U.S. were approximately \$169.1 million, and are intended to remain indefinitely invested in foreign operations.

No additional income taxes have been provided on the indefinitely invested foreign earnings at December 31, 2019. If these earnings were distributed, the Company could be subject to income taxes and additional foreign withholding taxes. Determining the amount of unrecognized deferred tax liability related to any additional outside basis difference in these entities is not practical.

The following table provides a reconciliation of the beginning and ending amount of unrecognized tax benefits, \$1.0 million of which, if recognized, would impact the effective tax rate:

<u>(in thousands)</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Unrecognized tax benefits balance at January 1st	\$ 3,790	\$ 4,509	\$4,183
Increase in gross amounts of tax positions related to prior years	4,874	2,008	480
Decrease in gross amounts of tax positions related to prior years	(2,239)	(358)	(50)
Increase in gross amounts of tax positions related to current years	—	—	—
Decrease due to settlements with tax authorities	—	(1,626)	(381)
Decrease due to lapse in statute of limitations	(626)	(479)	(29)
Currency translation	35	(264)	306
Unrecognized tax benefits balance at December 31	<u>\$ 5,834</u>	<u>\$ 3,790</u>	<u>\$4,509</u>

The Company recognizes interest and penalties related to unrecognized tax benefits within its global operations as a component of income tax expense. The Company recognized interest and penalties related to the unrecognized tax benefits noted above of \$0.2 million or less in each of 2019, 2018 and 2017. As of December 31, 2019, 2018 and 2017, the Company had approximately \$0.1 million, \$0.1 million, and \$0.4 million respectively, of accrued interest and penalties related to unrecognized tax benefits.

ALBANY INTERNATIONAL CORP.

Notes to Consolidated Financial Statements

7. Income Taxes — (continued)

The Company conducts business globally and, as a result, files income tax returns in the U.S. federal jurisdiction and various state and foreign jurisdictions. In the normal course of business, the Company is subject to examination by taxing authorities throughout the world, including major jurisdictions such as the United States, Brazil, Canada, France, Germany, Italy, Mexico and Switzerland. The open tax years in these jurisdictions range from 2007 to 2019. The Company is currently under audit in non-U.S. tax jurisdictions, including but not limited to Canada and Italy. In 2019, the Company recorded a net decrease of \$2.2 million for tax audit settlements with Canada. The Canadian Revenue Agency agreed to accept the Company's appeal of all protested issues. The Company has received the refunds from the Canadian Revenue Agency and Ontario for taxes that were pre-paid at the time of protests. As such, during the first quarter, the Company determined that it was more likely than not that the liability for unrecognized tax benefits of \$2.2 million that was recorded as of December 31, 2018 was no longer warranted and thus it was reduced in the first quarter of 2019, resulting in a \$2.2 million discrete tax benefit.

As of December 31, 2019, and 2018, current income taxes prepaid and receivable consisted of the following:

(in thousands)	2019	2018
Prepaid taxes	\$4,399	\$4,859
Taxes receivable	1,763	2,614
Total current income taxes prepaid and receivable	<u>\$6,162</u>	<u>\$7,473</u>

As of December 31, 2019, and 2018, noncurrent deferred taxes and other liabilities consisted of the following:

(in thousands)	2019	2018
Deferred income taxes	\$11,002	\$7,547
Other liabilities	1,224	875
Total noncurrent deferred taxes and other liabilities	<u>\$ 12,226</u>	<u>\$ 8,422</u>

Taxes paid, net of refunds, amounted to \$25.9 million in 2019, \$28.1 million in 2018 and \$23.7 million in 2017.

8. 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 and earnings per share)	2019	2018	2017
Net income attributable to the Company	<u>\$132,398</u>	<u>\$82,891</u>	<u>\$33,111</u>
Weighted average number of shares:			
Weighted average number of shares used in calculating basic net income per share	32,296	32,252	32,169
Effect of dilutive stock-based compensation plans:			
Stock options	12	15	30
Long-term incentive plan	14	28	45
Weighted average number of shares used in calculating diluted net income per share	<u>32,322</u>	<u>32,295</u>	<u>32,244</u>
Average market price of common stock used for calculation of dilutive shares	<u>\$ 78.13</u>	<u>\$ 66.95</u>	<u>\$ 52.19</u>
Net income per share:			
Basic	\$ 4.10	\$ 2.57	\$ 1.03
Diluted	<u>\$ 4.10</u>	<u>\$ 2.57</u>	<u>\$ 1.03</u>

Shares outstanding, net of treasury shares, were 32.3 million as of December 31, 2019 and 2018, and were 32.2 million as of December 31, 2017.

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Notes to Consolidated Financial Statements
9. Accumulated Other Comprehensive Income (AOCI)

The table below presents changes in the components of AOCI from January 1, 2017 to December 31, 2019:

(in thousands)	Translation adjustments	Pension and postretirement liability adjustments	Derivative valuation adjustment	Total Other Comprehensive Income
January 1, 2017	\$ (133,298)	\$(51,719)	\$ 828	\$(184,189)
Other comprehensive income/(loss) before reclassifications	45,980	(1,818)	201	44,363
Pension/postretirement plan remeasurement .	—	2,037	—	2,037
Interest expense related to swaps reclassified to the Statements of Income, net of tax	—	—	924	924
Pension and postretirement liability adjustments reclassified to Statements of Income, net of tax	—	964	—	964
Net current period other comprehensive income	<u>45,980</u>	<u>1,183</u>	<u>1,125</u>	<u>48,288</u>
December 31, 2017	<u>(87,318)</u>	<u>(50,536)</u>	<u>1,953</u>	<u>(135,901)</u>
Other comprehensive income/(loss) before reclassifications	(28,658)	1,275	2,853	(24,530)
Pension/postretirement settlements and curtailments	—	1,146	—	1,146
Pension/postretirement plan remeasurement .	—	443	—	443
Interest expense related to swaps reclassified to the Statements of Income, net of tax	—	—	(109)	(109)
Pension and postretirement liability adjustments reclassified to Statements of Income, net of tax	—	563	—	563
Net current period other comprehensive income	<u>(28,658)</u>	<u>3,427</u>	<u>2,744</u>	<u>(22,487)</u>
December 31, 2018	<u>(115,976)</u>	<u>(47,109)</u>	<u>4,697</u>	<u>(158,388)</u>
Other comprehensive income/(loss) before reclassifications	(6,876)	(525)	(10,523)	(17,924)
Pension/postretirement settlements and curtailments	—	376	—	376
Pension/postretirement plan remeasurement .	—	(1,437)	—	(1,437)
Interest expense related to swaps reclassified to the Statements of Income, net of tax	—	—	2,691	2,691
Pension and postretirement liability adjustments reclassified to Statements of Income, net of tax	—	47	—	47
Adjustment related to prior period change in opening valuation allowance	—	(1,346)	—	(1,346)
Net current period other comprehensive income	<u>(6,876)</u>	<u>(2,885)</u>	<u>(7,832)</u>	<u>(17,593)</u>
December 31, 2019	<u>\$(122,852)</u>	<u>\$(49,994)</u>	<u>\$ (3,135)</u>	<u>\$(175,981)</u>

ALBANY INTERNATIONAL CORP.

Notes to Consolidated Financial Statements

9. Accumulated Other Comprehensive Income (AOCI) — (continued)

The components of our Accumulated Other Comprehensive Income that are reclassified to the Statement of Income relate to our pension and postretirement plans and interest rate swaps.

The table below presents the expense/(income) amounts reclassified, and the line items of the Statement of Income that were affected for the years ended December 31, 2019, 2018, and 2017.

(in thousands)	2019	2018	2017
Pretax Derivative valuation reclassified from Accumulated Other Comprehensive Income:			
Expense related to interest rate swaps included in Income before taxes ^(a)	\$ (1,011)	\$ (146)	\$ 1,490
Income tax effect	259	37	(566)
Effect on net income due to items reclassified from Accumulated Other Comprehensive Income	<u>\$ (752)</u>	<u>\$ (109)</u>	<u>\$ 924</u>
Pretax pension and postretirement liabilities reclassified from Accumulated Other Comprehensive Income:			
Pension/postretirement settlements and curtailments	\$ 450	\$ 1,494	\$ —
Amortization of prior service credit	(4,420)	(4,454)	(4,453)
Amortization of net actuarial loss	4,480	5,175	5,439
Total pretax amount reclassified ^(b)	<u>510</u>	<u>2,215</u>	<u>986</u>
Income tax effect	<u>(87)</u>	<u>(506)</u>	<u>(22)</u>
Effect on net income due to items reclassified from Accumulated Other Comprehensive Income	<u>\$ 423</u>	<u>\$ 1,709</u>	<u>\$ 964</u>

(a) Included in interest expense, net are payments related to the interest rate swap agreements and amortization of swap buyouts (see Notes 17 and 18).

(b) These accumulated other comprehensive income components are included in the computation of net periodic pension cost (see Note 4).

10. Noncontrolling Interest

Effective October 31, 2013, Safran S.A. (Safran) acquired a 10 percent equity interest in a new Albany subsidiary, Albany Safran Composites, LLC (ASC). Under the terms of the transaction agreements, ASC will be the exclusive supplier to Safran of advanced 3D-woven composite parts for use in aircraft and rocket engines, thrust reversers and nacelles, and aircraft landing and braking systems (the "Safran Applications"). AEC may develop and supply parts other than advanced 3D-woven composite parts for all aerospace applications, as well as advanced 3D-woven composite parts for any aerospace applications that are not Safran Applications (such as airframe applications) and any non-aerospace applications.

The agreement provides Safran an option to purchase Albany's remaining 90 percent interest upon the occurrence of certain bankruptcy or performance default events, or if Albany's Engineered Composites business is sold to a direct competitor of Safran. The purchase price is based initially on the same valuation of ASC used to determine Safran's 10 percent equity interest, and increases over time as LEAP production increases.

In accordance with the operating agreement, Albany received a \$28 million preferred holding in ASC which includes a preferred return based on the Company's revolving credit agreement. The common shares of ASC are owned 90 percent by Albany and 10 percent by Safran.

ALBANY INTERNATIONAL CORP.

Notes to Consolidated Financial Statements

10. Noncontrolling Interest — (continued)

The table below presents a reconciliation of income attributable to the noncontrolling interest and noncontrolling equity in the Company's subsidiary Albany Safran Composites, LLC, and the impact of transitioning to ASC 606:

<u>(in thousands, except percentages)</u>	<u>2019</u>	<u>2018</u>
Net income of Albany Safran Composites (ASC)	\$11,140	\$2,578
Less: Return attributable to the Company's preferred holding	1,291	1,299
Net income of ASC available for common ownership	\$ 9,849	\$1,279
Ownership percentage of noncontrolling shareholder	10%	10%
Net income attributable to noncontrolling interest	\$ 985	\$ 128
Noncontrolling interest, beginning of year	\$ 3,031	\$3,247
Decrease attributable to 2018 adoption of ASC 606	—	(327)
Net income/(loss) attributable to noncontrolling interest	985	128
Changes in other comprehensive income attributable to noncontrolling interest	(10)	(17)
Noncontrolling interest, end of year	\$ 4,006	\$3,031

11. Accounts Receivable

As of December 31, 2019 and 2018, Accounts receivable consisted of the following:

<u>(in thousands)</u>	<u>December 31, 2019</u>	<u>December 31, 2018</u>
Trade and other accounts receivable	\$201,427	\$211,244
Bank promissory notes	18,563	19,269
Allowance for doubtful accounts	(1,719)	(7,337)
Accounts receivable, net	\$218,271	\$223,176

The 2019 decrease in Allowance for doubtful accounts was principally due to the write-off of Accounts receivables related to ongoing bankruptcy proceedings for certain Machine Clothing customers in Europe, which had been fully reserved as of December 31, 2018.

The Noncurrent receivables will be invoiced to the customer over a 10-year period, beginning in 2020. Accordingly, \$5.2 million was reclassified from Noncurrent receivables to Trade and other accounts receivable during 2019. As of December 31, 2019 and December 31, 2018, Noncurrent receivables were as follows:

<u>(in thousands)</u>	<u>December 31, 2019</u>	<u>December 31, 2018</u>
Noncurrent receivables	\$41,234	\$45,061

12. Contract Assets and Liabilities

Contract assets and Contract liabilities (included in Accrued liabilities) are reported on the Consolidated Balance Sheets in a net position on a contract-by-contract basis at the end of each reporting period. Contract assets and contract liabilities were as follows:

<u>(in thousands)</u>	<u>December 31, 2019</u>	<u>December 31, 2018</u>
Contract assets	\$79,070	\$57,447
Contract liabilities	5,656	9,025

Contract assets increased \$21.6 million during the year ended December 31, 2019. The increase was primarily due to an increase in unbilled revenue related to the satisfaction of performance obligations for the LEAP contract, in excess of the amounts billed. There were no impairment losses related to our Contract assets during the years ended December 31, 2019 and 2018.

ALBANY INTERNATIONAL CORP.

Notes to Consolidated Financial Statements

12. Contract Assets and Liabilities — (continued)

Contract liabilities decreased \$3.4 million during the year ended December 31, 2019, primarily due to revenue recognition from satisfied performance obligations exceeding the amounts invoiced to customers for contracts that were in a contract liability position. Revenue recognized for the years ended December 31, 2019 and 2018 that was included in the Contract liability balance at the beginning of the year was \$6.0 million and \$3.2 million, respectively.

13. Inventories

As of December 31, 2019 and 2018, inventories consisted of the following:

<u>(in thousands)</u>	<u>December 31, 2019</u>	<u>December 31, 2018</u>
Raw materials	\$52,960	\$40,489
Work in process	31,744	33,181
Finished goods	10,445	12,234
Total inventories	<u>\$95,149</u>	<u>\$85,904</u>

14. Property, Plant and Equipment

The table below sets forth the components of property, plant and equipment as of December 31, 2019 and 2018:

<u>(in thousands)</u>	<u>2019</u>	<u>2018</u>	<u>Estimated useful life</u>
Land and land improvements	\$ 14,168	\$ 14,287	25 years for improvements
Buildings	227,875	245,805	15 to 40 years
Right of use assets	16,686	—	10 to 15 years
Machinery and equipment	1,020,348	989,925	5 to 15 years
Furniture and fixtures	8,126	8,091	5 years
Computer and other equipment	18,808	16,473	3 to 10 years
Software	60,995	60,182	5 to 8 years
Capital expenditures in progress	45,588	46,749	
Property, plant and equipment, gross	<u>1,412,594</u>	<u>1,381,512</u>	
Accumulated depreciation and amortization	<u>(946,132)</u>	<u>(919,457)</u>	
Property, plant and equipment, net	<u>\$ 466,462</u>	<u>\$ 462,055</u>	

Depreciation expense was \$62.1 million in 2019, \$68.8 million in 2018, and \$61.5 million in 2017. Software amortization is recorded in Selling, general, and administrative expense and was \$2.4 million in 2019, \$3.2 million in 2018, and \$3.6 million in 2017.

Capital expenditures, including purchased software, were \$68.0 million in 2019, \$82.9 million in 2018, and \$87.6 million in 2017. Unamortized software cost was \$5.3 million in 2019, \$6.9 million and \$7.6 million as of December 31, 2018 and 2017, respectively. Expenditures for maintenance and repairs are charged to income as incurred and amounted to \$19.8 million in 2019, \$19.4 million in 2018, and \$19.1 million in 2017.

In 2019, the Company acquired CirComp GmbH, which resulted in an increase of \$10.6 million to Property, plant and equipment, of which \$5.7 million is a finance lease included in the above table as a Right of use asset as of December 31, 2019.

ALBANY INTERNATIONAL CORP.**Notes to Consolidated Financial Statements****14. Property, Plant and Equipment — (continued)**

The capitalized value of our primary manufacturing facility in Salt Lake City, Utah (SLC lease), which was accounted for as a build-to-suit lease with a failed sale-leaseback, was included in Buildings in the above table during 2018. AEC finalized a modification to the lease during 2018, which included additional manufacturing space, extended the minimum lease period until December 31, 2029 and resulted in an increase of \$12.7 million to Property, plant and equipment, net (see discussion of Finance obligation in Note 17). As described in Note 20, effective January 1, 2019, we adopted the provisions of ASC 842, Leases, using the effective date (or modified retrospective) approach for transition, which resulted in the derecognition and reassessment of assets and liabilities related to our SLC lease. We determined that the original leased space met the criteria for recording as a finance lease, and is included as a Right of use asset in the above table. The incremental expansion space added in the modification met the criteria for recording as an Operating lease and is included in Other assets.

15. Goodwill and Other Intangible Assets

Goodwill and intangible assets with indefinite useful lives are not amortized, but are tested for impairment at least annually. Goodwill represents the excess of the purchase price over the fair value of the net tangible and identifiable intangible assets acquired in each business combination. Our reportable segments are consistent with our operating segments.

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

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

In the second quarter of 2019, the Company applied the qualitative assessment approach in performing its annual evaluation of goodwill and concluded that no impairment provision was required. There were no amounts at risk due to the large spread between the fair and carrying values, of each reporting unit.

On November 20, 2019, the Company acquired CirComp GmbH, a privately-held developer and manufacturer of high-performance composite components located in Kaiserslautern, Germany. The assets acquired include amortizable intangible assets of \$10.0 million and goodwill of \$17.3 million.

ALBANY INTERNATIONAL CORP.

Notes to Consolidated Financial Statements

15. Goodwill and Other Intangible Assets — (continued)

We are continuing to amortize certain patents, trademarks and names, customer contracts, relationships and technology assets that have finite lives. The changes in intangible assets and goodwill from December 31, 2017 to December 31, 2019, were as follows:

(in thousands, except for years)	Amortization life in years	Balance at December 31, 2018	Acquisition	Amortization	Currency Translation	Balance at December 31, 2019
Amortized intangible assets:						
AEC trademarks and trade names	6-15	\$ 11	\$ 68	\$ (6)	\$ —	\$ 73
AEC technology	10-15	56	5,821	(73)	—	5,804
AEC Intellectual property	15	—	1,250	(7)	—	1,243
AEC customer contracts	6	9,456	—	(2,912)	—	6,544
AEC customer relationships	8-15	39,538	2,834	(3,247)	22	39,147
AEC other intangibles	5	145	—	(64)	—	81
Total amortized intangible assets		<u>\$ 49,206</u>	<u>\$ 9,973</u>	<u>\$(6,309)</u>	<u>\$ 22</u>	<u>\$ 52,892</u>
Unamortized intangible assets:						
MC Goodwill		\$ 68,652	\$ —	\$ —	\$(980)	\$ 67,672
AEC Goodwill		95,730	17,343	—	189	113,262
Total amortized intangible assets		<u>\$164,382</u>	<u>\$17,343</u>	<u>\$ —</u>	<u>\$(791)</u>	<u>\$180,934</u>

(in thousands, except for years)	Amortization life in years	Balance at December 31, 2017	Amortization	Currency Translation	Balance at December 31, 2018
Amortized intangible assets:					
AEC trademarks and trade names	15	\$ 15	\$ (4)	\$ —	\$ 11
AEC technology	15	80	(24)	—	56
AEC customer contracts	6	12,369	(2,913)	—	9,456
AEC customer relationships	15	42,767	(3,229)	—	39,538
AEC other intangibles	5	210	(65)	—	145
Total amortized intangible assets		<u>\$ 55,441</u>	<u>\$(6,235)</u>	<u>\$ —</u>	<u>\$ 49,206</u>
Unamortized intangible assets:					
MC Goodwill		\$ 71,066	\$ —	\$(2,414)	\$ 68,652
AEC Goodwill		95,730	—	—	95,730
Total amortized intangible assets		<u>\$166,796</u>	<u>\$ —</u>	<u>\$(2,414)</u>	<u>\$164,382</u>

As of December 31, 2019, the gross carrying amount and accumulated amortization of amortized intangible assets was \$76.7 million and \$23.8 million, respectively.

ALBANY INTERNATIONAL CORP.

Notes to Consolidated Financial Statements

15. Goodwill and Other Intangible Assets — (continued)

Amortization expense related to intangible assets was reported in the Consolidated Statement of Income as follows: \$3.0 million in Cost of goods sold and \$3.3 million in Selling, general and administrative expenses in 2019; \$2.9 million in Cost of goods sold and \$3.3 million in Selling, general and administrative expenses in 2018; and \$3.3 million in Cost of goods sold and \$3.6 million in Selling, general and administrative expenses in 2017. Estimated amortization expense of intangibles for the years ending December 31, 2020 through 2024, is as follows:

Year	Annual amortization (in thousands)
2020	\$7,141
2021	7,071
2022	4,856
2023	4,135
2024	4,135

16. Accrued Liabilities

Accrued liabilities consist of:

(in thousands)	2019	2018
Salaries and wages	\$ 22,878	\$ 20,821
Contract loss reserve	17,190	20,708
Employee benefits	14,235	12,316
Returns and allowances	11,249	11,343
Accrual for compensated absences	10,445	10,636
Dividends	6,139	5,808
Contract liabilities	5,656	9,025
Lease liability - Operating lease	4,023	—
Lease liability - Financing lease	1,835	—
Postretirement medical benefits – current portion	3,808	3,890
Restructuring costs	1,342	5,534
Professional fees	2,999	2,575
Pension liability – current portion	2,155	2,124
Workers' compensation	1,982	1,794
Utilities	790	974
Interest	517	901
Other	18,642	20,581
Total	<u>\$125,885</u>	<u>\$129,030</u>

As described in Note 20, the Company adopted ASC 842, Leases effective January 1, 2019, which required the recognition of right of use assets, representing our right to use the underlying asset for the lease term, and lease liabilities, representing our obligation to make lease payments over the lease term, on the balance sheet. The cumulative effect of initially applying the new standard increased accrued liabilities \$5.0 million.

ALBANY INTERNATIONAL CORP.

Notes to Consolidated Financial Statements

17. Financial Instruments

Long-term debt, principally to banks and noteholders, consists of:

<u>(in thousands, except interest rates)</u>	<u>2019</u>	<u>2018</u>
Revolving credit agreement with borrowings outstanding at an end of period interest rate of 3.43% in 2019 and 3.69% in 2018 (including the effect of interest rate hedging transactions, as described below), due in 2022	\$424,000	\$499,000
Finance obligation	—	25,886
Other debt, at an average end of period rate of 5.50% in both 2019 and 2018, due in varying amounts through 2021	29	45
Long-term debt	424,029	524,931
Less: current portion	(20)	(1,224)
Long-term debt, net of current portion	<u>\$424,009</u>	<u>\$523,707</u>

Principal payments of \$424 million are due on long-term debt in 2022. Cash payments of interest amounted to \$17.4 million in 2019, \$18.8 million in 2018 and \$16.0 million in 2017.

On November 7, 2017, we entered into a \$685 million unsecured Five-Year Revolving Credit Facility Agreement (the "Credit Agreement") which amended and restated the prior \$550 million Agreement, entered into on April 8, 2016 (the "Prior Agreement"). Under the Credit Agreement, \$424 million of borrowings were outstanding as of December 31, 2019. The applicable interest rate for borrowings was LIBOR plus a spread, based on our leverage ratio at the time of borrowing. At the time of the last borrowing on December 30, 2019, the spread was 1.375%. The spread was based on a pricing grid, which ranged from 1.250% to 1.750%, based on our leverage ratio. Based on our maximum leverage ratio and our Consolidated EBITDA, and without modification to any other credit agreements, as of December 31, 2019, we would have been able to borrow an additional \$261 million under the Agreement.

The Credit Agreement contains customary terms, as well as affirmative covenants, negative covenants and events of default that are comparable to those in the Prior Agreement. The Borrowings are guaranteed by certain of the Company's subsidiaries.

Our ability to borrow additional amounts under the Credit Agreement is conditional upon the absence of any defaults, as well as the absence of any material adverse change (as defined in the Credit Agreement).

Due to the implementation of ASC 842, *Leases*, on January 1, 2019, as further described in Note 20, the finance obligation that had a balance of \$25.9 million as of December 31, 2018, was eliminated and replaced with a finance lease obligation that is included in Other noncurrent liabilities and Accrued liabilities.

On November 27, 2017, we terminated our interest rate swap agreements, originally entered into on May 9, 2016, that had effectively fixed the interest rate on \$300 million of revolving credit borrowings, in order to enter into a new interest rate swap with a greater notional amount, and the same maturity as the Credit Agreement. We received \$6.3 million when the swap agreements were terminated and that payment will be amortized into interest expense through March 2021.

On May 6, 2016, we terminated other interest rate swap agreements that had effectively fixed the interest rate on \$120 million of revolving credit borrowings, in order to enter into a new interest rate swap with a greater notional amount, and the same maturity as the Credit Agreement. We paid \$5.2 million to terminate the swap agreements and that cost will be amortized into interest expense through June 2020.

ALBANY INTERNATIONAL CORP.**Notes to Consolidated Financial Statements****17. Financial Instruments — (continued)**

On November 28, 2017, we entered into interest rate swap agreements for the period December 18, 2017 through October 17, 2022. These transactions have the effect of fixing the LIBOR portion of the effective interest rate (before addition of the spread) on \$350 million of indebtedness drawn under the Credit Agreement at the rate of 2.11% during the period. Under the terms of these transactions, we pay the fixed rate of 2.11% and the counterparties pay a floating rate based on the one-month LIBOR rate at each monthly calculation date, which on December 16, 2019 was 1.74%, during the swap period. On December 16, 2019, the all-in-rate on the \$350 million of debt was 3.485%.

These interest rate swaps are accounted for as a hedge of future cash flows, as further described in Note 18. No cash collateral was received or pledged in relation to the swap agreements.

Under the Credit Agreement, we are currently required to maintain a leverage ratio (as defined in the agreement) of not greater than 3.50 to 1.00 and minimum interest coverage (as defined) of 3.00 to 1.00.

As of December 31, 2019, our leverage ratio was 1.35 to 1.00 and our interest coverage ratio was 14.21 to 1.00. We may purchase our Common Stock or pay dividends to the extent our leverage ratio remains at or below 3.50 to 1.00, and may make acquisitions with cash provided our leverage ratio does not exceed the limits noted above.

Indebtedness under the Credit Agreement is ranked equally in right of payment to all unsecured senior debt.

We were in compliance with all debt covenants as of December 31, 2019.

ALBANY INTERNATIONAL CORP.

Notes to Consolidated Financial Statements

18. Fair-Value Measurements

Fair value is defined as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants at the measurement date. Accounting principles establish a hierarchy for inputs used in measuring fair value that maximizes the use of observable inputs and minimizes the use of unobservable inputs by requiring that the most observable inputs be used when available. Level 3 inputs are unobservable data points for the asset or liability, and include situations in which there is little, if any, market activity for the asset or liability. We had no Level 3 financial assets or liabilities at December 31, 2019, or at December 31, 2018.

The following table presents the fair-value hierarchy for our Level 1 and Level 2 financial and non-financial assets and liabilities, which are measured at fair value on a recurring basis:

(in thousands)	December 31, 2019		December 31, 2018	
	Quoted prices in active markets (Level 1)	Significant other observable inputs (Level 2)	Quoted prices in active markets (Level 1)	Significant other observable inputs (Level 2)
Fair Value				
Assets:				
Cash equivalents	\$16,375	\$ —	\$14,234	\$ —
Other Assets:				
Common stock of unaffiliated foreign public company ^(a)	839	—	731	—
Interest rate swaps	—	—	—	4,548 ^(c)
Liabilities:				
Other noncurrent liabilities:				
Interest rate swaps	—	(5,518) ^(b)	—	—

(a) Original cost basis \$0.5 million.

(b) Net of \$15.2 million receivable floating leg and \$20.7 million liability fixed leg.

(c) Net of \$32.0 million receivable floating leg and \$27.5 million liability fixed leg.

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

ALBANY INTERNATIONAL CORP.

Notes to Consolidated Financial Statements

18. Fair-Value Measurements — (continued)

The common stock of the unaffiliated foreign public company is traded in an active market exchange. The shares are measured at fair value using closing stock prices and are recorded in the Consolidated Balance Sheets as Other assets. Changes in the fair value of the investment are reported in the Consolidated Statements of Income.

We operate our business in many regions of the world, and currency rate movements can have a significant effect on operating results. Foreign currency instruments are entered into periodically, and consist of foreign currency option contracts and forward contracts that are valued using quoted prices in active markets obtained from independent pricing sources. These instruments are measured using market foreign exchange prices and are recorded in the Consolidated Balance Sheets as Other current assets and Accounts payable, as applicable. Changes in fair value of these instruments are recorded as gains or losses within Other (income)/expense, net.

When exercised, the foreign currency instruments are net settled with the same financial institution that bought or sold them. For all positions, whether options or forward contracts, there is risk from the possible inability of the financial institution to meet the terms of the contracts and the risk of unfavorable changes in interest and currency rates, which may reduce the value of the instruments. We seek to mitigate risk by evaluating the creditworthiness of counterparties and by monitoring the currency exchange and interest rate markets while reviewing the hedging risks and contracts to ensure compliance with our internal guidelines and policies.

Changes in exchange rates can result in revaluation gains and losses that are recorded in Selling, general and administrative expenses or Other (income)/expense, net. Revaluation gains and losses occur when our business units have cash, intercompany (recorded in Other (income)/expense, net) or third-party trade (recorded in selling, general and administrative expenses) receivable or payable balances in a currency other than their local reporting (or functional) currency.

Operating results can also be affected by the translation of sales and costs, for each non-U.S. subsidiary, from the local functional currency to the U.S. dollar. The translation effect on the Consolidated Statements of Income is dependent on our net income or expense position in each non-U.S. currency in which we do business. A net income position exists when sales realized in a particular currency exceed expenses paid in that currency; a net expense position exists if the opposite is true.

The interest rate swaps are accounted for as hedges of future cash flows. The fair value of our interest rate swaps are derived from a discounted cash flow analysis based on the terms of the contract and the interest rate curve, and is included in Other assets and/or Other noncurrent liabilities in the Consolidated Balance Sheets. Unrealized gains and losses on the swaps flow through the caption Derivative valuation adjustment in the Shareholders' equity section of the Consolidated Balance Sheets. As of December 31, 2019, these interest rate swaps were determined to be highly effective hedges of interest rate cash flow risk. Amounts accumulated in Other comprehensive income are reclassified as Interest expense, net when the related interest payments (that is, the hedged forecasted transactions), and amortization related to the swap buyouts, affect earnings. Interest (income)/expense related to payments under the active swap agreements totaled (\$0.6) million in 2019, \$0.5 million in 2018 and \$0.8 million in 2017. Additionally, non-cash interest income related to the amortization of swap buyouts totaled \$0.5 million in 2019, \$0.6 million in 2018, and \$0.7 million in 2017, and is expected to reduce interest expense by \$1.3 million in 2020.

Gains/(losses) related to changes in fair value of derivative instruments not designated as a hedge that were recognized in Other (income)/expense, net in the Consolidated Statements of Income were as follows:

(in thousands)	Years ended December 31,		
	2019	2018	2017
Derivatives not designated as hedging instruments			
Foreign currency options gains/(losses)	\$ —	\$(61)	\$(131)

ALBANY INTERNATIONAL CORP.

Notes to Consolidated Financial Statements

19. Other Noncurrent Liabilities

As of December 31, 2019 and 2018, Other Noncurrent Liabilities consisted of the following:

<u>(in thousands)</u>	<u>2019</u>	<u>2018</u>
Postretirement benefits other than pensions	\$ 50,576	\$47,237
Pension liabilities	34,638	34,590
Finance leases	22,700	—
Operating leases	14,386	—
Interest rate swap agreements	5,518	—
Incentive and deferred compensation	2,925	3,810
Other	1,282	2,540
Restructuring	700	100
Total	<u>\$132,725</u>	<u>\$88,277</u>

The increase in Other Noncurrent liabilities in 2019 was in part due to the cumulative effect of adopting ASC 842 (see Note 20) which upon adoption, increased Other Noncurrent liabilities by \$28.0 million. For the year ended December 31, 2019 lease liabilities included in Other noncurrent liabilities are comprised of Finance and Operating leases, and account for an increase over December 31, 2018 of \$37.1 million.

Our interest rate swap agreements which are accounted for as a hedge of future cash flows and are further described in Note 18, Fair-Value Measurements, are measured at fair value each period. As of December 31, 2019 the fair value was a liability of \$5.5 million, which is reflected in Other noncurrent liabilities, and as of December 31, 2018 the fair value was an asset of \$4.5 million, which is reflected in Other assets.

20. Leases

Effective January 1, 2019, we adopted the provisions of ASC 842, Leases, using the effective date (or modified retrospective) approach for transition. Under this transition method, periods prior to 2019 have not been restated and the cumulative effect of initially applying the new standard was recorded as an adjustment to Retained earnings at January 1, 2019.

The most significant impact resulting from the adoption of the new standard was the recognition of right of use assets and lease liabilities for operating leases on our balance sheet for our real estate and automobile operating leases, in addition to the derecognition and reassessment of assets and liabilities related to our primary manufacturing facility in Salt Lake City, Utah (SLC lease), which had been accounted for as a build-to-suit lease with a failed sale leaseback. For that lease, transitional guidance required the derecognition of existing assets and liabilities and a reassessment of lease classification. We determined that the lease met the criteria for recording as a finance lease and we determined the January 1, 2019 values of the ROU asset and lease liability on the basis of that reassessment. The change in the SLC lease-related assets and liabilities resulted in a \$0.3 million pre-tax reduction to retained earnings at the date of adoption.

ALBANY INTERNATIONAL CORP.

Notes to Consolidated Financial Statements

20. Leases — (continued)

The table below presents the cumulative effect of changes made to our December 31, 2018 Balance Sheet as a result of the adoption of ASC 842, Leases:

	As previously reported at December 31, 2018	Adjustments Increase/ (decrease)	Opening balance, as adjusted, January 1, 2019
ASSETS			
Cash and cash equivalents	\$ 197,755	\$ —	\$ 197,755
Accounts receivable, net	223,176	—	223,176
Contract assets	57,447	—	57,447
Inventories	85,904	—	85,904
Income taxes prepaid and receivable	7,473	—	7,473
Prepaid expenses and other current assets	21,294	(370)	20,924
Total current assets	<u>\$ 593,049</u>	<u>\$ (370)</u>	<u>\$ 592,679</u>
Property, plant and equipment, net	462,055	(6,144)	455,911
Intangibles, net	49,206	—	49,206
Goodwill	164,382	—	164,382
Deferred income taxes	62,622	(20)	62,602
Noncurrent receivables	45,061	—	45,061
Other assets	41,617	13,615	55,232
Total assets	<u><u>\$1,417,992</u></u>	<u><u>\$ 7,081</u></u>	<u><u>\$1,425,073</u></u>
LIABILITIES AND SHAREHOLDERS' EQUITY			
Notes and loans payable	\$ —	\$ —	\$ —
Accounts payable	52,246	—	52,246
Accrued liabilities	129,030	4,964	133,994
Current maturities of long-term debt	1,224	(1,206)	18
Income taxes payable	6,806	—	6,806
Total current liabilities	<u>189,306</u>	<u>3,758</u>	<u>193,064</u>
Long-term debt	523,707	(24,680)	499,027
Other noncurrent liabilities	88,277	27,968	116,245
Deferred taxes and other liabilities	8,422	—	8,422
Total liabilities	<u>809,712</u>	<u>7,046</u>	<u>816,758</u>
SHAREHOLDERS' EQUITY			
Preferred stock, par value \$5.00 per share; authorized 2,000,000 shares; none issued	—	—	—
Class A Common Stock, par value \$.001 per share; authorized 100,000,000 shares; issued 37,450,329 in 2018 and 37,395,753 in 2017	37	—	37
Class B Common Stock, par value \$.001 per share; authorized 25,000,000 shares; issued and outstanding 3,233,998 in 2018 and 2017	3	—	3
Additional paid in capital	430,555	—	430,555
Retained earnings	589,645	35	589,680
Accumulated items of other comprehensive income:			
Translation adjustments	(115,976)	—	(115,976)
Pension and postretirement liability adjustments	(47,109)	—	(47,109)
Derivative valuation adjustment	4,697	—	4,697
Treasury stock (Class A), at cost 8,418,620 shares in 2018 and 8,431,335 shares in 2017	(256,603)	—	(256,603)
Total Company shareholders' equity	<u>605,249</u>	<u>35</u>	<u>605,284</u>
Noncontrolling interest	3,031	—	3,031
Total equity	<u>608,280</u>	<u>35</u>	<u>608,315</u>
Total liabilities and shareholders' equity	<u><u>\$1,417,992</u></u>	<u><u>\$ 7,081</u></u>	<u><u>\$1,425,073</u></u>

Adoption of the standard had no impact to our Consolidated Statements of Cash Flows.

ALBANY INTERNATIONAL CORP.

Notes to Consolidated Financial Statements

20. Leases — (continued)

Significant changes to our accounting policies as a result of adopting the new standard are discussed below.

We determine if an arrangement is a lease at inception. A contract is, or contains a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, we assess whether:

- The contract involves the use of an identified asset. This may be specified explicitly or implicitly, and should be physically distinct or represent substantially all of the capacity of a physically distinct asset,
- The lessee has the right to obtain substantially all of the economic benefits from use of the asset throughout the period of use, and
- The lessee has the right to direct the use of the asset, which is demonstrated when the lessee has decision-making rights that are most relevant to changing how and for what purpose the asset is used.

Judgment is required in the application of ASC 842, including the determination of whether a contract contains a lease, the appropriate classification, allocation of consideration, and the determination of the discount rate for the lease. Key estimates and judgments include how the Company determines (1) the discount rate it uses to discount the unpaid lease payments to present value, (2) lease term and (3) lease payments.

We are generally the lessee in our lease transactions. For periods ending after December 31, 2018, lessees are required to recognize a lease liability and a right of use asset for leases with terms greater than 12 months, in accordance with the practical expedient that is available for ongoing accounting.

ROU assets represent the right to use an underlying asset for the lease term and lease liabilities represent an obligation to make lease payments arising from the lease. Operating lease ROU assets and liabilities are recognized on the commencement date based on the present value of lease payments over the lease term, using the rate implicit in the lease. If that rate is not readily determinable, the rate is based on the Company's incremental borrowing rate. The operating lease ROU asset also includes any lease payments made and excludes lease incentives. Our lease terms may include options to extend or terminate the lease. Our ROU assets include the values associated with the additional periods when it is reasonably certain that we will exercise the option. We review the carrying value of ROU assets for impairment whenever events and circumstances indicate that the carrying value of an asset group may not be recoverable from the estimated future cash flows expected to result from its use and eventual disposition.

We have operating and finance leases for offices, manufacturing facilities, warehouses, vehicles, and certain equipment. Our leases have remaining lease terms of 1 year to 15 years, some of which include options to extend the leases for up to 10 years, and some of which include options to terminate the leases within 1 year.

The components of lease expense were as follows:

<u>(in thousands)</u>	<u>For the year ended December 31, 2019</u>
Finance lease	
Amortization of right-of-use asset	\$ 997
Interest on lease liabilities	1,563
Operating lease	
Fixed lease cost	5,063
Variable lease cost	35
Short-term lease cost	1,283
Total lease expense	<u>\$ 8,941</u>

ALBANY INTERNATIONAL CORP.

Notes to Consolidated Financial Statements

20. Leases — (continued)

Lease expense for the years ended December 31, 2018 and 2017 was \$8.4 million and \$9.7 million, respectively.

Supplemental cash flow information related to leases was as follows:

<u>(in thousands)</u>	<u>For the year ended December 31, 2019</u>
Cash paid for amounts included in the measurement of lease liabilities:	
Operating cash flows from operating leases	\$ 4,932
Operating cash flows from finance leases	1,563
Financing cash flows from finance leases	1,180
Right-of-use assets obtained in exchange for lease obligations:	
Operating leases	\$ 9,250
Finance leases	5,686

The initial recognition of each ROU asset and lease liability at lease commencement is a noncash transaction that is excluded from amounts reported in the Consolidated Statements of Cash Flows.

Supplemental balance sheet information related to leases was as follows:

<u>(in thousands)</u>	<u>December 31, 2019</u>
Operating leases	
Right of use assets included in Other assets	<u>\$18,223</u>
Lease liabilities included in	
Accrued liabilities	\$ 4,023
Other noncurrent liabilities	14,386
Total operating lease liabilities	<u>\$ 18,409</u>
Finance leases	
Right-of-use assets included in Property, plant and equipment, net	<u>\$ 15,689</u>
Lease liabilities included in	
Accrued liabilities	\$ 1,835
Other noncurrent liabilities	22,700
Total finance lease liabilities	<u>\$24,535</u>

Additional information for leases existing at December 31, 2019 was as follows:

Weighted average remaining lease term	
Operating leases	6 years
Finance leases	10 years
Weighted average discount rate	
Operating leases	4.9%
Finance leases	6.7%

ALBANY INTERNATIONAL CORP.

Notes to Consolidated Financial Statements

20. Leases — (continued)

Maturities of lease liabilities as of December 31, 2019 were as follows:

<u>(in thousands)</u>	<u>Operating leases</u>	<u>Finance leases</u>
Year ending December 31,		
2020	\$ 5,153	\$ 3,347
2021	4,133	3,347
2022	3,096	3,394
2023	2,128	3,560
2024	1,496	3,560
Thereafter	5,332	15,692
Total lease payments	<u>21,338</u>	<u>32,900</u>
Less imputed interest	<u>(2,929)</u>	<u>(8,365)</u>
Total	<u>\$ 18,409</u>	<u>\$ 24,535</u>

As of December 31, 2018, future rental payments required under operating leases with initial or remaining non-cancelable lease terms in excess of one year, were: 2019, \$4.6 million; 2020, \$3.2 million; 2021, \$2.1 million; 2022, \$1.5 million; and 2023 and thereafter, \$6.5 million.

The following schedule presents future minimum annual payments under the SLC lease finance obligation, and the present value of the minimum payments as of December 31, 2018:

	<u>(in thousands)</u>
Year ending December 31,	
2019	\$ 2,451
2020	2,974
2021	2,990
2022	3,054
2023	3,277
Thereafter	18,930
Total minimum payments	<u>33,676</u>
Less imputed interest	<u>(7,790)</u>
Total	<u>\$25,886</u>

As of December 31, 2018, the capitalized value associated with the SLC lease was included in Property, plant, and equipment, net at a value of \$17.3 million, which included a gross cost of \$20.8 million, and Accumulated depreciation of \$3.6 million.

21. Commitments and Contingencies**Asbestos Litigation**

Albany International Corp. 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 paper machine clothing synthetic dryer fabrics marketed during the period from 1967 to 1976 and used in certain paper mills.

We were defending 3,708 claims as of December 31, 2019.

ALBANY INTERNATIONAL CORP.

Notes to Consolidated Financial Statements

21. Commitments and Contingencies — (continued)

The following table sets forth the number of claims filed, the number of claims settled, dismissed or otherwise resolved, and the aggregate settlement amount during the periods presented:

Year ended December 31,	Opening Number of Claims	Claims Dismissed, Settled, or Resolved	New Claims	Closing Number of Claims	Amounts Paid (thousands) to Settle or Resolve
2014	4,299	625	147	3,821	\$437
2015	3,821	116	86	3,791	164
2016	3,791	148	102	3,745	758
2017	3,745	105	90	3,730	55
2018	3,730	152	106	3,684	100
2019	3,684	51	75	3,708	\$ 25

We anticipate that additional claims will be filed against the Company and related companies in the future, but are unable to predict the number and timing of such future claims. Due to the fact that information sufficient to meaningfully estimate a range of possible loss of a particular claim is typically not available until late in the discovery process, we do not believe a meaningful estimate can be made regarding the range of possible loss with respect to pending or future claims and therefore are unable to estimate a range of reasonably possible loss in excess of amounts already accrued for pending or future claims.

While we believe we have meritorious defenses to these claims, we have settled certain claims for amounts we consider reasonable given the facts and circumstances of each case. Our insurance carrier has defended each case and funded settlements under a standard reservation of rights. As of December 31, 2019 we had resolved, by means of settlement or dismissal, 37,797 claims. The total cost of resolving all claims was \$10.3 million. Of this amount, almost 100% was paid by our insurance carrier, who has confirmed that we have approximately \$140 million of remaining coverage under primary and excess policies that should be available with respect to current and future asbestos claims.

The Company's subsidiary, Brandon Drying Fabrics, Inc. ("Brandon"), is also a separate defendant in many of the asbestos cases in which Albany is named as a defendant, despite never having manufactured any fabrics containing asbestos. While Brandon was defending against 7,710 claims as of December 31, 2019, only twelve claims have been filed against Brandon since January 1, 2012, and no settlement costs have been incurred since 2001. Brandon was acquired by the Company in 1999, and has its own insurance policies covering periods prior to 1999. Since 2004, Brandon's insurance carriers have covered 100% of indemnification and defense costs, subject to policy limits and a standard reservation of rights.

In some of these asbestos cases, the Company is named both as a direct defendant and as the "successor in interest" to Mount Vernon Mills ("Mount Vernon"). We 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. We deny 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, we have successfully moved for dismissal in a number of actions.

We currently do not anticipate, based on currently available information, that the ultimate resolution of the aforementioned proceedings will have a material adverse effect on the financial position, results of operations, or cash flows of the Company. Although we cannot predict the number and timing of future claims, based on the foregoing factors, the trends in claims filed against us, and available insurance, we also do not currently anticipate that potential future claims will have a material adverse effect on our financial position, results of operations, or cash flows.

ALBANY INTERNATIONAL CORP.

Notes to Consolidated Financial Statements

22. Stock Options and Incentive Plans

We recognized no stock option expense during 2019, 2018, or 2017 and there are currently no remaining unvested options for which stock-option compensation costs will be recognized in future periods.

There have been no stock options granted since November 2002 and we have no stock option plan under which options may be granted, although options may be granted under the Company's 2011 incentive plan. Options issued under previous plans and still outstanding were exercisable in five cumulative annual amounts beginning twelve 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. Unexercised options generally terminate twenty years after the date of grant for all plans, and must be exercised within ten years of retirement.

Activity with respect to these plans is as follows:

	<u>2019</u>	<u>2018</u>	<u>2017</u>
Shares under option January 1	18,940	29,340	62,390
Options canceled	—	—	150
Options exercised	6,990	10,400	32,900
Shares under option at December 31	11,950	18,940	29,340
Options exercisable at December 31	11,950	18,940	29,340

The weighted average exercise price is as follows:

	<u>2019</u>	<u>2018</u>	<u>2017</u>
Shares under option January 1	\$17.87	\$18.40	\$18.28
Options canceled	—	—	20.63
Options exercised	16.06	19.38	18.16
Shares under option December 31	18.93	17.87	18.40
Options exercisable December 31	18.93	17.87	18.40

As of December 31, 2019, the aggregate intrinsic value of vested options was \$0.7 million. The aggregate intrinsic value of options exercised was \$0.4 million in 2019, \$0.5 million in 2018, and \$1.1 million in 2017.

Executive Management share-based compensation:

In 2011, shareholders approved the Albany International 2011 Incentive Plan under which awards were granted through 2017. The multi-year awards granted to date under this Plan provide key members of management with incentive compensation based on achieving certain performance targets over a three year period. Such awards are paid out partly in cash and partly in shares of Class A Common Stock. Participants may elect to receive shares net of applicable income taxes. In March 2019, we issued 25,473 shares and made cash payments totaling \$1.0 million. In March 2018, we issued 33,425 shares and made cash payments totaling \$1.3 million. In March 2017, we issued 25,899 shares and made cash payments totaling \$1.0 million. If a person terminates employment prior to the award becoming fully vested, the person may forfeit all or a portion of the incentive compensation award. The grant date share price is determined when the awards are approved each year and that price is used for measuring the cost for the share-based portion of the award. Expense associated with these awards is recognized over the three year vesting period. In connection with this plan, we recognized an insignificant amount of expense in 2019, \$0.8 million in 2018, and \$2.6 million in 2017. There are no unvested share-based awards in this Plan that are dependent on performance after 2019. Therefore, we do not expect to record additional compensation expense in future periods.

ALBANY INTERNATIONAL CORP.

Notes to Consolidated Financial Statements

22. Stock Options and Incentive Plans — (continued)

During 2016 and 2017, the Company had an annual incentive plan for executive management whereby 40 to 50 percent of the earned incentive compensation was payable in the form of shares of Class A Common Stock. Participants could elect to receive shares net of applicable income taxes. In March 2018, the Company issued 10,751 shares and made cash payments totaling \$1.4 million as a result of performance in 2017. In March 2017, the Company issued 18,784 shares and made cash payments totaling \$1.9 million as a result of performance in 2016. The allocation of the award between cash and shares is determined by an average share price after the year of performance. Expense recorded for this plan was \$2.6 million in 2017, and \$3.3 million in 2016.

In 2017, shareholders approved the Albany International 2017 Incentive Plan. This plan provides key members of management with incentive compensation based on achieving certain performance or service measures. Awards can be paid in cash, shares of Class A Common Stock, Options, or other stock-based or incentive compensation awards pursuant to the Plan. Participants may elect to receive shares net of applicable income taxes. The first awards were granted in 2018, under this plan, with a performance period of one year, with cash payments made in March 2019 totaling \$1.5 million as a result of performance in 2018. Awards that were granted in 2018 and 2019, with a performance period of three years, have payments scheduled for March 2021 and 2022. If a participant terminates employment prior to the award becoming fully vested, the person may forfeit all or a portion of the incentive compensation award. The grant date share price is determined when the awards are approved each year and that price is used for measuring the cost for the share-based portion of an award. Expense associated with these awards is recognized over the vesting period of the performance period which is generally one to three years.

In connection with the 2017 Incentive Plan, we recognized expense of \$4.9 million in 2019 and \$3.4 million in 2018. For share-based awards that are dependent on performance after 2019, we expect to record additional compensation expense of approximately \$0.4 million in 2020 and \$0.2 million in 2021. Shares payable under these plans generally vest immediately prior to payment.

As of December 31, 2019, there were 1,115,472 shares of Company stock authorized for the payment of awards under these plans. Information with respect to these plans is presented below:

	Number of shares	Weighted average grant date value per share	Year-end intrinsic value (000's)
Shares potentially payable at January 1, 2017	189,418	\$36.90	\$6,989
Forfeitures	—	—	
Payments	(75,545)	\$36.35	
Shares accrued based on 2017 performance	43,532	\$48.26	
Shares potentially payable at December 31, 2017	157,405	\$40.30	\$6,343
Forfeitures	—	—	
Payments	(79,762)	\$39.90	
Shares accrued based on 2018 performance	34,822	\$70.59	
Shares potentially payable at December 31, 2018	112,465	\$49.96	\$5,619
Forfeitures	—	—	
Payments	(45,689)	\$36.74	
Shares accrued based on 2019 performance	14,936	\$92.12	
Shares potentially payable at December 31, 2019	81,712	\$65.06	\$5,316

ALBANY INTERNATIONAL CORP.

Notes to Consolidated Financial Statements

22. Stock Options and Incentive Plans — (continued)**Other Management share-based compensation:**

In 2012, the Company adopted a Phantom Stock plan whereby awards under this program vest over a five-year period and are paid annually in cash based on current market prices of the Company's stock. Under this program, employees may earn more or less than the target award based on the Company's results in the year of the award. Expense recognized for this plan amounted to \$6.3 million in 2019, \$4.8 million in 2018, and \$4.9 million in 2017. Based on awards outstanding at December 31, 2019, we expect to record approximately \$11 million of compensation cost from 2020 to 2023. The weighted average period for recognition of that cost is approximately 2 years.

The determination of compensation expense for other management share-based compensation plans is based on the number of outstanding share units, the end-of-period share price, and Company performance. Information with respect to these plans is presented below:

	Number of shares	Weighted average value per share	Cash paid for share based liabilities (000's)
Share units potentially payable at January 1, 2017	<u>261,145</u>		
Grants	96,505		
Changes due to performance	(11,891)		
Payments	(89,190)	\$46.64	\$4,160
Forfeitures	<u>(20,473)</u>		
Share units potentially payable at December 31, 2017	<u>236,096</u>		
Grants	65,370		
Changes due to performance	14,343		
Payments	(75,545)	\$62.69	\$4,736
Forfeitures	<u>(12,963)</u>		
Share units potentially payable at December 31, 2018	<u>227,301</u>		
Grants	58,878		
Changes due to performance	21,740		
Payments	(69,912)	\$70.67	\$5,528
Forfeitures	<u>(22,935)</u>		
Share units potentially payable at December 31, 2019	<u>215,072</u>		

In 2018 and 2019, the Company granted restricted stock units to four executives. The amount of compensation expense is subject to change in the market price of the Company's stock and was recorded in Selling, general, and administrative expenses. The vesting and payments due under these grants will occur in various periods from 2019 to 2022. Expense recognized for these grants was \$1.1 million in 2019 and \$0.5 million in 2018. Based on awards outstanding at December 31, 2019, we expect to record approximately \$1.5 million of compensation cost from 2020 to 2023.

On January 20, 2020, the Board of Directors of the Company appointed A. William Higgins as President and Chief Executive Officer effective January 20, 2020 to succeed Olivier M. Jarrault, who resigned by mutual agreement with the Board on this date. Mr. Jarrault will receive severance payments and accelerated vesting of 50% of his unvested restricted stock units. The Company expects to record a charge of approximately \$3.0 million in 2020 related to these termination benefits.

ALBANY INTERNATIONAL CORP.**Notes to Consolidated Financial Statements****22. Stock Options and Incentive Plans — (continued)**

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. The Company matches, in the form of cash, between 50 percent and 100 percent of employee contributions up to a defined maximum. The investment of employee contributions to the plan is self-directed. The Company's cost of the plan amounted to \$6.8 million in 2019, \$6.3 million in 2018, and \$5.9 million in 2017.

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. Company contributions to the plan are in the form of cash. The expense recorded for this plan was \$3.7 million in 2019, \$3.2 million in 2018, and \$2.6 million in 2017.

23. Shareholders' Equity

We have two classes of Common Stock, Class A Common Stock and Class B Common Stock, each with a par value of \$0.001 and equal liquidation rights. Each share of our 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.

In 2019, a public offering of a portion of the Standish Family shares reduced the number of Class A Common Stock reserved for the conversion of Class B shares, by 1.6 million. At December 31, 2019, 1.6 million shares of Class A Common Stock were reserved for the conversion of Class B Common Stock and the exercise of stock options.

In August 2006, we announced that the Board of Directors authorized management to purchase up to 2 million additional shares of our Class A Common Stock. The Board's action authorizes management to purchase shares from time to time, in the open market or otherwise, whenever it believes such purchase to be advantageous to our shareholders, and it is otherwise legally permitted to do so. We have made no share purchases under the August 2006 authorization. Activity in Shareholders' equity for 2017, 2018, and 2019 is presented below:

ALBANY INTERNATIONAL CORP.

Notes to Consolidated Financial Statements

23. Shareholders' Equity — (continued)

(in thousands)	Class A Common Stock		Class B Common Stock		Additional paid-in capital	Retained earnings	Accumulated items of other comprehensive income	Class A Treasury Stock		Noncontrolling Interest	Total Equity
	Shares	Amount	Shares	Amount				Shares	Amount		
January 1, 2017	37,319	\$37	3,234	\$3	\$425,953	\$522,855	\$(184,189)	8,443	\$(257,136)	\$3,767	\$511,290
Net income	—	—	—	—	—	33,111	—	—	—	(526)	32,585
Compensation and benefits paid or payable in shares	44	—	—	—	1,564	—	—	—	—	—	1,564
Options exercised	33	—	—	—	597	—	—	—	—	—	597
Shares issued to Directors'	—	—	—	—	309	—	—	(12)	260	—	569
Dividends declared	—	—	—	—	—	—	—	—	—	—	—
Class A Common Stock, \$0.68 per share	—	—	—	—	—	(19,685)	—	—	—	—	(19,685)
Class B Common Stock, \$0.68 per share	—	—	—	—	—	(2,199)	—	—	—	—	(2,199)
Cumulative translation adjustments	—	—	—	—	—	—	45,980	—	—	6	45,986
Pension and postretirement liability adjustments	—	—	—	—	—	—	1,183	—	—	—	1,183
Derivative valuation adjustment .	—	—	—	—	—	—	1,125	—	—	—	1,125
December 31, 2017	<u>37,396</u>	<u>\$37</u>	<u>3,234</u>	<u>\$3</u>	<u>\$428,423</u>	<u>\$534,082</u>	<u>\$(135,901)</u>	<u>8,431</u>	<u>\$(256,876)</u>	<u>\$3,247</u>	<u>\$573,015</u>
Net income	—	—	—	—	—	82,891	—	—	—	128	83,019
Adoption of accounting standards (a), (b)	—	—	—	—	—	(5,068)	—	—	—	(327)	(5,395)
Compensation and benefits paid or payable in shares	44	—	—	—	1,437	—	—	—	—	—	1,437
Options exercised	10	—	—	—	201	—	—	—	—	—	201
Shares issued to Directors'	—	—	—	—	494	—	—	(12)	273	—	767
Dividends declared	—	—	—	—	—	—	—	—	—	—	—
Class A Common Stock, \$0.69 per share	—	—	—	—	—	(20,029)	—	—	—	—	(20,029)
Class B Common Stock, \$0.69 per share	—	—	—	—	—	(2,231)	—	—	—	—	(2,231)
Cumulative translation adjustments	—	—	—	—	—	—	(28,658)	—	—	(17)	(28,675)
Pension and postretirement liability adjustments	—	—	—	—	—	—	3,427	—	—	—	3,427
Derivative valuation adjustment .	—	—	—	—	—	—	2,744	—	—	—	2,744
December 31, 2018	<u>37,450</u>	<u>\$37</u>	<u>3,234</u>	<u>\$3</u>	<u>\$430,555</u>	<u>\$589,645</u>	<u>\$(158,388)</u>	<u>8,419</u>	<u>\$(256,603)</u>	<u>\$3,031</u>	<u>\$608,280</u>
Net income	—	—	—	—	—	132,398	—	—	—	985	133,383
Adoption of accounting standards (c)	—	—	—	—	—	35	—	—	—	—	35
Compensation and benefits paid or payable in shares	26	—	—	—	1,311	—	—	—	—	—	1,311
Options exercised	7	—	—	—	112	—	—	—	—	—	112
Shares issued to Directors'	—	—	—	—	540	—	—	(10)	212	—	752
Dividends declared	—	—	—	—	—	—	—	—	—	—	—
Class A Common Stock, \$0.73 per share	—	—	—	—	—	(21,818)	—	—	—	—	(21,818)
Class B Common Stock, \$0.73 per share	—	—	—	—	—	(1,763)	—	—	—	—	(1,763)
Conversion of Class B shares to Class A shares (d)	1,616	2	(1,616)	(1)	—	(1)	—	—	—	—	—
Cumulative translation adjustments	—	—	—	—	—	—	(6,876)	—	—	(10)	(6,886)
Pension and postretirement liability adjustments	—	—	—	—	—	—	(2,885)	—	—	—	(2,885)
Derivative valuation adjustment .	—	—	—	—	—	—	(7,832)	—	—	—	(7,832)
December 31, 2019	<u>39,099</u>	<u>\$39</u>	<u>1,618</u>	<u>\$2</u>	<u>\$432,518</u>	<u>\$698,496</u>	<u>\$(175,981)</u>	<u>8,409</u>	<u>\$(256,391)</u>	<u>\$4,006</u>	<u>\$702,689</u>

(a) As described in Note 2, the Company adopted ASC 606 effective January 1, 2018, which resulted in a decrease to Retained earnings of \$5.6 million and a \$0.3 million decrease to Noncontrolling interest.

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Notes to Consolidated Financial Statements

23. Shareholders' Equity — (continued)

- (b) The Company adopted ASU 2016-16 effective January 1, 2018, which resulted in a \$0.5 million increase to Retained earnings.
- (c) As described in Note 20, the Company adopted ASC 842, Leases effective January 1, 2019, which resulted in an increase to Retained earnings of less than \$0.1 million.
- (d) In the second quarter of 2019, Standish Family Holdings, LLC executed a secondary offering of Albany shares. As a result of the offering, 1.6 million shares of Class B Common Stock previously owned by Standish Family Holdings, LLC were converted to Class A Common Stock and then sold to third parties. Costs associated with the offering were charged directly to Standish Family Holdings, LLC.

24. Business Acquisition

On November 20, 2019, the Company acquired CirComp GmbH, a privately-held developer and manufacturer of high-performance composite components located in Kaiserslautern, Germany for \$32.4 million. The Company also agreed to pay approximately \$5.5 million that will become due, as certain post-closing obligations are performed. Expense related to that agreement will be recognized over the five-year performance period. The Company funded the acquisition using a combination of cash on hand and funds drawn on its revolving credit facility (see Note 17). The Company has also agreed to purchase the primary operating facility in Germany for approximately \$5.6 million. The purchase of the facility is expected to occur in 2020.

The seller provided representations, warranties and indemnities customary for acquisition transactions, including indemnities for certain customer claims identified, before closing. The acquired entity is part of the AEC segment. CirComp specializes in designing and manufacturing customized engineered composite components for aerospace and other demanding industrial applications.

The following table summarizes the provisional allocation of the purchase price to the fair value of the assets and liabilities acquired:

<u>(in thousands)</u>	<u>November 20, 2019</u>
Assets acquired	
Cash	\$ 1,607
Accounts receivable	986
Contract assets	2,269
Inventories	525
Prepaid expenses and other current assets	452
Right of use assets	5,686
Property, plant and equipment	4,884
Amortizable intangible assets (see Note 15)	9,973
Goodwill	17,343
Total assets acquired	<u>\$43,725</u>
Liabilities assumed	
Accounts payable	\$ 65
Accrued liabilities	2,249
Lease liabilities	502
Deferred income taxes	3,325
Other noncurrent liabilities	5,184
Total liabilities assumed	<u>\$11,325</u>
Net assets acquired	<u>\$32,400</u>
Purchase of business, net of cash acquired	<u>\$30,793</u>

ALBANY INTERNATIONAL CORP.

Notes to Consolidated Financial Statements

24. Business Acquisition — (continued)

As a result of the acquisition occurring late in the year, the Company is continuing to perform procedures to verify the value of assets and liabilities acquired, particularly Contract assets, amortizable intangible assets and deferred income taxes. Accordingly, adjustments to the values in the above table may be required in future periods. Acquired Goodwill of \$17.3 million reflects the Company's belief that the acquisition complements and expands Albany's portfolio of proprietary, advanced manufacturing technologies for composite components, increases the Company's position as a leading innovator in advanced materials processing and automation, and opens a geographic footprint in Europe to better serve our global customer base. The acquisition significantly increases the Company's opportunities for future growth. The goodwill is non-deductible for tax purposes.

The following table presents operational results of the acquired entity that are included in the Consolidated Statements of Income (unaudited):

<u>(in thousands, except per share amounts)</u>	<u>November 20 to December 31, 2019</u>
Net sales	\$ 485
Operating loss	(162)
Loss before income taxes	(199)
Net loss attributable to the Company	(324)
Loss per share:	
Basic	\$(0.01)
Diluted	\$(0.01)

Results in the above table include \$0.1 million of expenses related to the \$5.5 million of deferred payments noted above. In addition to the amounts reported in the above table, the Company incurred approximately \$0.5 million of expenses, principally professional fees, related to the acquisition. The Consolidated Statements of Income reflect operational activity of the acquired business for only the period subsequent to the closing, which has an effect, however insignificant, on the comparability of results.

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Notes to Consolidated Financial Statements

25. Quarterly Financial Data (unaudited)

Presented below is certain unaudited quarterly consolidated statement of operations data from continuing operations for each of the quarters in the years ended December 31, 2019, 2018, and 2017. The information has been prepared on substantially the same basis as the audited consolidated financial statements contained in this report. Fourth quarter results presented below may vary from our quarterly earnings report in order to agree to the full year totals. The results of operations for any quarter are not necessarily indicative of the results to be expected for any future period.

(in millions, except per share amounts)	1st	2nd	3rd	4th	Total
2019					
Net sales	\$251.4	\$273.9	\$271.1	\$257.7	\$1,054.1
Gross profit	91.8	105.2	104.1	96.6	397.7
Net income attributable to the Company	29.2	34.1	40.0	29.1	132.4
Basic earnings per share	0.90	1.05	1.24	0.91	4.10
Diluted earnings per share	0.90	1.05	1.24	0.91	4.10
Cash dividends per share	0.18	0.18	0.18	0.19	0.73
Class A Common Stock prices:					
High	78.45	82.91	91.51	90.30	
Low	60.82	69.29	78.41	75.92	
2018					
Net sales	\$223.6	\$255.4	\$251.9	\$251.6	\$ 982.5
Gross profit	77.7	91.7	92.4	87.9	349.7
Net income attributable to the Company	7.7	29.9	27.7	17.6	82.9
Basic earnings per share	0.24	0.93	0.86	0.54	2.57
Diluted earnings per share	0.24	0.93	0.86	0.54	2.57
Cash dividends per share	0.17	0.17	0.17	0.18	0.69
Class A Common Stock prices:					
High	67.30	65.45	81.40	78.31	
Low	60.05	58.35	60.70	58.41	
2017					
Net sales	\$199.3	\$215.6	\$222.1	\$226.7	\$ 863.7
Gross profit	76.0	63.2	79.6	77.5	296.3
Net income attributable to the Company	10.8	1.1	15.3	5.9	33.1
Basic earnings per share	0.34	0.03	0.47	0.19	1.03
Diluted earnings per share	0.34	0.03	0.47	0.19	1.03
Cash dividends per share	0.17	0.17	0.17	0.17	0.68
Class A Common Stock prices:					
High	49.05	53.40	57.60	65.25	
Low	43.90	43.90	50.25	56.45	

In 2019, restructuring charges (decreased)/increased earnings per share by (\$0.01) in the first quarter, (\$0.02) in the second quarter, \$0.01 in the third quarter, and (\$0.04) in the fourth quarter. The charges were primarily related to the closure of the MC Facility in Sélestat, France.

In 2019, discrete income tax adjustments, increased/(decreased) earnings per share by \$0.10 in the first quarter, (\$0.03) in the second quarter, \$0.02 in the third quarter, and \$0.06 in the fourth quarter.

In 2018, restructuring charges reduced earnings per share by \$0.18 in the first quarter, \$0.06 in the second quarter, \$0.06 in the third quarter, and \$0.04 in the fourth quarter. The charges are primarily related to the closure of the MC Facility in Sélestat, France and discontinuation of certain manufacturing processes in Salt Lake City.

ALBANY INTERNATIONAL CORP.**Notes to Consolidated Financial Statements****25. Quarterly Financial Data (unaudited) — (continued)**

In 2018, discrete income tax adjustments, increased/(decreased) earnings per share by \$0.01 in the first quarter, \$0.12 in the second quarter, \$0.00 in the third quarter, and (\$0.01) in the fourth quarter.

In 2017, restructuring charges reduced earnings per share by \$0.05 in the first quarter, \$0.04 in the second quarter, \$0.11 in the third quarter, and \$0.07 in the fourth quarter. The amount recognized in the third quarter was primarily non-cash charges associated with the decision to exit a discontinued product line.

In 2017, discrete income tax adjustments, increased/(decreased) earnings per share by (\$0.03) in the first quarter, (\$0.02) in the second quarter, \$0.12 in the third quarter, and (\$0.21) in the fourth quarter. The amount recognized in the fourth quarter was primarily from changes in U.S. tax laws.

In 2017, we recorded a write-off of inventory in a discontinued product line in the third quarter. The write-off (decreased)/increased earnings per share by (\$0.06) in the third quarter and \$0.01 in the fourth quarter.

The Company's Class A Common Stock is traded principally on the New York Stock Exchange. As of December 31, 2019, there were over 20,000 beneficial owners of the Company's common stock, including employees owning shares through the Company's 401(k) defined contribution plan.

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

None.

Item 9A. CONTROLS AND PROCEDURES**Evaluation of Disclosure Controls and Procedures**

The Company, with the participation of its management, including its Chief Executive Officer and Chief Financial Officer, has carried out an evaluation of the effectiveness of the design and operation of the Company's disclosure controls and procedures (as defined in Exchange Act Rules 13a-15 and 15d-15) as of December 31, 2019. Such disclosure controls and procedures are designed to ensure that information required to be disclosed in reports under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the Commission's rules and forms, and to ensure that information required to be disclosed under the Exchange Act is accumulated and communicated to management, including the Chief Executive Officer and Chief Financial Officer, as appropriate to allow timely decisions regarding required disclosure.

Based on and as of the date of this evaluation, the Chief Executive Officer and the Chief Financial Officer have concluded that the Company's disclosure controls and procedures were effective as of such date.

Management's Report on Internal Control over Financial Reporting

Management of the Company is responsible for establishing and maintaining adequate internal control over financial reporting as defined in Rules 13a-15(f) and 15d-15(f) under the Securities Exchange Act of 1934. The Company's internal control system is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external reporting purposes in accordance with accounting principles generally accepted in the United States of America and includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the Company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the

Company are being made only in accordance with authorizations of management and directors of the Company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the Company's assets that could have a material effect on the financial statements.

Because of its limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies and procedures may deteriorate.

Management, under the supervision of the Company's Chief Executive Officer and Chief Financial Officer, and oversight of the Board of Directors, conducted an assessment of the effectiveness of the Company's internal control over financial reporting as of December 31, 2019 using the criteria set forth by the 2013 Committee of Sponsoring Organizations of the Treadway Commission (COSO) in Internal Control – Integrated Framework.

During 2019, the Company acquired CirComp GmbH, a privately-held developer and manufacturer of high-performance composite components located in Kaiserslautern, Germany. Management has excluded from its assessment of effectiveness of the Company's internal control over financial reporting as of December 31, 2019, CirComp GmbH's internal control over financial reporting associated with total assets of \$41.1 million and total revenues of \$0.5 million included in the consolidated financial statements of the Company as of and for the year ended December 31, 2019.

Based on management's assessment, we have concluded that our internal control over financial reporting was effective at December 31, 2019. Our independent registered accounting firm has issued a report on the effectiveness of our internal control over financial reporting which is included under Item 8.

Remediation of Prior Material Weaknesses

As disclosed in Form 10-K for the year ended December 31, 2018, we identified the following material weaknesses in our internal controls: The Company did not conduct an effective risk assessment process over the design and implementation of the systems development plan affecting the financial reporting process and process level controls impacted by the adoption of ASC 606, *Revenue from contracts with customers*, for certain revenue transactions in the Company's Machine Clothing business that are recognized at a point-in-time. In addition, the Company did not have effective reconciliation controls over the unbilled accounts receivable and inventory accounts related to those point-in-time transactions.

When the material weaknesses were identified, management immediately commenced actions to remediate the material weaknesses. To accomplish this the Company initiated comprehensive remediation efforts to ensure that the deficiencies that contributed to the material weakness were remediated such that these controls would operate effectively. These efforts included improving our risk assessment process related to pre-production and post-implementation testing and documentation of conclusions for significant systems development changes affecting financial reporting and internal controls; and, revising our financial reporting processes and related reconciliation controls over the unbilled accounts receivable and inventory accounts related to those point-in-time transactions.

As part of our assessment of internal control over financial reporting as of December 31, 2019, management tested and evaluated whether these controls were designed and operating effectively for a sufficient period of time. Based on this assessment, management concluded that the material weaknesses were remediated.

Changes in Internal Control over Financial Reporting

Other than the efforts described above, there were no changes in our internal control over financial reporting during our fourth fiscal quarter of 2019 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

/s/ A. William Higgins
A. William Higgins
President and
Chief Executive Officer
and Director
(Principal Executive Officer)

/s/ Stephen M. Nolan
Stephen M. Nolan
Chief Financial Officer
and Treasurer
(Principal Financial Officer)

/s/ David M. Pawlick
David M. Pawlick
Vice President and
Controller
(Principal Accounting Officer)

Item 9B. OTHER INFORMATION

None.

PART III

The information required by Items 10, 11, 12, 13, and 14 is set forth under the headings below and when applicable is incorporated herein by reference to the Company's 2020 Proxy Statement ("Proxy Statement") to be filed with the SEC within 120 days after December 31, 2019 in connection with the solicitation of proxies for the Company's 2020 annual meeting of shareholders.

Item 10. DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE

- a) Directors. The information set out in the section captioned "Election of Directors", will be filed within the Proxy Statement. On January 20, 2020 Erland E. Kailbourne, will return to his role as Chairman of the Board, succeeding A. William Higgins. The Company also reduced the size of the Board from ten to nine members and the size of the audit committee from five to four members. Mr. Higgins has resigned from the audit committee and will not serve on any Board committees.
- b) Executive Officers. On January 20, 2020, the Board of Directors of the Company appointed A. William Higgins as President and Chief Executive Officer effective January 20, 2020 to succeed Olivier M. Jarrault, who resigned by mutual agreement with the Board on this date. See Note 22, of the Consolidated Financial Statements in Item 8 for details regarding separation agreement terms. Additional information about the officers of the Company is set forth in Item 1.
- c) Significant Employees. Same as Executive Officers.
- d) Nature of any family relationship between any director, executive officer, person nominated or chosen to become a director or executive officer. The information set out in the section captioned "Certain Business Relationships and Related Person Transactions", will be filed within in the Proxy Statement.
- e) Business experience, during the past five years, of each director, executive officer, person nominated or chosen to become director or executive officer, and significant employees. Information about the officers of the Company is set forth in Item 1 above and the information set out in the section captioned "Election of Directors" in the Proxy Statement.
- f) Involvement in certain legal proceedings by any director, person nominated to become a director or executive officer. The information set out in the section captioned "Election of Directors", will be filed within the Proxy Statement.
- g) Certain promoters and control persons. None.
- h) Audit Committee Financial Expert. The information set out in the section captioned "Corporate Governance", will be filed within the Proxy Statement.
- i) Code of Ethics. The Company has adopted a Code of Ethics that applies to all of its employees, directors, and officers, including the Chief Executive Officer, Chief Financial Officer and Vice President- Controller. A copy of the Code of Ethics is filed as Exhibit 10(p) and is available at the Corporate Governance section of the Company's website (www.albint.com), within the investor materials section. A copy of the Code of Ethics may be obtained, without charge, by writing to: Investor Relations Department, Albany International Corp., 216 Airport Drive, Rochester, New Hampshire 03867. Any amendment to the Code of Ethics will be disclosed by posting the amended Code of Ethics on the Company's website. Any waiver of any provision of the Code of Ethics will be disclosed by the filing of a Form 8-K.

Item 11. EXECUTIVE COMPENSATION

The information required by this item is set forth in the sections of the Company's 2020 Proxy Statement captioned "Executive Compensation Earned," "Summary Compensation Table," "CEO Pay Ratio," "Grants of Plan-Based Awards," "Outstanding Equity Awards At Fiscal Year-End," "Option Exercises and Stock Vested," "Pension Benefits," "Nonqualified Deferred Compensation," "Director Compensation," "Compensation Committee Report," "Compensation Discussion and Analysis," and "Compensation Committee Interlocks and Insider Participation" is incorporated herein by reference.

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

The information required by this item is set forth in the section captioned "Share Ownership" in the Company's 2020 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 (a)	Weighted average exercise price of outstanding options, warrants, and rights (b)	Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a)) (c)
Equity compensation plans approved by security holders	11,950 ⁽¹⁾	\$18.93	1,115,472 ⁽²⁾ , (3),(4),(5)
Equity compensation plans not approved by security holders	—	—	—
Total	<u>11,950⁽¹⁾</u>	<u>\$18.93</u>	<u>1,115,472⁽²⁾, (3),(4),(5)</u>

- (1) Does not include 20,579, 31,222, and 18,771 shares that may be issued pursuant to 2017, 2018 and 2019, respectively, performance incentive awards granted to certain executive officers pursuant to the 2011 Incentive Plan and the 2017 Incentive Plan. Such awards are not "exercisable," but will be paid out to the recipients in accordance with their terms, subject to certain conditions.
- (2) Reflects the number of shares that may be issued pursuant to future awards under the 2011 Incentive Plan and 2017 Incentive Plan. Additional shares of Class A Common Stock are available for issuance under the 2011 Incentive Plan (see note 3 below) as well as under the Directors' Annual Retainer Plan (see note 5 below). No additional shares are available under any of the stock option plans pursuant to which outstanding options were granted.
- (3) 115,472 shares available for future issuance under the 2011 Incentive Plan. The 2011 Incentive Plan allows the Board from time to time to increase the number of shares that may be issued pursuant to awards granted under that Plan, provided that the number of shares so added may not exceed 500,000 in any one calendar year, and provided further that the total number of shares then available for issuance under the Plan shall not exceed 1,000,000 at any time. Shares of Common Stock covered by awards granted under the 2011 Incentive Plan are only counted as used to the extent they are actually issued and delivered. Accordingly, if an award is settled for cash, or if shares are withheld to pay any exercise price or to satisfy any tax-withholding requirement, only shares issued (if any), net of shares withheld, will be deemed delivered for purposes of determining the number of shares available under the Plan. If shares are issued subject to conditions that may result in the forfeiture, cancellation, or return of such shares to the Company, any shares forfeited, canceled, or returned shall be treated as not issued. Assuming full exercise by the Board of its power to increase annually the number of shares available under the 2011 Incentive Plan, the maximum number of additional shares that could yet be issued pursuant to the Plan awards (including those set forth in column (c) above) would be 1,615,472. No new shares have been awarded under this plan during 2018 or 2019.
- (4) 1,000,000 shares available for future issuance under the 2017 Incentive Plan. Shares of Common Stock covered by awards granted under the 2017 Incentive Plan are only counted as used to the extent they are actually issued and delivered, including shares withheld to satisfy tax requirement. Accordingly, if an award is settled for cash, or if shares are withheld to pay any exercise price, only shares issued (if any), net of shares withheld, will be deemed delivered for purposes of determining the number of shares available under the Plan. If shares are issued subject to conditions that may result in the forfeiture, cancellation, or return of such shares to the Company, any shares forfeited, canceled, or returned shall be treated as not issued. The Plan awards (including those set forth in column (c) above) would be 1,000,000.

- (5) The Directors' Annual Retainer Plan provides that the aggregate dollar amount of the annual retainer payable for service as a member of the Company's Board of Directors is \$160,000, \$90,000 of which is required to be paid in shares of Class A Common Stock, 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 the 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. Directors are expected to hold shares with a value of \$480,000 or three times the value of the annual retainer. Directors may elect to receive, in stock, all of the retainer payable in shares of Common Stock. A director and related persons, who owns shares of Common Stock with a value of at least \$480,000 may elect to receive, in cash, all or any portion of the retainer otherwise payable in shares of Common Stock.

Item 13. CERTAIN RELATIONSHIPS, RELATED TRANSACTIONS AND DIRECTOR INDEPENDENCE

The information required by this item is set forth in the section captioned "Election of Directors" in the Company's 2020 Proxy Statement is incorporated herein by reference.

Item 14. PRINCIPAL ACCOUNTANT FEES AND SERVICES

The information required by this item is set forth in the section captioned "Independent Auditors" in the Company's 2020 Proxy Statement is incorporated herein by reference.

PART IV

Item 15. EXHIBITS AND FINANCIAL STATEMENT SCHEDULES

Exhibit Number	Exhibit Description	Filed Herewith	Incorporated by Reference		
			Form	Period Ending	Filing Date
3 (a)	Amended and Restated Certificate of Incorporation of Company		8-K		6/02/15
3 (b)	Bylaws of Company		8-K		2/23/11
4 (a)	Article IV of Certificate of Incorporation of Company		8-K		6/02/15
4 (b)	Specimen Stock Certificate for Class A Common Stock		S-1, No. 33-16254		9/30/87
Credit Agreement					
10(k)(xix)	\$685 Million Five-Year Revolving Credit Facility Agreement among Albany International Corp., the other Borrowers named therein, the Lenders Party thereto, JPMorgan Chase Bank, N.A., as Administrative Agent, dated as of November 7, 2017		8-K		11/07/17
Restricted Stock Units					
10(l)(viii)	2011 Performance Phantom Stock Plan as adopted on May 26, 2011		10-Q	6/30/11	8/09/11
10(l)(vi)	2003 Restricted Stock Unit Plan, as amended May 7, 2008		8-K		5/13/08
10(l)(x)	Form of Restricted Stock Unit Award for units granted on March 2, 2018		8-K		3/06/18
10(l)(xi)	Form of Restricted Stock Unit Award for units granted on August 28, 2018		8-K		9/04/18
10(l)(xii)	Form of Restricted Stock Unit Award for units granted on April 1, 2019		10-Q	3/31/19	5/01/19
10(l)(xiii)	Form of Restricted Stock Unit Award for units granted on November 4, 2019				
		X	10-K	12/31/19	2/28/20
10(l)(xiv)	Form of 2011 Performance Stock Bonus agreement	X	10-K	12/31/19	2/28/20
Stock Options					
10(m)(i)	1992 Stock Option Plan		8-K		1/18/93
10(m)(vii)	1998 Stock Option Plan, as amended and restated as of August 7, 2003		10-Q	9/30/03	11/06/03
10(m)(ix)	2011 Incentive Plan		8-K		6/01/11
10(m)(xvii)	Form of 2011 Annual Performance Bonus Agreement		8-K		3/29/11
10(m)(xviii)	Form of 2011 Multi-Year Performance Bonus Agreement		8-K		3/29/11
Executive Compensation					
10(l)(viii)	Form of Severance Agreement between the Company and certain corporate officers or key executives		8-K		1/04/16
10(n)(i)	Supplemental Executive Retirement Plan, adopted as of January 1, 1994, as amended and restated as of January 1, 2008		8-K		1/02/08
10(n)(ii)	2017 Incentive Plan		Def 14A		3/29/17
10(n)(iii)	Form of Incentive Award, dated April 1, 2019, between the Company and Stephen M. Nolan		10-Q	3/31/19	5/01/19
10(n)(iv)	Form of Sign on Bonus Agreement, dated November 4, 2019, between the Company and Greg Harwell				
		X	10-K	12/31/19	2/28/20
10(n)(v)	Form of Retention Bonus Agreement, dated January 21, 2020, between the Company and Stephen M. Nolan		8-K		1/23/20
10(o)(iv)	Directors' Annual Retainer Plan, as amended and restated as of February 23, 2018		Def 14A		3/28/18
10(p)	Code of Ethics		10-K	12/31/03	3/11/04

Exhibit Number	Exhibit Description	Filed Herewith	Incorporated by Reference		
			Form	Period Ending	Filing Date
10(q)	Directors Pension Plan, amendment dated as of January 12, 2005		8-K		1/13/05
10(t)	Form of Indemnification Agreement		8-K		4/12/06
10(u)	Employment agreement, dated March 2, 2018, between the Company and Olivier M. Jarrault		10-Q	3/31/18	5/08/18
10(u)	First Amendment, dated July 9, 2018, to amend the employment agreement between the Company and Olivier M. Jarrault		10-Q	6/30/18	8/07/18
10(u)(ii)	Second Amendment, dated March 15, 2019, to amend employment the agreement between the Company and Olivier M. Jarrault		10-Q	3/31/19	5/01/19
10(u)(iii)	Third Amendment, dated November 8, 2019, to amend employment the agreement between the Company and Olivier M. Jarrault	X	10-K	12/31/19	2/28/20
10(u)(iv)	Executive separation agreement, dated December 12, 2019, between the Company and Charles J. Silva, Jr.	X	10-K	12/31/19	2/28/20
10(u)(v)	Executive separation agreement, dated March 29, 2019, between the Company and John Cozzolino	X	10-K	12/31/19	2/28/20
10(u)(vi)	Executive separation agreement, dated January 20, 2020, between the Company and Olivier M. Jarrault	X	10-K	12/31/19	2/28/20
10(u)(vii)	Employment agreement, dated January 21, 2020, between the Company and A. William Higgins	X	10-K	12/31/19	2/28/20
1.1	Underwriting Agreement, dated May 30, 2019 by and among Albany International Corp., J.P Morgan Securities LLC and BofA Securities Inc., as representatives of the several underwriters named in the agreement.		8-K		6/04/19
10.1	Fee side letter agreement between Albany International Corp. and Standish Family Holdings, LLC and J.S. Standish Company, dated May 28, 2019		8-K		5/28/19
10.2	Amended and restated LLC operating agreement by and between Albany Engineered Composites and Safran Aerospace Composites, Inc. 10% equity interest in ASC for \$28 million		10-K	12/31/13	2/26/14
11	Statement of Computation of Earnings per share (provided in Footnote 8 to the Consolidated Financial Statements)	X	10-K	12/31/19	2/28/20
21	Subsidiaries of Company	X	10-K	12/31/19	2/28/20
23	Consent of Independent Registered Public Accounting Firms	X	10-K	12/31/19	2/28/20
24	Powers of Attorney	X	10-K	12/31/19	2/28/20
31(a)	Certification of A. William Higgins required pursuant to Rule 13a-14(a) or Rule 15d-14(a)	X	10-K	12/31/19	2/28/20
31(b)	Certification of Stephen M. Nolan required pursuant to Rule 13a-14(a) or Rule 15d-14(a)	X	10-K	12/31/19	2/28/20
32(a)	Certification of A. William Higgins and Stephen M. Nolan 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	X	10-K	12/31/19	2/28/20

The following information from the Registrant's Annual Report on Form 10-K for the year ended December 31, 2019, formatted in Inline XBRL (Extensive Business Reporting Language), filed herewith:

101(i)	Consolidated Statements of Income for the years ended December 31, 2019, 2018 and 2017	X	10-K	12/31/19	2/28/20
101(ii)	Consolidated Statements of Comprehensive Income for the years ended December 31, 2019, 2018, and 2017	X	10-K	12/31/19	2/28/20
101(iii)	Consolidated Balance Sheets as of December 31, 2019 and 2018	X	10-K	12/31/19	2/28/20
101(iv)	Consolidated Statements of Cash Flows for the years ended December 31, 2019, 2018, and 2017	X	10-K	12/31/19	2/28/20
101(v)	Notes to Consolidated Financial Statements	X	10-K	12/31/19	2/28/20
101.INS	XBRL Instance Document – the instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document.				
101.SCH	XBRL Taxonomy Extension Schema Document				
101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document				
101.DEF	XBRL Taxonomy Extension Definition Linkbase Document				
101.LAB	XBRL Taxonomy Extension Label Linkbase Document				
101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document				
104	Cover page formatted as Inline XBRL and contained in Exhibit 101				

* As provided in Rule 406T of Regulation S-T, this information shall not be deemed “filed” for purposes of Sections 11 and 12 of the Securities Act and Section 18 of the Securities Exchange Act or otherwise subject to liability under those sections.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the Company has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized on the 28th day of February, 2020.

ALBANY INTERNATIONAL CORP.

By /s/ Stephen M. Nolan
 Stephen M. Nolan
 Chief Financial Officer and Treasurer
 (Principal 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 Company and in the capacities and on the dates indicated.

Signature	Title	Date
<u>*</u> A. William Higgins	President and Chief Executive Officer and Director (Principal Executive Officer)	February 28, 2020
<u>/s/ Stephen M. Nolan</u> Stephen M. Nolan	Chief Financial Officer and Treasurer (Principal Financial Officer)	February 28, 2020
<u>*</u> David M. Pawlick	Vice President–Controller (Principal Accounting Officer)	February 28, 2020
<u>*</u> Erland E. Kailbourne	Chairman of the Board and Director	February 28, 2020
<u>*</u> John F. Cassidy, Jr.	Director	February 28, 2020
<u>*</u> Katharine Plourde	Director	February 28, 2020
<u>*</u> Mark J. Murphy	Director	February 28, 2020
<u>*</u> John R. Scannell	Director	February 28, 2020
<u>*</u> Christine L. Standish	Director	February 28, 2020
<u>*</u> Kenneth W. Krueger	Director	February 28, 2020
<u>*</u> Lee C. Wortham	Director	February 28, 2020
<u>*By /s/ Stephen M. Nolan</u> Stephen M. Nolan Attorney-in-fact		

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

<u>Column A</u>	<u>Column B</u>	<u>Column C</u>	<u>Column D</u>	<u>Column E</u>
<u>Description</u>	<u>Balance at beginning of period</u>	<u>Charge to expense</u>	<u>Other</u>	<u>Balance at end of the period</u>
Allowance for doubtful accounts				
Year ended December 31:				
2019	\$ 7,337	\$ 309	\$ (5,927)	\$ 1,719
2018	7,919	579	(1,161)	7,337
2017	6,952	1,388	(421)	7,919
Allowance for sales returns				
Year ended December 31:				
2019	\$11,343	\$ 7,278	\$ (7,372)	\$11,249
2018	11,370	8,372	(8,399)	11,343
2017	13,714	8,909	(11,253)	11,370
Valuation allowance deferred tax assets				
Year ended December 31:				
2019	\$ 8,389	\$ 859	\$ (146)	\$ 9,102
2018	16,057	(4,882)	(2,786)	8,389
2017	22,821	(3,552)	(3,212)	16,057

(A) Amounts sold, written off, or recovered, and the effect of changes in currency translation rates, are included in Column D.

CORPORATE INFORMATION

Investor Relations

The Company's Investor Relations Department may be contacted at:

Investor Relations Department
Albany International Corp.
216 Airport Drive
Rochester, NH 03867
Telephone: (603) 330-5850
Fax: (603) 994-3974
E-mail: investor.relations@albint.com

Transfer Agent and Registrar

Computershare
P.O. Box 505000
Louisville, KY 40233-5000
Telephone (toll-free): 1-877-277-9931
Web: www.computershare.com/investor

Shareholder Services

As an Albany International shareholder, you are invited to take advantage of our convenient shareholder services.

Computershare maintains the records for our registered shareholders and can help you with a variety of shareholder-related services at no charge, including:

- Change of name and/or address
- Consolidation of accounts
- Duplicate mailings
- Dividend reinvestment enrollment
- Lost stock certificates
- Transfer of stock to another person
- Additional administrative services

Access your investor statements online 24 hours a day, 7 days a week at Investor Center. For more information, go to www.computershare.com/investor.

Notice of Annual Meeting

The Annual Meeting of the Company's shareholders will be held on Thursday, May 14, 2020 at 9:00 a.m. at Loews Boston Hotel, 154 Berkeley Street, Boston MA 02116.

Stock Listing

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

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, sexual orientation, 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.

Trademarks and Trade Names

INLINE, KRAFTLINE, PRINTLINE, HYDROCROSS, SEAM HYDROCROSS, SEAMPLANE, Seam KMX, SPRING, VENTABELT EVM, VENTABELT XTS, VENTABELT XTR, TRANSBELT GX, TRANSBELT GXM, SPIRALTOP, AEROPULSE, AEROPOINT, DURASPIRAL, TOPSTAT, SUPRASTAT, PROVANTAGE, PROVANTAGE LC, PACKLINE, PROLUX, KRAFTEX, FIBRETEX, ULTRA XT, DYNATEX, Aeroclean, SpiralRun, X-COR, K-COR, and NOVALACE are all trade names of Albany International Corp.

Directors and Officers

Directors

Erland E. Kailbourne, Chairman^{1,3}
Retired – Chairman and Chief Executive Officer,
Fleet National Bank (New York Region)

John F. Cassidy, Jr.^{2,3}
Retired – Senior Vice President,
Science and Technology, United Technologies Corp.

Katharine L. Plourde^{1,3}
Retired – Principal and Analyst,
Donaldson, Lufkin & Jenrette, Inc.

Mark J. Murphy¹
Chief Financial Officer, Qorvo, Inc.

Lee C. Wortham²
Partner and COO, Barrantys LLC

A. William Higgins
President and Chief Executive Officer

Christine L. Standish³
Director and Executive Officer, J.S. Standish Company

Kenneth Krueger¹
Chairman of the Board, Manitowoc Company Inc.

John R. Scannell²
Chairman and Chief Executive Officer, Moog Inc.

¹ Member, Audit Committee

² Member, Compensation Committee

³ Member, Governance Committee

Officers

A. William Higgins
President and Chief Executive Officer

Daniel A. Halftermeyer
President – Machine Clothing

Alice McCarvill
Executive Vice President Human Resources
and Chief Human Resources Officer

David M. Pawlick
Vice President – Controller

Stephen M. Nolan
Chief Financial Officer and Treasurer

Greg Harwell
President – Engineered Composites

Robert A. Hansen
Senior Vice President and Chief Technology Officer

RESTRICTED UNIT AWARD AGREEMENT

Pursuant to the

ALBANY INTERNATIONAL CORP.
2003 RESTRICTED STOCK UNIT PLAN

* * * * *

Participant: Greg Harwell

Award Date: November 4, 2019

Number of Restricted Units Awarded: 7,292

* * * * *

THIS AWARD AGREEMENT, dated as of the Award Date specified above, is entered into by and between Albany International Corp. (the "Company"), and the Participant specified above, pursuant to the Amended and Restated Albany International Corp. 2003 Restricted Stock Unit Plan, as in effect and as amended from time to time (the "Plan"); and

WHEREAS, as an incentive to encourage the Participant to remain in the employ of the Company and its subsidiaries by affording the Participant a greater interest in the success of the Company and its subsidiaries, the Company desires to grant the Participant the Restricted Units provided herein;

WHEREAS, the Participant desires to obtain such Restricted Units on the terms and conditions provided for herein;

NOW, THEREFORE, in consideration of the premises, the mutual covenants herein set forth and other good and valuable considerations receipt of which is hereby acknowledged, the Company and the Participant agree as follows:

1. Incorporation by Reference; Plan Document Receipt. Except as otherwise provided herein, this Award Agreement is subject in all respects to the terms and provisions of the Plan (including, without limitation, any amendments thereto adopted at any time and from time to time and which are expressly intended to apply to the grant of the Restricted Units provided for herein), all of which terms and provisions are made a part of and incorporated in this Award Agreement as if they were expressly set forth herein. Any capitalized term not defined in this Award Agreement shall have the same meaning as is ascribed thereto in the Plan. The Participant hereby acknowledges receipt of a true copy of the Plan and that the Participant has read the Plan carefully and fully understands its content. In the event of a conflict between the terms of this Award Agreement and the terms of the Plan, the terms of the Plan shall control.

2. Award of Restricted Units; Credit to Restricted Unit Account. Subject to the terms hereof and the Plan, the Company hereby grants to the Participant, as of the Award Date specified above, the number of Restricted Units specified above. The Company shall record such Restricted Units in the Participant's Restricted Unit Account.

3. Vesting. As permitted in Section 5.1 of the Plan, the following Vesting Dates shall apply with respect to the Restricted Units (including any additional Restricted Units credited as Cash Dividend Equivalents with respect to such Restricted Units) awarded hereunder and shall supersede any contrary provision in Section 5.1:

- a. Twenty-four and nineteen one-hundredths percent (24.19%) of such Restricted Units (including any additional Restricted Units credited as Cash Dividend Equivalents with respect to such Restricted Units) shall vest on November 4, 2020, subject to the Participant being employed with the Albany Group on such Vesting Date;
- b. Thirty-five and forty-eight one-hundredths percent (35.48%) of such Restricted Units (including any additional Restricted Units credited as Cash Dividend Equivalents with respect to such Restricted Units) shall vest on November 4, 2021, subject to the Participant being employed with the Albany Group on such Vesting Date; and
- c. Forty and thirty-three one-hundredths percent (40.33%) of such Restricted Units (including any additional Restricted Units credited as Cash Dividend Equivalents with respect to such Restricted Units) shall vest on November 4, 2022, subject to the Participant being employed with the Albany Group on such Vesting Date.

4. Additional Special Vesting. The special vesting provisions set forth in Section 5.2 of the Plan shall apply to the Restricted Units (including any additional Restricted Units credited as Cash Dividend Equivalents with respect to such Restricted Units) awarded hereunder.

5. Settlement; Payment Delay. The Restricted Units (including any additional Restricted Units credited as Cash Dividend Equivalents with respect to such Restricted Units) credited to Participant's Restricted Unit Account pursuant to this Award Agreement shall be settled in accordance with the provisions of the Plan, including without limitation Section 6.1. Notwithstanding any provision to the contrary, if, pursuant to the provisions of Section 409A of the Internal Revenue Code of 1986, as amended, and the regulations promulgated thereunder (the "Code"), any payment is required to be delayed as a result of the Participant being deemed to be a "specified employee" within the meaning of that term under Section 409A(a)(2)(B) of the Code, then any such payments under the Plan shall not be made prior to the earlier of (A) the expiration of the six month period measured from the date of the "separation from service" (as such term is defined in Treasury Regulations issued under Section 409A of the Code) or (B) the date of the Participant's death. Upon the expiration of such period, all payments under the Plan delayed pursuant to this paragraph 6 shall be paid to the Participant in a lump sum, and any remaining payments due under the Plan shall be paid or provided in accordance with the normal payment dates specified for them herein.

6. Amendment and Waiver. Neither this Award Agreement nor any provision hereof may be amended, modified, changed, discharged, terminated or waived orally, by any course of dealing or purported course of dealing or by any other means except (a) in the case of an amendment, modification, change or waiver that does not impair the rights of the Participant with respect to outstanding Restricted Units or that is deemed by

the Committee to be advisable to avoid the imposition of any tax under Section 409A of the Code, by written notice to the Participant or (b) an agreement in writing signed by the Company and the Participant. No such written notice of agreement shall extend to or affect any provision of this Award Agreement not expressly amended, modified, changed, discharged, terminated or waived or impair any right consequent on such a provision. The waiver of or failure to enforce any breach of this Award Agreement shall not be deemed to be a waiver of or acquiescence in any other breach hereof.

7. Notices. Any notice required or permitted under this Award Agreement shall be in writing and shall be deemed properly given:

7.1 in the case of notice to the Company, if delivered in person to the Secretary of the Company, or mailed to the Company to the attention of the Secretary by registered mail (return receipt requested) at 216 Airport Drive, Rochester, New Hampshire, 03867, or at such other address as the Company may from time to time hereafter designate by written notice to the Participant; and

7.2 in the case of notice to the Participant, if delivered to him or her in person, or mailed to him or her by registered mail (return receipt requested) at the last known residence address provided by Participant to the Company or at such other address as the Participant may from time to time hereafter designate by written notice to the Company.

8. Governing Law. This Award Agreement shall be governed by and construed in accordance with the laws of the State of New York.

9. Binding Agreement; Assignment. This Award Agreement shall inure to the benefit of, be binding upon, and be enforceable by the Company and its successors and assigns. The Participant shall not assign any part of this Award Agreement without the prior express written consent of the Company.

10. Counterparts. This Award Agreement may be executed in one or more counterparts, each of which shall be deemed to be an original, but all of which shall constitute one and the same instrument.

11. Headings. The titles and headings of the various sections of this Award Agreement have been inserted for convenience of reference only and shall not be deemed to be a part of this Award Agreement.

12. Further Assurances. Each party hereto shall do and perform (or shall cause to be done and performed) all such further acts and shall execute and deliver all such other agreements, certificates, instruments and documents as any other party hereto reasonably may request in order to carry out the intent and accomplish the purposes of this Award Agreement and the Plan and the consummation of the transactions contemplated thereunder.

13. Severability. The invalidity or unenforceability of any provisions of this Award Agreement in any jurisdiction shall not affect the validity, legality or enforceability of the remainder of this Award Agreement in such jurisdiction or the validity, legality or enforceability of any provision of this Award Agreement in any other jurisdiction, it being intended that all rights and obligations of the parties hereunder shall be enforceable to the fullest extent permitted by law.

14. Acceptance of Restricted Units. Unless, within 45 days following the date of this Award Agreement, the Company has received written notice from the Participant rejecting the Restricted Units, this Award Agreement shall be deemed to have been accepted by the Participant and shall constitute a legal and binding agreement between the Participant and the Company.

IN WITNESS WHEREOF, the Company has duly executed this Award Agreement as of the Award Date specified above.

ALBANY INTERNATIONAL CORP.

By: /s/ Alice McCarvill

Name: Alice McCarvill

Title: Executive Vice President Human Resources
and Chief Human Resources Officer

/s/ Greg Harwell

Greg Harwell

**ALBANY INTERNATIONAL CORP.
2011 PERFORMANCE PHANTOM STOCK PLAN**

2018 AWARD AGREEMENT

This AWARD AGREEMENT (the "Agreement") is dated as of the ____ day of _____, 2018, between Albany International Corp., a Delaware corporation (the "Company"), and _____ (the "Participant").

WHEREAS, the Company adopted and maintains the Albany International Corp. 2011 Performance Phantom Stock Plan (the "Plan");

WHEREAS, the Plan provides for the grant of awards of Performance Phantom Stock to participants in the Plan; and

WHEREAS, Section 4(b) of the Plan provides for the establishment of Performance Measures and Performance Targets for awards granted under the Plan.

NOW THEREFORE, in consideration of the agreements and obligations hereinafter set forth, the parties hereto agree as follows:

1. Definitions; References.

As used herein, the following terms shall have the meanings indicated below.

- (a) "Final Award", with respect to the Performance Period, shall mean the number of shares of Performance Phantom Stock equal to the product of the Target Award multiplied by the Performance Percentage for the Performance Period (which number may be zero).
- (b) "Performance Percentage" shall mean, with respect to the Performance Period, the percentage determined pursuant to the Scorecard.
- (c) "Performance Period" shall mean the period that commences on January 1, 2018 and ends on December 31, 2018.
- (d) "Scorecard" shall mean a performance scorecard as set forth in Section 3 hereof.
- (e) "Target Award", with respect to the Performance Period, shall mean the number of shares of Performance Phantom Stock specified in Section 2, which is the amount of the Final Award for the Performance Period if the Performance Percentage is 100%.

2. Establishment of the Target Award. Pursuant to, and subject to, the terms and conditions set forth herein and in the Plan, the Committee hereby establishes the Participant's Target Award at _____ shares of Performance Phantom Stock for the Performance Period.

3. Establishment of the Scorecard. Pursuant to, and subject to, the terms and conditions set forth herein and in the Plan, the Committee hereby establishes the Scorecard, attached hereto as Exhibit A, based on the objective criteria specified, with which to evaluate the Company's and/or the Participant's performance during the Performance Period. The Scorecard shall represent an objective basis for determining the Performance Percentage for the duration of this Agreement.

4. Determination and Vesting of Final Award.

- (a) As soon as practicable after the end of the Performance Period, and in no event later than the last day of the first February following the Performance Period (the "Determination Date"), the Committee shall determine the Performance Percentage based on the Scorecard and the resulting Final Award to be allocated as of the Determination Date to the Participant's Performance Phantom Stock Account for the Performance Period.
- (b) The vesting, special vesting and forfeiture provisions set forth in Sections 5(b), (c) and (d) of the Plan shall apply.

5. Time and Method of Settlement of Final Award.

(a) As promptly as practicable after each Vesting Date and in no event later than the later of (i) December 31 of the year in which the Vesting Date occurs, and (ii) the 15th day of the third month following 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 shares of Performance Phantom Stock vesting on such Vesting Date multiplied by (ii) the Share Price as of such Vesting Date.

6. Clawback. If there is a significant restatement of the Company's financial results, caused or substantially caused by the fraud or intentional misconduct of the Participant, the entire amount of the Final Award, whether vested or unvested, shall be forfeited and the Participant shall not be entitled to any payment under Section 5 hereof or have any other rights with respect to the Final Award. Moreover, the Participant shall, upon demand, repay any payments already paid prior to the restatement.

7. Modification and Waiver. Except as provided in the Plan with respect to determinations of the Committee and subject to the right of the Board and the Committee to amend the Plan, neither this Agreement nor any provision hereof can be changed, modified, amended, discharged, terminated or waived orally or by any course of dealing or purported course of dealing, except by an agreement in writing signed by the Participant and the Company. No such agreement shall extend to or affect any provision of this Agreement not expressly changed, modified, amended, discharged, terminated or waived or impair any right consequent on such a provision. The Waiver of or failure to enforce any breach of this Agreement shall not be deemed to be a waiver or acquiescence in any other breach thereof.

8. Notices. All notices and other communications hereunder shall be in writing, shall be deemed to have been given if delivered in person or by first-class registered or certified mail, return receipt requested, and shall be deemed to have been given when personally delivered or five (5) days after mailing to the following address (or to such other address as either party may have furnished to the others in writing in accordance herewith, except that notices of change of address shall only be effective upon receipt):

If to the Company:

Albany International Corp.
216 Airport Drive
Rochester, New Hampshire 03867
Fax: (518) 935-9316
Attention: Legal Department

If to the Participant, to the most recent address of the Participant that the Company has in its records.

9. Incorporation By Reference; Plan Document Receipt. Except as otherwise provided herein, this Award Agreement is subject in all respects to the terms and provisions of the Plan (including, without limitation, any amendments thereto adopted at any time and from time to time and which are expressly intended to apply to the grant of the Performance Phantom Stock provided for herein), all of which terms and provisions are made a part of and incorporated in this Award Agreement as if they were expressly set forth herein. Any capitalized term not defined in this Award Agreement shall have the same meaning as is ascribed thereto in the Plan. The Participant hereby acknowledges receipt of a true copy of the Plan and that the Participant has read the Plan carefully and fully understands its content. In the event of a conflict between the terms of this Award Agreement and the terms of the Plan, the terms of the Plan shall control.

10. Counterparts. This Agreement may be executed in two or more counterparts, each of which shall be deemed to be an original, but each of which together shall constitute one and the same document.

11. Governing Law; Choice of Forum. This Agreement shall be governed by and construed in accordance with the laws of the State of New York, without regard to its conflicts of law principles, and the parties hereby submit to the jurisdiction of the courts and tribunals of New York.

12. Binding Effect. This Agreement shall be binding upon, inure to the benefit of, and be enforceable by the heirs, personal representatives and successors of the parties hereto. Nothing expressed or referred to in this Agreement is intended or shall be construed to give any person other than the parties to this Agreement, or their respective heirs, personal representatives or successors, any legal or equitable rights, remedy or claim under or in respect of this Agreement or any provision contained herein.

13. Severability. If any term, provision, covenant or restriction of this Agreement is held by a court of competent jurisdiction to be invalid, void or unenforceable, the remainder of the terms, provisions, covenants and restrictions of this Agreement shall remain in full force and effect and shall in no way be affected, impaired or invalidated.

14. Miscellaneous. The headings contained in this Agreement are for reference purposes only and shall not affect in any way the meaning or interpretation of this Agreement.

IN WITNESS WHEREOF, the Company and the Participant have duly executed this Agreement as of the date specified above.

ALBANY INTERNATIONAL CORP.

By: _____

Name:

Title:

Participant

EXHIBIT A

Albany International 2018 Phantom Stock Plan Award Agreement
Performance Percentage Scorecard

Performance Metric	Weight	Measurement	Performance Metric Percentage Goals				
			0%	50%	100%	150%	200%
I. 2018 Weighted Corporate Performance Metric	100%	Combination of Financial Statements	To Be Calculated as Described Below				

The Performance Percentage achievement level shall be determined by the Committee in its sole discretion and shall equal (45% x Metric Percentage achieved for the 2018 Global MC Cash Flow Metric defined below) + (45% x Metric Percentage achieved for the 2018 Global AEC EBITDA excluding R&D Metric defined below) + (10% x Metric Percentage achieved for 2018 Other Cash Flow defined below) **provided** the Company does not, at any time during 2018, breach any leverage ratio covenants set forth in the Company's \$685,000,000 Five-year Revolving Credit Agreement with various Lender Banks and JPMorgan Chase Bank, N.A. as Administrative Agent, dated November 7, 2017, or any other financing facility established during 2018 to replace the aforesaid credit agreement (in either case, the "Credit Agreement"). In the event that any leverage ratio covenant is breached at any point in 2018, or in the event that payment of the amounts to be paid out under this Plan award or any other Plan award would cause the breach of a leverage ratio covenant, the Performance Percentage shall equal zero. Neither the Performance Percentage, nor any Metric Percentage, shall exceed 200%.

For the purposes of calculating the Performance Percentage achievement level, the following definitions shall apply:

"2018 Global MC Cash Flow" shall be equal to the amount reported as "Net Income" for the Global Machine Clothing business segment for 2018 in the Company's Consolidated Statement of Income for 2018, less any income, or plus any expense, derived from the revaluation of non-functional currency assets and liabilities, adjusted by adding back, to the extent that such item reduced Net Income, or subtracting, to the extent that such item increased Net Income:

- (A) depreciation and amortization expense;
 - (B) restructuring costs, provided however, that the Committee may, in its sole discretion, choose to omit certain restructuring costs from this provision so long as the failure to add back those restructuring costs does not result in a higher Metric Percentage or reduced target goal;
 - (C) any goodwill and intangible impairment;
 - (D) income tax expenses (including any taxes recorded as operating expenses that were not included in the 2018 Operating Plan approved by the Board of Directors);
 - (E) net interest expense;
-

(in each case, as determined in accordance with GAAP and the Company's accounting policies, consistently applied) **provided** that the amount so determined shall then be further adjusted (1) to exclude the effect of any adjustments to the Company's financial statements required to reflect the effect of (a) discontinued operations, or (b) newly effective accounting pronouncements, the effect of which were not incorporated into the Board approved operating plan (in each case, without duplication, as defined by GAAP and as included in the Company's audited financial statements whether or not reflected as a separate line item in such audited financial statements); (2) to exclude (i) any gain or loss attributable to the sale of any business segment, or any real estate, during 2018, net of any expenses incurred in connection with the transaction, or (ii) reallocated overhead costs which were otherwise attributable to any discontinued operations divested during the Performance Period; (3) to exclude any income (or loss) attributable to any business operation acquired during the Performance Period; (4) to exclude the effect on income of any charges incurred in the connection of the settlement of pension benefit funding obligations; (5) to exclude the effect on income of any deferred bank fee write-offs or interest rate swap buyouts related to any new financing facility established during 2018 or any gain or loss associated with the early retirement of any debt instrument; (6) to exclude the effect on income of any expenses, including consulting or professional fees, incurred in connection with any activities undertaken by management at the direction of the Board of Directors to investigate or pursue any strategic acquisitions, combinations, joint ventures or divestitures, regardless of whether such efforts result in the completion of such acquisition, combination, joint venture or divestiture during the Performance Period; and (7) to exclude the cost of any lease expense incurred in connection with the sale and leaseback of any real estate (the foregoing hereinafter collectively referred to as the "Adjustments") as the same may be applied to such business segment

then further adjusting the resulting amount by:

(X) deducting therefrom the aggregate sum of all approved Machine Clothing capital expenditures released during 2018, plus any over-budget capital expenditures costs or less any under budget capital expenditure costs budgeted regardless of the year in which released, adjusted to exclude any capital expenditures released during 2018 and any over or under budget capital expenditure costs that are attributable to any business operations acquired during the applicable year;

(Y) adding back any expense related to machinery and equipment relocations and plant setup costs, or other capital expenditures associated with anticipated or announced plant closings or consolidation of manufacturing capacity and not otherwise considered restructuring costs; and

(Z) by increasing, or decreasing as the case may be, the amount by a sum equal to the net decrease (or increase) in the aggregate sum of Machine Clothing Accounts Receivable and Inventories during the Performance Period. Accounts Receivable and Inventories shall in each case mean the amounts set forth in the Company's financial accounting systems and reported in the Company's year-end consolidated financial statements for the applicable year in accordance with GAAP, adjusted to exclude (1) any Accounts Receivable or Inventories attributable to any business operations acquired during the applicable year and (2) the effect of currency fluctuations. For the purposes of this definition, any funds released for the Company's equipment contingency budget shall not reduce cash flow. For the purposes of determining the Metric Percentage achieved, the following goals are established:

Performance Metric	Metric Percentage				
	0%	50%	100%	150%	200%
2018 Global MC Cash Flow	< \$100.1M	≥ \$100.1M	≥ \$166.8M	≥ \$200.2M	≥ \$233.6M

“2018 Adjusted Global AEC EBITDA excluding R&D” shall be equal to the amount reported as “Net Income” from the Albany Engineered Composites business segment as reported in the Company’s 2018 Consolidated Statement of Income, exclusive of research and development costs and any amount recorded for the non-controlling interest in Albany Safran Composites (ASC), less any income, or plus any expense, derived from the revaluation of non-functional currency assets and liabilities, adjusted according to the Adjustments as the same may be applied to such business segment, and further adjusted to exclude the effect on income of any fixed asset-write-offs related to continued and discontinued programs within the AEC business segment (including ASC), any write-offs of previously capitalized costs related to non-recurring engineering and tooling for continued and discontinued programs, and adding back any expense related to machinery and equipment relocations, or other capital expenditures associated with plant closings or consolidation of manufacturing capacity, plus adding back charges related to any write-offs of previously capitalized costs or charges for recognized future losses, as related to the long term agreement for the supply of parts for the Rolls Royce BR725 engine, and to exclude the cost any any charges required by revenue Recognition Standard ASC 606 to recognize future losses relating to any new long-term contracts awarded during the Performance Period. For the purposes of determining the Metric Percentage achieved, the following goals are established:

Performance Metric	Metric Percentage				
	0%	50%	100%	150%	200%
2018 Adjusted Global AEC EBITDA excluding R&D	< \$40.8M	≥ \$40.8M	≥ \$68.0M	≥ \$81.6M	≥ \$95.2M

“2018 Other Cash Flow” shall be equal to that portion of “Net Income” for 2018 as reported in the Company’s Consolidated Statement of Income for 2018, which is in the aggregate attributable to the Global Information Systems (GIS) and Corporate cost centers and items reported as other income/expense, net, less any income, or plus any expense, derived from the revaluation of non-functional currency assets and liabilities, adjusted according to the Adjustments as the same may be applied to such cost centers, less

then further adjusting the resulting amount by:

(X) deducting therefrom the aggregate sum of any GIS or Corporate approved capital expenditures released during 2018, plus any over-budget capital expenditures costs or less any under budget capital expenditure costs budgeted regardless of the year in which released, adjusted to exclude any capital expenditures released during 2018 and any over or under budget capital expenditure costs that are attributable to any business operations acquired during the applicable year.

For the purposes of determining the Metric Percentage achieved, the following goals are established:

Performance Metrics	Metric Percentage				
	0%	50%	100%	150%	200%
2018 Other Cash Flow	< -\$68.1M	≥ -\$68.1M	≥ -\$52.4M	≥ -\$41.9M	≥ -\$31.4M

The foregoing measurement goals shall be reduced, as necessary, to reflect any impact on sales and/or income as the result of any discontinued operations during 2018. The amount of the reduction shall be the amount of cash flow or net sales otherwise attributable to such business in the 2018 Operating Plan approved by the Company's Board of Directors, pro-rated to reflect the timing of such divestiture. For performance between the data points indicated, the Metric Percentage shall be the interpolated value based on the next higher and lower data points.

SIGN ON BONUS AGREEMENT

THIS AGREEMENT is dated as of November 4, 2019, by and between Albany International Corp., a Delaware corporation having an office and principal place of business at 216 Airport Drive, Rochester, New Hampshire, (hereinafter referred to as “Albany”) and Greg Harwell (hereinafter referred to as “Employee”).

RECITALS

WHEREAS, Albany has made an offer to hire Employee into a key position, critical to Albany’s business endeavors, to wit: President, Albany Engineered Composites; and

WHEREAS, Albany is willing to pay Employee a one-time sign on bonus to induce Employee to accept its offer of employment, subject to the terms set forth herein;

WHEREAS, Employee is willing to accept the offer of employment;

WHEREAS, Employee and Albany each believe that it is in their best interests to provide Employee with the certain protections as set forth herein.

WITNESSETH

NOW THEREFORE, in consideration of the foregoing premises, the covenants and promises set forth herein, and other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, Albany and Employee hereby agree as follows:

1. Position. Employee agrees to accept Albany’s offer and become employed by Albany as an at-will employee performing, in good faith and to the best of his abilities, the duties of his position or such other duties that as are assigned to him from time to time.
2. Bonus. In order to induce Employee to accept its offer of employment and to encourage him to remain so employed through at least November 4, 2020, Albany agrees to pay Employee a one-time sign-on bonus in the manner, and according to the terms, set forth herein.
3. Amount and Timing of Bonus. Subject to the provisions of Paragraphs 4 below, Albany agrees to pay to Employee a one-time sign-on bonus in the gross sum of \$100,000 (the “Bonus”) as soon as practical after the execution of this agreement and commencement of employment, but no later than December 15, 2019. The Bonus shall be settled in cash, and paid

by check or direct deposit, less applicable withholdings and deductions required by law, or otherwise agreed to by the parties.

4. Retention Period and Reimbursement. Employee agrees that in the event he shall voluntarily terminate his employment with Albany before the expiration of a period of approximately 12 months ending November 4, 2019 (the "Retention Period") he shall reimburse Albany the full amount of the Bonus. The amount to be reimbursed by Employee, if any, shall be considered damages owed by Employee to Albany for his failure to honor his obligations, and not repayment of wages.

5. Employment At-Will. Nothing herein shall alter the at-will nature of Employee's employment with Albany and either party may terminate such relationship at any time, with or without Cause.

6. Authority to Withhold Compensation. In the event Employee is obligated to reimburse Albany for the Bonus in accordance with paragraph 4 above, Employee agrees to remit such payment within 30 days of termination. Employee further authorizes Albany, to the extent permitted by law, to withhold from his last payment of wages (or any other amounts that Albany may owe Employee) any portion of the obligations owed by Employee pursuant to paragraph 4.

7. Confidentiality. Employee and Albany understand and agree that (a) the existence and terms of this agreement are strictly confidential; (b) they will not disclose the terms of this agreement to any third party, unless requested to do so by any state, federal or local regulatory, prosecutorial or administrative agency or body of competent jurisdiction, or court of competent jurisdiction. However, nothing herein shall preclude Employee from discussing the contents hereof with his family, accountant, tax adviser or legal advisor.

8. Entire Agreement; Extent and Applicability. This Agreement constitutes the entire agreement between the parties regarding the subject matter hereof and supersedes all prior agreements and understandings, whether written or oral. Nothing herein is intended to govern or determine, or shall be construed as governing or determining, (1) the period of Employee's employment, (2) any rights of Employee, Albany, or its successors, to terminate such employment, or (3) any terms or conditions of such employment. This Agreement shall not be construed as giving Employee any legal or equitable right not otherwise specifically provided for herein.

9. Governing Law. This Agreement shall be governed by and construed in accordance with the laws of the State of New York without regard to any provisions thereof relating to conflict of laws.

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

11. Successors and Assigns. This Agreement shall be binding upon and inure to the benefit of both parties and their respective successors and assigns, including any corporation with which or into which the Albany may be merged or which may succeed to its assets or

business, provided, however, that the obligations of the Employee are personal and shall not be assigned by him.

12. Waiver of Jury Trial. The parties agree that they have waived their right to a jury trial with respect to any controversy, claim, or dispute arising out of or relating to this Agreement, or the breach thereof, or arising out of or relating to the employment of the Employee, or the termination thereof, including any claims under federal, state, or local law.

IN WITNESS WHEREOF, a duly authorized representative of Albany and Employee have signed this Agreement to be effective as of the day and year first set forth above.

ALBANY INTERNATIONAL CORP.

By: /s/Alice McCarvill

Dated: 12/5/2019

EMPLOYEE

/s/ Greg Harwell
Greg Harwell

Dated: 11/4/2019

AMENDMENT NO. 3 to
EMPLOYMENT AGREEMENT

This AMENDMENT NO. 3, dated as of November 8, 2019 (the "Amendment"), is by and between Albany International Corp. (the "Company") and Olivier Jarrault ("Executive").

WHEREAS, the Company and Executive are parties to that certain Agreement entered into as of March 2, 2018, relating to Executive's employment by the Company (the "Agreement"); and

WHEREAS, the Agreement was previously amended pursuant to that certain Amendment No.1, dated as of July 9, 2018, and then further amended pursuant to that certain Amendment No.1, dated as of March 15, 2019; and

WHEREAS, the Company and Executive desire to further amend the Agreement to extend the time by which Executive is expected to relocate;

NOW THEREFORE, in consideration of the premises, the mutual covenants and the agreements hereinafter set forth and other good and valuable consideration, the parties hereto hereby agree that the Agreement is hereby amended as follows, with effect from the Effective Date (as defined in the Agreement):

1. Definitions. Unless otherwise defined herein, terms defined in the Agreement are used herein as therein defined.
2. Clause (e) of paragraph 3 of the Agreement is hereby amended and restated in its entirety to read as follows:

(e) Relocation. Executive shall relocate to Rochester, New Hampshire area no later than March 31, 2020. In the interim, Executive shall be reimbursed for temporary housing expenses and shall be entitled to such other relocation benefits as (i) are provided for pursuant to the Company's Executive Relocation Policy, a copy of which has been provided to the Executive, with the caveat that neither the one-year policy expiration nor 90-day temporary housing limit shall apply to Executive, or (ii) are approved by the Chairman of the Board of the Company. Provided such expenses are incurred in compliance with the Company's travel and expense policy, or have otherwise been approved by the Chairman, the Company will pay or reimburse Executive for all flight expenses incurred prior to December 31, 2019 for travel from any Company work location to Los Angeles, California, travel from Los Angeles, California to any Company work location, and travel from any Company work location to any other Company work location through Los Angeles, California. (Evidence of approval of any item covered by this clause may be in the form of an

expense or relocation report reflecting such expenses that is approved by the Chairman.) The Company will provide tax assistance (gross-up) to Executive on all such expenses for travel to, from, or through Los Angeles, California that are personal to Executive or will appear as income on Executive's Form W-2.

3. Except as expressly amended, modified and supplemented hereby, or as in Amendment No. 1 or Amendment No. 2, the terms, provisions and conditions of the Agreement are unchanged and in full force and effect and are hereby ratified and confirmed in all respects.

4. This Amendment may be executed in counterparts, and each counterpart will have the same force and effect as an original and will constitute an effective, binding agreement on the part of each of the undersigned.

IN WITNESS WHEREOF, each of the parties has executed this Agreement, in the case of the Company by a duly authorized officer, as of the day and year written below.

COMPANY:

ALBANY INTERNATIONAL CORP.

By: /s/ Alice McCarvill
Name: Alice McCarvill
Title: Executive Vice President Human Resources
and Chief Human Resources Officer

Date: November 7, 2019

EXECUTIVE

/s/ Olivier M. Jarrault
Olivier Jarrault

Date: November 5, 2019

EXECUTIVE SEPARATION AGREEMENT

And

GENERAL RELEASE

THIS EXECUTIVE SEPARATION AGREEMENT is dated as of **December 12, 2019**, by and between **Albany International Corp.**, its subsidiaries and affiliates (hereinafter collectively referred to as “Albany” or “the Company”) and **Charles J. Silva, Jr.** (hereinafter referred to as “Executive”).

WITNESSETH

WHEREAS, Executive is currently employed by Albany in a key senior management role; and

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

WHEREAS, Albany wishes for Executive to remain in its employment through, at most, June 30, 2020 in order to assist in an orderly transition of his duties; and

WHEREAS, Executive and Albany each believe that it is in their best interests to set forth their agreement in writing; and

WHEREAS, the parties now seek to enter into this Executive Separation Agreement and General Release (the “Agreement”) with the intent to establish a mutually acceptable date upon which Executive’s employment shall terminate, to provide Executive with the certain protections as stated herein and to settle and compromise any and all potential disputes that may exist between the parties; and

WHEREAS, each party is entering into this Agreement on a voluntary basis, and with the intent that it shall supersede all prior agreements between the parties involving the matters addressed herein.

Now, therefore, in consideration of the premises, covenants and conditions set forth herein and other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, Albany and Executive hereby agree as follows:

1. Executive acknowledges that on **January 3, 2020** he was given this Agreement and was afforded 21 days to consider same.
2. Executive was, and hereby is, advised to consult a lawyer before signing this Agreement and did in fact have the opportunity to obtain the advice of counsel.
3. Executive may accept this Agreement only by signing, dating and delivering the Agreement to Albany (in the manner set forth in Paragraph 25) on or before Albany’s normal

close of business on **January 3, 2020**. **Time is of the essence with regard to this Paragraph 3.**

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

5. Executive's employment with Albany shall terminate on **June 30, 2020** (the "Separation Date"), unless terminated earlier in accordance with Paragraph 8 hereof.

6. From the date hereof until the date Executive's employment with Albany terminates, Executive shall, in addition to his current duties, assist in identifying his successor, and assist in the transition of his duties and responsibilities as directed by his supervisor. During the remainder of Executive's employment with Albany, Albany shall continue to pay Executive at his current rate of compensation less (i) applicable withholdings for taxes, (ii) deductions for premiums due from Executive for any health care or life insurance coverage provided by or through Albany, (iii) 401(k), profit-sharing or other Albany benefit plan contributions and (iv) any other applicable or agreed upon withholdings.

7. Executive agrees that on or after the Separation Date he shall execute an additional release in the form annexed hereto (the "Supplemental Release") covering the period from the date of Executive's execution of this Agreement through the Separation Date. Executive acknowledges and agrees that the obligations to be performed by Albany under this Agreement after the Separation Date shall be contingent upon the execution of the Supplemental Release. Failure to execute the Supplemental Release, however, will not affect the validity of the release contained in Paragraph 12 of this Agreement.

8. Albany reserves the right to terminate Executive prior to the Separation Date with or without Cause. Cause shall be deemed to exist if Albany determines that Executive has:

- (i) undertaken a position in competition with Albany;
- (ii) caused substantial harm to Albany with intent to do so or as a result of gross negligence in the performance of his duties; or
- (iii) wrongfully and substantially enriched herself at the expense of Albany.

9. At the termination of Executive's employment by Albany, either on the Separation Agreement or earlier for any reason except Cause, and after the irrevocability of this Agreement, Albany agrees to provide Executive the following severance benefits. Executive acknowledges and agrees that these severance benefits constitute adequate legal consideration for the promises and representations made by him in this Agreement, including the covenants set forth in paragraphs 12, 14, 15, and 16, and are in lieu of any benefits payable under any severance plan or agreement now in existence or adopted prior to the Separation Date:

- (a) Albany will pay Executive his gross monthly salary in effect as of the Separation Date, less applicable withholdings and deductions required by law or

otherwise agreed to by the parties, for a period of twelve (12) months (the "Severance Period"). Payment will be made in regular monthly installments by check, or direct deposit beginning on the first regular payday following the Separation Date and irrevocability of this Agreement (and may contain a pro rata payment to account for any prepaid, but unearned salary). In the event Executive dies before the last payment is made hereunder, the balance of such payments shall be paid to his spouse or, if he shall have no such spouse at that time, to his estate.

(b) Should Executive elect, pursuant to the protections afforded by the Consolidated Omnibus Budget Reconciliation Act ("COBRA"), to continue group health care coverage as is from time to time provided by or through Albany to all similarly situated eligible employees, Albany shall pay the then applicable COBRA premium for each month of Executive's eligibility through the Severance Period, or until Executive terminates such coverage, whichever shall occur first. **Notwithstanding the foregoing, the parties acknowledge that Executive's COBRA election could result in the Executive's irrevocable forfeiture of any retiree health care benefits he might otherwise be entitled to receive under the applicable company-sponsored health care plan, and that it may be more advantageous for Executive to elect retiree health care benefits under such plan as of his Separation Date. This election must be made on or before the last day of employment. In the event Executive elects retiree health care as of the Separation Date, Albany shall pay Employee an additional monthly sum of \$1,300 per month for a period of 12 months. This payment will be paid directly to Executive (subject to tax withholdings) as an additional severance payment.**

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

(d) Executive shall remain eligible for a bonuses relating to the services he performed in 2019 and those he will perform in 2020. Any bonuses awarded shall be determined and paid in accordance with Albany's annual performance incentive plan and, with respect to the bonus for services to be performed in 2020, shall be prorated for the actual time worked.

(e) To compensate Executive for the loss of any unvested phantom stock units previously granted, Albany shall pay Executive an additional lump sum payment equal to one-half of the unvested restricted stock units forfeited as a result of his retirement on the Separation Date. Such payment may be delayed until the first regularly-scheduled payroll date following the sixth month anniversary of Executive's Separation Date if required by law. The amount of such payment shall be calculated in accordance with formula applicable for calculating the payment of the restricted stock units which vest as a result of his termination.

(f) Effective on the Separation Date, Executive will no longer be an employee of Albany, and will cease to accrue benefits under any pension, 401(k), profit-sharing or other Albany employee welfare benefit plan.

(g) All unpaid severance or other benefits hereunder shall be suspended if Executive remains employed, or is re-employed, by the Company in any capacity during the Severance Period.

10. Executive acknowledges and agrees that, except for this Agreement, Executive would have no right to receive the benefits described in Paragraph 9. Executive further acknowledges and agrees that in the event Executive voluntarily terminates his employment with Albany prior to the Separation Date, or if Albany terminates Executive's employment for Cause, he shall then not be entitled to any of the severance benefits described in Paragraph 9. In addition, Albany may, in its sole discretion, release Executive from his duties prior to June 30, 2020 without terminating Executive's employment, in which event the commencement of severance benefits would be delayed until the Separation Date and Executive would remain an employee of Albany until the Separation Date entitled to receive, through the Separation Date, his salary and all other employee benefits except group life and disability insurance, which would terminate upon a release from duties.

11. As used in this Agreement, the term "Albany" means, individually and collectively, Albany International Corp., and each of its subsidiaries and affiliates Albany, as well as their respective employee welfare benefit plans, employee pension benefit plans, successors and assigns, as well as all present and former shareholders, directors, officers, fiduciaries, agents, representatives and employees of those companies and other entities.

12. By signing this Agreement Executive immediately gives up and releases Albany from, and respect to, any and all rights and claims that Executive may have against Albany, whether or not Executive presently is aware of such rights or claims. In addition, and without limiting the foregoing:

(a) Executive on behalf of herself, his agents, spouse, representatives, assignees, attorneys, heirs, executors and administrators, fully releases Albany and Albany's past and present successors, assigns, parents, divisions, subsidiaries, affiliates, officers, directors, shareholders, employees, agents and representatives from any and all liability, claims, demands, actions, causes of action, suits, grievances, debts, sums of moneys, controversies, agreements, promises, damages, back and front pay, costs, expenses, attorneys fees, and remedies of any type, which Executive now has or hereafter may have, by reason of any matter, cause, act or omission arising out of or in connection with Executive's employment or the termination of his employment with Albany, including, without limiting the generality of the foregoing, any claims, demands or actions arising under the Age Discrimination in Employment Act of 1967, the Older Worker's Benefit Protection Act, the Employee Retirement Income Security Act of 1974, Title VII of the Civil Rights Act of 1964, the Civil Rights act of 1991, the Civil Rights Act of 1866, the Rehabilitation Act of 1973, the Americans with Disabilities Act of 1990, and any other federal, state or local statute, ordinance or common law of any state regarding employment, discrimination in employment, or the termination of employment. Nothing herein, however, shall be deemed a waiver of any vested rights or entitlements Executive may have under any retirement or other employee benefit plans administered by Albany. Notwithstanding the foregoing, Executive is not waiving any right that cannot, as a matter of law, be voluntarily waived, including the right to file a claim, or participate in the adjudication of claim of discrimination filed with any state or federal administrative agency, though Executive

expressly waives any right to recover any monetary damages as a result of any claim being filed with any state or federal administrative agency, except to the extent such waiver is improper or invalid, including as described in the immediately following sentence. Notwithstanding anything herein or in any other agreement with or policy (including without limitation any code of conduct or employee manual) of the Company, nothing herein or therein is intended to or shall: (i) prohibit Executive from making reports of possible violations of federal law or regulation (even if Executive participated in such violations) to, and cooperating with, any governmental agency or entity in accordance with the provisions of and rules promulgated under Section 21F of the Securities Exchange Act of 1934 or Section 806 of the Sarbanes-Oxley Act of 2002 or of any other whistleblower protection provisions of state or federal law or regulation; (ii) require notification to or prior approval by the Company of any such reporting or cooperation; or (iii) result in a waiver or other limitation of Executive's rights and remedies as a whistleblower, including to a monetary award; provided, however, that Executive is not authorized (and the above should not be read as permitting Executive) to disclose communications that were made for the purpose of receiving legal advice or that contain legal advice or that are protected by the attorney work product or similar privilege. Furthermore, Executive will not be held criminally or civilly liable under any federal or state trade secret law for the disclosure of a trade secret that is made (1) in confidence to a federal, state or local government official, either directly or indirectly, or to an attorney, in each case, solely for the purpose of reporting or investigating a suspected violation of law or (2) in a complaint or other document filed in a lawsuit or proceeding, if such filings are made under seal.

(b) If Executive breaches any obligation under this Agreement, including without limitation the obligations set forth in Paragraphs 14, 15, or 16, Executive agrees that Albany shall not be obligated to continue to make payments under Paragraph 9, and to reimburse Albany for all payments made pursuant to Paragraph 9.

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

14. Executive specifically agrees and promises that he will not directly or indirectly disparage Albany, (as defined in Paragraph 11) or any of Albany's officers, directors, employees, attorneys or representatives, or any of Albany's products or services in any manner, at any time, to any person or entity. Albany specifically agrees and promises that it will not directly or indirectly disparage Executive in any manner, at any time, to any person or entity. "Disparage" is defined as, but not limited to, any utterance whatsoever either verbal, in writing, by gesture or any behavior of any kind that might tend to or actually harm or injure the other party, whether intended or not.

15. Executive acknowledges that as a consequence of his employment by Albany, proprietary and confidential information relating to the business of Albany may be or have been disclosed to or developed or acquired by Executive which is not generally known to the trade or the general public and which is of considerable value to Albany. Such information includes, without limitation, information about trade secrets, inventions, patents, licenses, research

projects, costs, profits, markets, sales, customer lists, computer programs, records, and software; plans for future development, and any other information not available to the trade or the general public, including information obtained from or developed in conjunction with a third party that is subject to a confidentiality or similar agreement between Albany and such third party. Executive acknowledges and agrees that his relationship with Albany with respect to such information is and shall be fiduciary in nature. During the remainder of, and after, his employment by Albany, Executive shall not use such information for his own benefit, or for the benefit of any other employer or for any other purpose whatsoever other than the performance of his work for Albany, and Executive shall maintain all such information in confidence and shall not disclose any thereof to any person other than employees of Albany authorized to receive such information. This obligation is in addition to any similar obligations of Executive pursuant to the other agreements. Executive further agrees to return any property belonging to Albany at the end of his employment.

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

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

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

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

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

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

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

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

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

It is expressly understood and agreed by Executive that although Executive considers the restrictions in this Paragraph 16 to be reasonable, if a final determination is made by a court of competent jurisdiction or an arbitrator that the time or territory or any other restriction contained in this Paragraph 16 is an unenforceable restriction against Executive, the provisions of this Paragraph shall not be rendered void but shall be deemed amended to apply as to such maximum time and territory and to such maximum extent as such court or arbitrator may determine or indicate to be enforceable. It is also expressly agreed and acknowledged that Albany's payment of the severance benefits under this Agreement shall be sufficient consideration for the covenants in this Paragraph. Thus, Executive acknowledges that if he breaches any obligation under this Paragraph, Albany shall be relieved from making any further payments under paragraph 10 hereof, and further agrees to reimburse Albany for all payments previously made pursuant to paragraph 9.

17. This Agreement supersedes all prior oral or written understandings among the parties with respect to the subject matter herein and constitutes the entire agreement between Albany and Executive relating to the subject matter thereof, including, without limitation that certain Severance Agreement between the parties dated January 1, 2016. Neither this Agreement nor any provision thereof may be changed, waived, modified or amended orally, but only by a written instrument signed by the party against whom the enforcement of such change, waiver, modification or amendment is sought.

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

19. **Executive understands that the release contained in paragraph 12 hereof is a general release, and represents that he has been advised to seek counsel on the legal and practical effect of a general release, and recognizes that he is executing and delivering this release, intending thereby to be legally bound by the terms and provisions thereof, of his own free will, without promises or threats or the exertion of duress. He also acknowledges that he has had adequate time to review it, have it explained to her, and understands its provisions.**

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

21. The payments and the payment schedules set forth herein are intended to be exempt from, or comply with, Section 409A of the Internal Revenue Code ("Section 409A"). Accordingly, the Agreement shall be interpreted and performed so as to be exempt from Section 409A, but if that is not possible, the Agreement shall be interpreted and performed so as to comply with Section 409A. In the event any payments or benefits are deemed by the IRS to be non-compliant, this Agreement, at Executive's option, shall be modified, to the extent practical,

so as to make it compliant by altering the payments or the timing of their receipt. The methodology to effect or address any necessary modifications shall be subject to reasonable and mutual agreement between the parties. It is the intent of the parties that this Agreement provides payments and benefits that are either exempt from the distribution requirements of Section 409A of Code, or satisfy those requirements. Any distribution that is subject to the requirements of Section 409A may only be made based on the Executive's "separation from service" (as that term is defined under the final regulations under Section 409A). Notwithstanding anything to the contrary in this Agreement, in the event that (i) a distribution of benefits is subject to Section 409A, (ii) at the time the distribution would otherwise be made to the Executive, the Executive is a "specified Executive" (as that term is defined in the final regulations under Section 409A), and (iii) the distribution would otherwise be made during the 6-month period commencing on the date of the Executive's separation from service, then such distribution will instead be paid to the Executive in a lump sum at the end of the 6-month period. The foregoing delay in the distribution of benefits shall be made in conformance with the final regulations under Section 409A.

22. Executive shall forfeit any unpaid severance benefits due pursuant to this Agreement and shall, upon demand, repay any severance benefits already paid hereunder if, after the Separation Date:

- (a) there is a significant restatement of the Company's financial results, caused or substantially caused by the fraud or intentional misconduct of the Executive;
- (b) Executive breaches any provision of this Agreement, including, without limitation, the covenants set for in paragraphs 12, 14, 15 and 16 or
- (c) the Company discovers conduct by Executive that would have permitted termination for Cause, provided that such conduct occurred prior to the Separation Date.

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

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

25. Notices or other deliveries required or permitted to be given or made under this Agreement by Executive to Albany shall, except to the extent otherwise required by law, be deemed given or made if delivered by hand or by express mail or overnight courier service to Albany International Corp., 455 Patroon Creek Blvd. Suite 206, Albany, New York 12206, Attention: Joseph M. Gaug.

26. This Agreement shall be governed by and construed in accordance with the laws of the State of New Hampshire.

IN WITNESS WHEREOF, a duly authorized representative of Albany and Executive have signed this Agreement to be effective as of the day and year first set forth above.

Albany International Corp.

By: /s/ Joseph M. Gaug

Date 1/2/2020

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

/s/ Charles J. Silva, Jr.
Charles J. Silva, Jr.

Date Dec. 12, 2019

FOR COMPANY USE ONLY

The foregoing Mutual Separation Agreement and General Release, signed and dated by Executive, was received by me on behalf of Albany International Corp. this 20th day of January, 2020.

/s/ Joseph M. Gaug
Joseph M. Gaug

SUPPLEMENTAL RELEASE

This supplemental release given to Albany International Corp. ("Albany") by Charles J. Silva, Jr. "Executive") is executed in consideration for the covenants made by Albany in a Release and Separation Agreement dated as of December 12, 2019.

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

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

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

EXECUTIVE

_____ DATE: _____

Charles J. Silva, Jr.

WITNESS: _____

General Release and Separation Agreement

This General Release and Separation Agreement (the, or this "Agreement") is made and entered into this 29th day of March, 2019 by and between Albany International Corp. (the "Company") and John Cozzolino ("Employee").

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

1. Presentation of Agreement. Employee acknowledges that on March 29, 2019 he was given this Agreement and was afforded 21 days to consider same.
 2. Legal Advice. Employee was, and hereby is, advised to consult a lawyer before signing this Agreement.
 3. Acceptance of Agreement. Employee may accept this Agreement only by signing, dating and delivering the Agreement to the Company (in the manner set forth in Section 13) on or before the Company's normal close of business on April 24, 2019. Time is of the essence with regard to this Section 3.
 4. Revocation. Employee may revoke this Agreement at any time within seven (7) days after signing and delivering it to the Company by notifying the Company in writing (in the manner set forth in Section 13) of Employee's decision to revoke. Time is of the essence with regard to this Section 4.
 5. Effective Date. The effective date of this Agreement shall be the eighth (8th) day after Employee signs and delivers it to the Company in accordance with Section 3 above, unless Employee revokes the Agreement before then in accordance with Section 4 above. If Employee fails to accept this Agreement in accordance with Section 3 above, or timely revokes the Agreement in accordance with Section 4 above, the Agreement will not become effective and will not be binding on Employee or the Company.
 6. Termination of Employment. Employee's employment by the Company has been terminated effective March 29, 2019. The parties agree that said termination of employment was a termination by the Company other than for Cause within the meaning of Section 2 of that certain Severance Agreement (the "Severance Agreement") entered into by and between the parties with an effective date of January 1, 2016.
 7. Severance Payments. In accordance with, and subject to, the terms of the Severance Agreement, the Company shall pay to Employee the Severance Amount as specified in the Severance Agreement.
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8. Additional Severance. In addition to the Severance Amount as specified in the Severance Agreement, the Company agrees to pay Employee an additional severance amount (the, "Additional Severance") conditioned upon Employee's telephonic availability post-separation to assist with any unresolved transitional items, as needed, and if called upon. The Additional Severance shall be equal to Employee's gross monthly salary in effect as of the Effective Date, less applicable withholdings and deductions required by law or otherwise agreed to by the parties. The Additional Severance shall be paid provided Employee is responsive to any inquiries from his successor or any other Company employee, if any, in the first six (6) weeks following the date of termination. Said Additional Severance shall be paid on the first customary pay date following the conclusion of the six-week period.

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

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

11. General Release. By signing this Agreement Employee immediately gives up and releases Albany from, and with respect to, any and all rights and claims that Employee may have against Albany (except as expressly state in subsection 11(c) below), whether or not Employee presently is aware of such rights or claims or suspects them to exist. In addition, and without limiting the foregoing:

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

local statute, ordinance or common law regarding employment, discrimination in employment, or the termination of employment. Notwithstanding the foregoing, Employee is not waiving any right that cannot, as a matter of law, be voluntarily waived, including the right to file a charge or complaint with, or participate in the adjudication of charge or complaint of discrimination filed with, any federal, state or local administrative agency, though Employee expressly waives any right to recover any money or obtain any other relief or benefit as a result of any complaint or charge being filed with any federal, state or local administrative agency.

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

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

- (b) If Employee breaches any obligation under this Agreement, Employee agrees that Albany shall not be obligated to continue to make payments under Sections 7 or 8, and that Employee shall reimburse Albany for all payments made pursuant to Sections 7 or 8.
- (c) Nothing in this Agreement, however, shall be deemed a waiver of any vested rights or entitlements Employee may have under any retirement or other employee benefit plans administered by Albany. Nor shall anything in this Agreement operate to release Albany from its obligations under this Agreement.

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

13. Notices. Notices or other deliveries required or permitted to be given or made under this Agreement by Employee to Albany shall, except to the extent otherwise required by law, be deemed given or made if delivered by hand or by express mail or overnight courier service to Albany International Corp., 216 Airport Drive, Rochester, New Hampshire 03867, Attention: General Counsel.

14. Ratification of Prior Agreement. The terms, provisions and conditions of the Severance Agreement are unchanged and in full force and effect and are hereby ratified and confirmed in all respects. Unless otherwise defined herein, any defined term used in this Agreement, shall have the definition ascribed to it in the Severance Agreement.

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

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

Employee

Albany International Corp.

By: _____

John Cozzolino

Name:

Title:

Dated: _____, 2019

Dated: _____, 2019

General Release and Separation Agreement

This General Release and Separation Agreement (this "Agreement") is made and entered into this 20th day of January, 2020 by and between Albany International Corp. (the "Company") and Olivier Jarrault ("Employee").

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

1. **Presentation of Agreement.** Employee acknowledges that on January 17, 2020 he was given this Agreement and was afforded 21 days to consider same.
 2. **Legal Advice.** Employee was, and hereby is, advised to consult a lawyer before signing this Agreement.
 3. **Acceptance of Agreement.** Employee may accept this Agreement only by signing, dating and delivering the Agreement to the Company (in the manner set forth in Section 14) on or before the Company's normal close of business on February 7, 2020. Time is of the essence with regard to this Section 3.
 4. **Revocation.** Employee may revoke this Agreement at any time within seven (7) days after signing and delivering it to the Company by notifying the Company in writing (in the manner set forth in Section 14) of Employee's decision to revoke. Time is of the essence with regard to this Section 4.
 5. **Effective Date.** The effective date of this Agreement shall be the eighth (8th) day after Employee signs and delivers it to the Company in accordance with Section 3 above, unless Employee revokes the Agreement before then in accordance with Section 4 above. If Employee fails to accept this Agreement in accordance with Section 3 above, or timely revokes the Agreement in accordance with Section 4 above, the Agreement will not become effective and will not be binding on Employee or the Company.
 6. **Termination of Employment.** Employee's employment by the Company is terminated effective January 20, 2020 (the "Separation Date"). The parties agree that said termination of employment is a Qualifying Termination within the meaning of Paragraph 6 of that certain Employment Agreement entered into by and between the parties with an effective date of March 1, 2018 (the "Employment Agreement") attached as Appendix A to this Agreement.
 7. **Severance Payments.** In accordance with, and subject to, the terms of the Employment Agreement, the Company shall pay to Employee the Severance Amount, as defined in the Employment Agreement, payable over twenty-four (24) months (the "Severance Period"), as more fully described in the Employment Agreement. In addition, should Employee elect, pursuant to the protections afforded by the Consolidated Omnibus Budget Reconciliation Act ("COBRA"), to continue group health care coverage as is from time to time provided by or through the Company to all similarly situated eligible employees, the Company shall pay the then applicable COBRA contribution for each month of Employee's eligibility under COBRA, or until Employee terminates such coverage, whichever shall occur first.
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8. Internal Revenue Code Section 409A.

(A) The payments and the payment schedule set forth herein are intended to comply with Section 409A of the Internal Revenue Code ("Section 409A"). Accordingly, the Agreement shall be interpreted and performed so as to comply with Section 409A.

(B) As the Employee is a "specified employee" (as that term is defined in the final regulations under Section 409A), the payments of the Severance Amount that would otherwise be made during the 6-month period commencing on January 20, 2020 will instead be paid to the Employee in a lump sum (with no interest) on July 22, 2020. The foregoing delay in the payments of the Severance Amount shall be made in conformance with the final regulations under Section 409A.

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

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

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

Notwithstanding the foregoing, Employee is not waiving any right that cannot, as a matter of law, be voluntarily waived, including the right to file a charge or complaint with, or participate in the adjudication of charge or complaint of discrimination filed with, any federal, state or local administrative agency, though Employee expressly waives any right to recover any money or obtain any other relief or benefit as a result of any complaint or charge being filed with any federal, state or local administrative agency.

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

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

- (b) If Employee breaches any obligation under this Agreement or the Employment Agreement, Employee agrees that Albany shall not be obligated to continue to make payments under Section 7, and that Employee shall reimburse Albany for all payments made pursuant to Section 7.
- (c) Nothing in this Agreement, however, shall be deemed a waiver of any vested rights or entitlements Employee may have under any retirement or other employee benefit plans administered by Albany. Nor shall anything in this Agreement operate to release Albany from its obligations under this Agreement or Section 5 of the Employment Agreement, including the acceleration of 50% of Employee's unvested restricted stock units in accordance with Employee's Restricted Stock Unit Agreement, subject to Employee's continued compliance with his obligations under this Agreement and the Employment Agreement.

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

12. Confidential Information. Employee agrees that all aspects of Albany's business, products, prospects, plans and strategies that have not been publicly disclosed, including, but not limited to, the identities, needs and preferences of its customers,

internal business operations and pricing information, manufacturing know-how, technical attributes of products, annual or strategic business plans or analyses, and any and all other trade secrets (collectively, "Confidential Information"), are confidential and secret, shall be maintained in confidence and not disclosed to any third party, and shall remain the exclusive property of the Company. Any Confidential Information may be used or disclosed by the Employee solely to discharge his obligations hereunder, and shall not be used or disclosed for any other purpose, including, without limitation, for any purpose whatsoever following termination of Employee's employment. All Confidential Information in tangible form that is provided to the Employee shall be returned by the Employee to the Company within 30 days of any termination of employment, together with a statement certifying: (1) that Employee has returned all Confidential Information in his possession, (2) that Employee has at all times maintained the confidential nature of the Confidential Information, and (3) that Employee confirms his continuing obligations of confidentiality under this Agreement following such termination.

13. Non-Disparagement. The Employee will not knowingly disparage, criticize or otherwise make any derogatory statements regarding the Company, including its shareholders, directors and officers, and the Company will not knowingly disparage, criticize or otherwise make any derogatory statements regarding the Employee. The foregoing restriction will not apply to any truthful statements made in response to a valid subpoena or other compulsory legal process.

14. Restrictive Covenants. Employee acknowledges and recognizes the highly competitive nature of Albany's business. Accordingly, Employee agrees as follows:

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

(i) operate a Competitive Business;

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

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

(iv) interfere with, or attempt to interfere with, any business relationships between the Company or any of its subsidiaries or affiliates and their customers, clients, suppliers or investors; and

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

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

(ii) hire any such employee who was employed by the Company or any of its subsidiaries or affiliates as of the Termination Date or, if later, within the six-months before the date the person was hired by Employee.

Employee understands that the Company will have the right to seek injunctive relief in the event that Employee violates this paragraph 14 because the harm caused by such violation will be irreparable and difficult to calculate in terms of monetary damages.

For the purposes of this paragraph 14, a Competitive Business is any person or entity that manufactures or sells (a) papermachine clothing or belts used in the manufacture of paper, nonwovens or fiber cement, or (b) advanced composite materials, structures or components for use in defense, aerospace or automotive applications.

It is expressly understood and agreed that although the parties consider the restrictions in this Paragraph 14 to be reasonable, if a final determination is made by a court of competent jurisdiction that the time or territory or any other restriction contained in this paragraph is an unenforceable restriction against the Employee, the provisions of this paragraph shall not be rendered void but shall be deemed amended to apply as to such maximum time and territory and to such maximum extent as such court may determine to be enforceable.

15. Notices. Notices or other deliveries required or permitted to be given or made under this Agreement by Employee to Albany shall, except to the extent otherwise required by law, be deemed given or made if delivered by hand or by express mail or overnight courier service to Albany International Corp., 455 Patroon Creek Blvd, Suite 206, Albany, New York 12206, Attention: Joseph M. Gaug.

16. Ratification of Prior Agreement. The terms, provisions and conditions of the Employment Agreement are unchanged and in full force and effect and are hereby ratified and confirmed in all respects. Unless otherwise defined herein, any defined term used in this Agreement, shall have the definition ascribed to it in the Employment Agreement.

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

18. Certain Disclosures to Governmental Agencies and Others. Notwithstanding anything herein or in any other agreement with or policy (including without limitation any code of conduct or employee manual) of the Company, nothing herein or therein is intended to or shall: (i) prohibit Employee from making reports of possible violations of federal law or regulation (even if Employee participated in such violations) to, and cooperating with, any governmental agency or entity in accordance with the provisions of and rules promulgated under Section 21F of the Securities

Exchange Act of 1934 or Section 806 of the Sarbanes-Oxley Act of 2002 or of any other whistleblower protection provisions of state or federal law or regulation; (ii) require notification to or prior approval by the Company of any such reporting or cooperation; or (iii) result in a waiver or other limitation of Employee's rights and remedies as a whistleblower, including to a monetary award. Notwithstanding the foregoing, Employee is not authorized (and the above should not be read as permitting Employee) to disclose communications with counsel that were made for the purpose of receiving legal advice or that contain legal advice or that are protected by the attorney work product or similar privilege. Furthermore, Employee will not be held criminally or civilly liable under any federal or state trade secret law for the disclosure of a trade secret that is made (1) in confidence to a federal, state or local government official, either directly or indirectly, or to an attorney, in each case, solely for the purpose of reporting or investigating a suspected violation of law or (2) in a complaint or other document filed in a lawsuit or proceeding, if such filings are made under seal.

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

Employee

Albany International Corp.

By: _____

Olivier Jarrault

Name:

Title:

Dated: _____, 2020

Dated: _____, 2020

Appendix A

Employment Agreement

EMPLOYMENT AGREEMENT

This Agreement is entered into as of March 2, 2018 (the "Effective Date") by and between Albany International Corp. (the "Company") and Olivier Jarrault ("Executive").

1. Duties and Scope of Employment.

(a) Positions and Duties. Commencing on the Effective Date, Executive will serve as President and Chief Executive Officer of the Company, reporting to the Company's Board of Directors (the "Board"). The period during which Executive is employed by the Company under this Agreement is referred to herein as the "Employment Term." During the Employment Term, Executive will render such business and professional services in the performance of his duties, consistent with Executive's position within the Company, as may be assigned to him by the Board. Executive shall be based at the Company's headquarters in Rochester, New Hampshire, or such other place, as may be reasonably requested by the Company.

Executive shall be nominated for election to the Board such that his nomination shall be voted on by the shareholders of the Company at the first annual shareholder's meeting following the Effective Date.

(b) Obligations. During the Employment Term, Executive will devote Executive's full business efforts to the Company and will use good faith efforts to discharge Executive's obligations under this Agreement to the best of Executive's ability. For the duration of the Employment Term, Executive agrees not to serve as a director for any for-profit entity or organization or actively engage in any employment, occupation, or consulting activity, without the prior approval of the Board, in its sole discretion; provided, however, that Executive may, without the approval of the Board, (i) serve in any capacity with any civic, educational, or charitable organization and (ii) manage his personal investments; in each case, provided such services do not interfere with Executive's obligations to the Company.

2. Term of Agreement; At-Will Employment. Executive and the Company agree that Executive's employment with the Company constitutes "at-will" employment. Executive and the Company acknowledge that, subject to the provisions of Sections 5 and 6 of this Agreement, Executive's employment relationship with the Company may be terminated at any time, upon written notice to the other party, with or without good cause, at the option either of the Company or Executive.

3. Compensation.

(a) Base Salary. Commencing on the Effective Date, the Company will pay Executive an annual salary of \$775,000 as compensation for his services (such annual salary, as is then effective, to be referred to herein as "Base Salary"). The Base Salary will be paid periodically in accordance with the Company's normal payroll practices and be subject to standard and customary withholdings.

Executive's salary will be subject to review by the Compensation Committee of the Board, or any successor thereto (the "Committee"), at least annually, and adjustments will be made in the discretion of the Committee.

(b) Annual Bonus. Executive will be granted an Annual Performance Period ("APP") award for service performed in 2018 under the Company's 2017 Incentive Plan, to be determined and paid in cash during early 2019. Under this award, Executive will be entitled to receive between 0% and 200% of his target award, based on performance goal attainment during 2018. Executive's 2018 APP target award amount will be equal to 100% of his actual 2018 Base Salary, pro-rated for the portion of the year during which he is actually employed. (For example, as the Effective Date is March 1, 2018, the target amount would be $\$775,000 \times 10/12$, or $\$645,833.33$). The Compensation Committee of the Company's Board of Directors has determined that the 2018 APP award goal for senior management, including Executive, will be a specified level of Company Adjusted EBITDA (as defined in the award agreements). The Committee retains the right to exercise its discretion, after the end of 2018, as in prior years, to determine to what extent the APP awards Executive and the other executive officers have been earned, and reserves the right to take individual performance factors into account, and to employ subjective and objective criteria. (The other terms of this award shall be as specified in the 2018 Annual Performance Award Agreement). Executive will be eligible in 2019 and thereafter to participate in the 2019 APP award or any other annual executive bonus program, as the same may be adopted, amended, modified or terminated by the Company, in accordance with its terms. Target bonuses in future periods will be at the discretion of the Compensation Committee.

(c) Long Term Incentive. Executive will be granted a Multi-year Performance Period ("MPP") award for service performed in 2018, 2019 and 2020 under the Company's 2017 Incentive Plan, to be determined and paid in equity during early 2021. Under this award, Executive will be entitled to receive between 0% and 200% of his target award, based on performance goal attainment during the three year performance period. Executive's 2018 MPP target award will be a share amount with a grant date value equal to 200% of his actual 2018 Base Salary, pro-rated for the portion of the performance period during which he is actually employed. The Compensation Committee of the Company's Board of Directors has determined that the 2018 MPP award goal for senior management, including Executive, will be a specified level of Company Adjusted EBITDA (as defined in the award agreements). The Committee retains the right to exercise its discretion, after the end of 2020, as in prior years, to determine to what extent the MPP awards Executive and the other executive officers have been earned, and reserves the right to take individual performance factors into account, and to employ subjective and objective criteria. (The other terms of this award shall be as specified in the 2018 Multi-year Performance Award Agreement). Executive will be eligible in 2019 thereafter to participate in the 2019 MPP award or any other long term executive bonus program, as the same may be adopted, amended, modified or terminated by the Company, in accordance with its terms. Target bonuses in future periods will be at the discretion of the Compensation Committee.

(d) Restricted Stock Units. Executive will receive, as of the Effective Date, a grant of stock units under the Company's Restricted Stock Unit Plan having a grant date value of \$1,500,000,

pursuant to the form of Restricted Stock Unit Award attached to this Agreement as Exhibit A.

(e) **Relocation.** Executive shall relocate to Rochester, New Hampshire area no later than March 1, 2019. In the interim, Executive shall be reimbursed for temporary housing expenses and shall be entitled to such other relocation benefits as provided for pursuant to the Company's Executive Relocation Policy, a copy of which has been provided to the Executive, with the caveat that neither the one-year policy expiration nor 90-day temporary housing limit shall apply to Executive. Provided such expenses are incurred in compliance with the Company's travel and expense policy, the Company will pay or reimburse Executive for all flight expenses incurred prior to March 1, 2019 for travel from any Company work location to Los Angeles, California, travel from Los Angeles, California to any Company work location, and travel from any Company work location to any other Company work location through Los Angeles, California. The Company will provide tax assistance (gross-up) to Executive on all such expenses for travel to, from, or through Los Angeles, California that are personal to Executive or will appear as income on Executive's Form W-2.

(f) **Reimbursement of Legal Fee.** In the event that stock incentive awards or options are canceled or revoked by Executive's former employer or litigation is commenced during the Employment Term between Executive and his former employer regarding the non-payment of stock incentive awards or options previously granted to Executive by his former employer as a result of his employment with the Company, the Company agrees to reimburse Executive for his reasonable legal fees actually incurred and paid, up to a maximum of \$300,000. In the event that such litigation has not been commenced by December 31, 2019, the Company will be relieved of this reimbursement obligation.

4. **Employee Benefits and Policies.** Executive will be entitled to four weeks of vacation with pay during the remainder of 2018, and thereafter will be entitled to four weeks of vacation per calendar year, unless the Company's then-current vacation policy applicable to executive officers provides for a greater period. In addition, Executive will be eligible to participate in all of the Company's employee benefit plans, policies, and arrangements that are applicable to other executive officers of the Company (including, without limitation, 401(k), health care, vision, dental, life insurance and disability), subject to eligibility and otherwise on such terms and as such plans, policies, and arrangements may exist from time to time.

5. **Termination of Employment.** In the event Executive's employment with the Company terminates for any reason, Executive will be entitled to any (a) all unpaid Base Salary accrued to the effective date of termination, (b) unpaid but earned short-term or long-term cash bonuses, all unpaid but vested performance stock awards, all unpaid but vested portions of restricted stock units grants, subject to the terms of the applicable bonus plan, agreement or arrangement, (c) all benefits or compensation required to be provided after termination pursuant to, and in accordance with the terms of, any employee benefit plans, policies or arrangements applicable to Executive, (d) all unreimbursed business expenses incurred prior to termination and required to be reimbursed to Executive pursuant to the Company's policy, and (e) all rights to indemnification to which Executive may be entitled under the Company's Articles of Incorporation, Bylaws, or

separate indemnification agreement, as applicable. In addition, if the termination is a "Qualifying Termination" (as defined in Section 6), Executive will be entitled to the amounts and benefits specified in Section 6.

6. Severance. If Executive's employment is terminated pursuant to a Qualifying Termination, Executive will receive an amount equal to twice the Base Salary plus twice the APP award target or other annual cash incentive target of Executive at the time of termination, payable in 24 substantially equal monthly installments (the "Severance Amount"). Executive's right to receive the Severance Amount is contingent upon Executive's continuing compliance with the provisions of Sections 8, 9 and 10 of this Agreement and subject to the Executive having executed and delivered to the Company an effective release of any and all claims in such form as is reasonably acceptable to the Company. Executive will not be required to mitigate the amount of payments under this Section 6, nor will any earnings that Executive may receive from any other source reduce any the Severance Amount. For purposes of this Agreement,

(a) "Qualifying Termination" shall mean (i) an involuntary termination of Executive's employment by the Company without Cause, or (ii) a termination of Executive's employment by Executive for Good Cause.

(b) "involuntary termination of Executive's employment by the Company without cause" shall not include termination as the result of death or Disability.

(c) "Cause" shall be deemed to exist upon any of the following, determined by a majority of the members of the Board in its sole discretion: (i) the indictment of Executive for, or the entry of a plea of guilty or *nolo contendere* by Executive to, a felony charge or any crime involving moral turpitude; (ii) Unlawful conduct on the part of Executive that may reasonably be considered to reflect negatively on the Company or compromise the effective performance of Executive's duties as determined by the Board in its sole discretion; (iii) Executive's willful misconduct in connection with his duties or willful failure to use reasonable effort to perform substantially his responsibilities in the best interest of the Company (including, without limitation, breach by the Executive of this Agreement), except in cases involving Executive's mental or physical incapacity or disability; (iv) Executive's willful violation of the Company's Business Ethics Policy, Code of Ethics or any other Company policy that may reasonably be considered to reflect negatively on the Company or compromise the effective performance of Executive's duties as determined by the Board in its sole discretion; (v) fraud, material dishonesty, or gross misconduct in connection with the Company perpetrated by Executive; (vi) Executive undertaking a position or any activity in or in furtherance of competition with Company during the Employment Term; (vii) Executive having caused substantial harm to the Company with intent to do so or as a result of gross negligence in the performance of his duties; or (viii) Executive having wrongfully and substantially enriched himself at the expense of the Company.

(d) "Disability" shall be deemed to exist if (i) by reason of mental or physical illness the Executive has not performed his or her duties for a period of six consecutive months; and (ii) the Executive does not

return to the performance of his duties within thirty days after written notice is given by Company that the Executive has been determined by the Board of Directors to be "Disabled" under the Company's long term disability policy.

(e) "Good Cause" shall mean a termination of Executive's employment by Executive, as a consequence of , and following: (i) a material adverse change in Executive's authority and responsibilities without Executive's consent, (ii) a material reduction in Executive's compensation, not proportionally and similarly affecting other senior executives, without Executive's consent, (iii) the failure of the Company or any successor to fully honor the terms of any contractual agreements with Executive, or (iv) a Change in Control; provided, that, in the case (i), (ii) or (iii) , Executive shall have delivered written notice to the Company of his intention to terminate his employment for Good Cause within 90 days of the event or events constituting Good Cause, which notice specifies in reasonable detail the circumstances claimed to give rise to the Executive's right to terminate employment for Good Cause, and the Company shall not have cured such circumstances within 30 days following receipt of such notice.

(f) "Change in Control" shall be deemed to have occurred if (i) there is a change of ownership of the Company as a result of one person, or more than one person acting as a group, acquiring ownership of stock of the Company that, together with stock held by such person or group, constitutes more than 50% of the total fair market value or total voting power of the stock of the Company, provided, however, that the acquisition of additional stock by a person or group who already owns 50% of the total fair market value or total voting power of the stock of the Company shall not be considered a Change in Control; (ii) notwithstanding that the Company has not undergone a change in ownership as described in subsection (i) above, there is a change in the effective control of the Company as a result of either (a) one person, or more than one person, acting as a group, acquiring (or having acquired during the 12 month period ending on the date of the most recent acquisition) ownership of stock of the Company possessing 30% or more of the total voting power of the stock of the Common, or (b) a majority of the members of the Board is replaced during any 12 month period by directors whose appointment or election is not endorsed by a majority of the members of the Board before the date of appointment or election, provided, however, that in either case the acquisition of additional control by a person or group who already is considered to effectively control the Company shall not be considered to a Change in Control; (iii) there is a change in ownership of a substantial portion of the Company's assets as a result of one person, or more than one person acting as a group, acquiring (or having acquired during the 12 month period ending on the date of the most recent acquisition) assets from the Company (A) constituting substantially all the assets of either of the Company's two business units, or (B) that have a total gross fair market value equal to or more than 40% of the total gross fair market value of all the assets of the Company immediately before such acquisition or acquisitions; or (iv) the sale, spinoff, or other disposition of either of the Company's two business units, provided, however, that there is no Change in Control if the transfer of assets is to the shareholders of the Company or an entity controlled by the shareholders of the Company.

7. Internal Revenue Code Section 280G. In the event that the benefits provided for in this Agreement, when aggregated with any other payments or benefits or to be received by Executive (the "Aggregate Benefits"), would (i) constitute "parachute payments" within the meaning of Section 280G of the Internal Revenue Code (the "Code"), and (ii) would be subject to the excise

tax imposed by Section 4999 of the Code (the "Excise Tax"), then Executive's Aggregate Benefits will be either: (a) delivered in full, or (b) delivered as to such lesser extent as would result in no portion of such Aggregate Benefits being subject to the Excise Tax, whichever of the foregoing amounts, taking into account the applicable federal, state and local income taxes and the Excise Tax, results in the receipt by Executive on an after-tax basis of the greatest amount of Aggregate Benefits, notwithstanding that all or some portion of such Aggregate Benefits may be taxable under Section 4999 of the Code. Unless the Company and Executive otherwise agree in writing, any determination required under this paragraph will be made in writing by an independent certified public accounting firm engaged by the Company (the "Accounting Firm") whose determination will be conclusive and binding upon Executive and the Company for all purposes. For purposes of making the calculations required by this paragraph, the Accounting Firm may make reasonable assumptions and approximations concerning applicable taxes and may rely on reasonable, good faith interpretations concerning the application of Sections 280G and 4999 of the Code. The Company and Executive will furnish to the Accounting Firm such information and documents as the Accounting Firm may reasonably request in order to make a determination under this paragraph. To the extent any reduction in Aggregate Benefits is required by this paragraph, the Company and Executive shall cooperate so that the reduction results in Executive retaining the maximum amount of the Aggregate Benefits.

8. Confidential Information. Executive agrees that all aspects of the Company's business, products, prospects, plans and strategies that have not been publicly disclosed, including, but not limited to, the identities, needs and preferences of its customers, internal business operations and pricing information, manufacturing know-how, technical attributes of products, annual or strategic business plans or analyses, and any and all other trade secrets (collectively, "Confidential Information"), are confidential and secret, shall be maintained in confidence and not disclosed to any third party, and shall remain the exclusive property of the Company. Any Confidential Information may be used or disclosed by the Executive solely to discharge his obligations hereunder, and shall not be used or disclosed for any other purpose, including, without limitation, for any purpose whatsoever following termination of Executive's employment. All Confidential Information in tangible form that is provided to the Executive shall be returned by the Executive to the Company within 30 days of any termination of employment, together with a statement certifying: (1) that Executive has returned all Confidential Information in his possession, (2) that Executive has at all times maintained the confidential nature of the Confidential Information, and (3) that Executive confirms his continuing obligations of confidentiality under this Agreement following such termination.

9. Non-disparagement. During the Employment Term, and thereafter, Executive will not knowingly disparage, criticize or otherwise make any derogatory statements regarding the Company, its shareholders, directors or its officers. The foregoing restriction will not apply to any truthful statements made in response to a valid subpoena or other compulsory legal process.

10. Restrictive Covenants. Executive acknowledges and recognizes the highly competitive nature of the Company's business. Accordingly, Executive agrees as follows:

A. That for a period of twenty-four (24) months following the termination of his employment with the Company for any reason, whether on his own behalf or on behalf of or in conjunction with any person, firm, partnership, joint venture, association, corporation or other business, organization, entity or enterprise whatsoever ("Person"), Executive shall not directly or indirectly:

- (i) operate a Competitive Business;
- (ii) enter into the employ of, or render any services to, any Person in respect of any Competitive Business;
- (iii) acquire a financial interest in, or otherwise become actively involved with, any Competitive Business, directly or indirectly, as an individual, partner, shareholder, officer, director, principal, agent, trustee or consultant; provided, however, that in no event shall ownership of less than 2% of the outstanding capital stock of any corporation, in and of itself, be deemed a violation of this Release if such capital stock is listed on a national securities exchange or regularly traded in an over-the-counter market; or
- (iv) interfere with, or attempt to interfere with, any business relationships between Albany or any of its subsidiaries or affiliates and their customers, clients, suppliers or investors; and

B. That for a period of twenty-four (24) months following the termination of his employment with the Company for any reason, whether on the Executive's own behalf or on behalf of or in conjunction with any person, firm, partnership, joint venture, association, corporation or other business, organization, entity or enterprise whatsoever, Executive shall not directly or indirectly:

- (i) solicit or encourage any employee of the Company or any of its subsidiaries or affiliates to leave the employment of the Company or any of its subsidiaries or affiliates; or
- (ii) hire any such employee who was employed by the Company or any of its subsidiaries or affiliates as of the date of such termination or, if later, within the six-months before the date the person was hired by Executive.

Executive understands that the Company will have the right to seek injunctive relief in the event that Executive violates this paragraph 10 because the harm caused by such violation will be irreparable and difficult to calculate in terms of monetary damages.

For the purposes of this paragraph 10, a Competitive Business is any person or entity that manufactures or sells (a) papermachine clothing or belts used in the manufacture of paper, nonwovens or fiber cement, or (b) advanced composite materials, structures or components for use in defense, aerospace or automotive applications.

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

12. Board Membership. Upon the termination of Executive's employment for any reason, Executive will be deemed to have resigned from any seat on the Board (and from any seats on the boards, and from any offices, of subsidiaries) held at such time, voluntarily, without any further required action by the Executive, as of the end of the Employment Term. Executive, at the Board's request, will execute any documents necessary to reflect his resignation.

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

14. Notices. All notices, requests, demands, and other communications called for hereunder will be in writing and will be deemed given (a) on the date of delivery if delivered personally, (b) one (1) day after being sent overnight by a well-established commercial overnight service, or (c) four (4) days after being mailed by registered or certified mail, return receipt requested, prepaid and addressed to the parties or their successors at the following addresses, or at such other addresses as the parties may later designate in writing:

If to the Company:

Attn: Chairman of the Board
Albany International Corp.
218 Airport Drive
Rochester, NH 03867

If to the Executive:

at the last residential address known by the Company. In addition, the Company shall make a reasonable effort to fax or e-mail such notice to Executive at his most recent personal fax number or e-mail address, with a copy to Executive's lawyer by the same method, to the extent known to the Company.

15. Severability. If any provision hereof becomes or is declared by a court of competent jurisdiction to be illegal, unenforceable, or void, this Agreement will continue in full force and effect without said provision.

16. Arbitration. The Parties agree that any and all disputes arising out of the terms of this

Agreement, Executive's employment by the Company, Executive's service as an officer or director of the Company, or Executive's compensation and benefits, their interpretation, and any of the matters herein released, will be subject to binding arbitration in New York, New York under the American Arbitration Association's National Rules for the Resolution of Employment Disputes. The Parties agree that the prevailing party in any arbitration will be entitled to injunctive relief in any court of competent jurisdiction to enforce the arbitration award. The Parties hereto agree to waive their right to have any dispute between them resolved in a court of law by a judge or jury. This paragraph will not prevent either party from seeking injunctive relief (or any other provisional remedy) from any court having jurisdiction over the Parties and the subject matter of their dispute relating to Executive's obligations under this Agreement.

17. Integration. This Agreement, together with the Exhibit, represents the entire agreement and understanding between the parties as to the subject matter herein and supersedes all prior or contemporaneous agreements whether written or oral. No waiver, alteration, or modification of any of the provisions of this Agreement will be binding unless in a writing that is signed by duly authorized representatives of the parties hereto, provided that any benefits or compensation provided to Executive pursuant to the terms of any plan, program, policy, or arrangement may be amended or terminated by the Company at any time, in accordance with the terms of such plan, program, policy or arrangement. In entering into this Agreement, no party has relied on or made any representation, warranty, inducement, promise or understanding that is not in this Agreement.

Executive acknowledges that Executive is not subject to any contract, obligation or understanding (whether written or not) that would in any way restrict the performance of Executive's duties as set forth in this Agreement.

18. Waiver of Breach. The waiver of a breach of any term or provision of this Agreement, which must be in writing, will not operate as or be construed to be a waiver of any other previous or subsequent breach of this Agreement.

19. Survival. The Company's and Executive's obligations under Section 6 and, to the extent provided in Section 6, the Executive's obligations under Sections 9 and 10, will survive the termination of this Agreement.

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

21. Tax Withholding. All payments made pursuant to this Agreement will be subject to withholding of applicable taxes.

22. Governing Law. This Agreement shall be governed by and construed in accordance with the laws of the State of New York without regard to any provisions thereof relating to conflict of laws.

23. Certain Acknowledgment. Executive acknowledges that he has had the opportunity to obtain legal advice with respect to this Agreement, has had sufficient time to read, and has

carefully read and fully understands all the provisions of this Agreement, and is knowingly and voluntarily entering into this Agreement. Executive represents that he has no other employment or other agreement, arrangements or undertakings that might restrict or impair his performance of this Agreement or to serve as an employee of the Company. Executive will not in connection with his employment by the Company, use or disclose any confidential, trade secret, or other proprietary information of any previous employer or other Person that Executive is not lawfully entitled to disclose.

24. Counterparts. This Agreement may be executed in counterparts, and each counterpart will have the same force and effect as an original and will constitute an effective, binding agreement on the part of each of the undersigned.

25. Certain Disclosures to Governmental Agencies and Others. Notwithstanding anything herein or in any other agreement with or policy (including without limitation any code of conduct or employee manual) of the Company, nothing herein or therein is intended to or shall: (i) prohibit Executive from making reports of possible violations of federal law or regulation (even if Executive participated in such violations) to, and cooperating with, any governmental agency or entity in accordance with the provisions of and rules promulgated under Section 21F of the Securities Exchange Act of 1934 or Section 806 of the Sarbanes-Oxley Act of 2002 or of any other whistleblower protection provisions of state or federal law or regulation; (ii) require notification to or prior approval by the Company of any such reporting or cooperation; or (iii) result in a waiver or other limitation of Executive's rights and remedies as a whistleblower, including to a monetary award. Notwithstanding the foregoing, Executive is not authorized (and the above should not be read as permitting Executive) to disclose communications with counsel that were made for the purpose of receiving legal advice or that contain legal advice or that are protected by the attorney work product or similar privilege. Furthermore, Executive will not be held criminally or civilly liable under any federal or state trade secret law for the disclosure of a trade secret that is made (1) in confidence to a federal, state or local government official, either directly or indirectly, or to an attorney, in each case, solely for the purpose of reporting or investigating a suspected violation of law or (2) in a complaint or other document filed in a lawsuit or proceeding, if such filings are made under seal.

IN WITNESS WHEREOF, each of the parties has executed this Agreement, in the case of the Company by a duly authorized officer, as of the day and year written below.

COMPANY:

ALBANY INTERNATIONAL CORP.

By: /s/ Joseph G. Morone

Date: March 2, 2018

Name: Joseph G. Morone

Title: President and Chief Executive Officer

EXECUTIVE

/s/ Olivier Jarrault

Date: March 2, 2018

EXHIBIT "A"

RESTRICTED UNIT AWARD AGREEMENT

Pursuant to the

ALBANY INTERNATIONAL CORP. 2003
RESTRICTED STOCK UNIT PLAN

* * * * *

Participant: Olivier Jarrault

Award Date: March 2, 2018

Number of Restricted Units Awarded: 23,567

* * * * *

THIS AWARD AGREEMENT, dated as of the Award Date specified above, is entered into by and between Albany International Corp. (the "Company"), and the Participant specified above, pursuant to the Amended and Restated Albany International Corp. 2003 Restricted Stock Unit Plan, as in effect and as amended from time to time (the "Plan"); and

WHEREAS, as an incentive to encourage the Participant to remain in the employ of the Company and its subsidiaries by affording the Participant a greater interest in the success of the Company and its subsidiaries, the Company desires to grant the Participant the Restricted Units provided herein;

WHEREAS, the Participant desires to obtain such Restricted Units on the terms and conditions provided for herein;

NOW, THEREFORE, in consideration of the premises, the mutual covenants herein set forth and other good and valuable considerations receipt of which is hereby acknowledged, the Company and the Participant agree as follows:

1 . Incorporation by Reference; Plan Document Receipt. Except as otherwise provided herein, this Award Agreement is subject in all respects to the terms and provisions of the Plan (including, without limitation, any amendments thereto adopted at any time and from time to time and which are expressly intended to apply to the grant of the Restricted Units provided for herein), all of which terms and provisions are made a part of and incorporated in this Award Agreement as if they were expressly set forth herein. Any capitalized term not defined in this Award Agreement shall have the same meaning as is ascribed thereto in the Plan. The Participant hereby acknowledges receipt of a true copy of the Plan and that the Participant has read the Plan

carefully and fully understands its content. In the event of a conflict between the terms of this Award Agreement and the terms of the Plan, the terms of the Plan shall control.

2. Award of Restricted Units; Credit to Restricted Unit Account. Subject to the terms hereof and the Plan, the Company hereby grants to the Participant, as of the Award Date specified above, the number of Restricted Units specified above. The Company shall record such Restricted Units in the Participant's Restricted Unit Account.

3. Vesting. As permitted in Section 5.1 of the Plan, the following Vesting Dates shall apply with respect to the Restricted Units (including any additional Restricted Units credited as Cash Dividend Equivalents with respect to such Restricted Units) awarded hereunder and shall supersede any contrary provision in Section 5.1:

- a. One-third (33.3%) of such Restricted Units (including any additional Restricted Units credited as Cash Dividend Equivalents with respect to such Restricted Units) shall vest on March 1, 2019, subject to the Participant being employed with the Albany Group on such Vesting Date;
- b. One-third (33.3%) of such Restricted Units (including any additional Restricted Units credited as Cash Dividend Equivalents with respect to such Restricted Units) shall vest on March 1, 2020, subject to the Participant being employed with the Albany Group on such Vesting Date; and
- c. One-third (33.3%) of such Restricted Units (including any additional Restricted Units credited as Cash Dividend Equivalents with respect to such Restricted Units) shall vest on March 1, 2021, subject to the Participant being employed with the Albany Group on such Vesting Date.

4. Additional Special Vesting. The special vesting provisions set forth in Section 5.2 of the Plan shall apply to the Restricted Units (including any additional Restricted Units credited as Cash Dividend Equivalents with respect to such Restricted Units) awarded hereunder.

5. Settlement; Payment Delay. The Restricted Units (including any additional Restricted Units credited as Cash Dividend Equivalents with respect to such Restricted Units) credited to Participant's Restricted Unit Account pursuant to this Award Agreement shall be settled in accordance with the provisions of the Plan, including without limitation Section 6.1. Notwithstanding any provision to the contrary, if, pursuant to the provisions of Section 409A of the Internal Revenue Code of 1986, as amended, and the regulations promulgated thereunder (the "Code"), any payment is required to be delayed as a result of the Participant being deemed to be a "specified employee" within the meaning of that term under Section 409A(a)(2)(B) of the Code, then any such payments under the Plan shall not be made prior to the earlier of (A) the expiration of the six month period measured from the date of the "separation from service" (as such term is defined in Treasury Regulations issued under Section 409A of the Code) or (B) the date of the Participant's death. Upon the expiration of such period, all payments under the Plan delayed pursuant to this paragraph 6 shall be paid to the Participant in a lump sum, and any remaining payments due under the Plan shall be paid or provided in accordance with the normal payment dates specified for them herein.

6. Amendment and Waiver. Neither this Award Agreement nor any provision hereof may be amended, modified, changed, discharged, terminated or waived orally, by any course of dealing or purported course of dealing or by any other means except (a) in the case of an amendment, modification, change or waiver that does not impair the rights of the Participant with respect to outstanding Restricted Units or that is deemed by the Committee to be advisable to avoid the imposition of any tax under Section 409A of the Code, by written notice to the Participant or (b) an agreement in writing signed by the Company and the Participant. No such written notice of agreement shall extend to or affect any provision of this Award Agreement not expressly amended, modified, changed, discharged, terminated or waived or impair any right consequent on such a provision. The waiver of or failure to enforce any breach of this Award Agreement shall not be deemed to be a waiver of or acquiescence in any other breach hereof.

7. Notices. Any notice required or permitted under this Award Agreement shall be in writing and shall be deemed properly given:

7.1 in the case of notice to the Company, if delivered in person to the Secretary of the Company, or mailed to the Company to the attention of the Secretary by registered mail (return receipt requested) at 216 Airport Drive, Rochester, New Hampshire, 03867, or at such other address as the Company may from time to time hereafter designate by written notice to the Participant; and

7.2 in the case of notice to the Participant, if delivered to him or her in person, or mailed to him or her by registered mail (return receipt requested) at the last known residence address provided by Participant to the Company or at such other address as the Participant may from time to time hereafter designate by written notice to the Company.

8. Governing Law. This Award Agreement shall be governed by and construed in accordance with the laws of the State of New York.

9. Binding Agreement; Assignment. This Award Agreement shall inure to the benefit of, be binding upon, and be enforceable by the Company and its successors and assigns. The Participant shall not assign any part of this Award Agreement without the prior express written consent of the Company.

10. Counterparts. This Award Agreement may be executed in one or more counterparts, each of which shall be deemed to be an original, but all of which shall constitute one and the same instrument.

11. Headings. The titles and headings of the various sections of this Award Agreement have been inserted for convenience of reference only and shall not be deemed to be a part of this Award Agreement.

12. Further Assurances. Each party hereto shall do and perform (or shall cause to be done and performed) all such further acts and shall execute and deliver all such other agreements, certificates, instruments and documents as any other party hereto reasonably may request in order to carry out the intent and accomplish the purposes of this Award Agreement and the Plan and the consummation of the transactions contemplated thereunder.

13. Severability. The invalidity or unenforceability of any provisions of this Award Agreement in any jurisdiction shall not affect the validity, legality or enforceability of the remainder of this Award Agreement in such jurisdiction or the validity, legality or enforceability of any provision of this Award Agreement

in any other jurisdiction, it being intended that all rights and obligations of the parties hereunder shall be enforceable to the fullest extent permitted by law.

14. Acceptance of Restricted Units. Unless, within 45 days following the date of this Award Agreement, the Company has received written notice from the Participant rejecting the Restricted Units, this Award Agreement shall be deemed to have been accepted by the Participant and shall constitute a legal and binding agreement between the Participant and the Company.

IN WITNESS WHEREOF, the Company has duly executed this Award Agreement as of the Award Date specified above.

ALBANY INTERNATIONAL CORP.

/s/ Joseph G. Morone _____

Name: Joseph G. Morone

Title: President and Chief Executive Officer

/s/ Olivier Jarrault _____

Olivier Jarrault

AMENDMENT NO. 1 to
EMPLOYMENT AGREEMENT

This AMENDMENT NO. 1, dated as of July 9, 2018 (the "Amendment"), is by and between Albany International Corp. (the "Company") and Olivier Jarrault ("Executive").

WHEREAS, the Company and Executive are parties to that certain Agreement entered into as of March 2, 2018, relating to Executive's employment by the Company (the "Agreement"); and

WHEREAS, the Company and Executive desire to clarify their respective rights and obligations relating to reimbursement of certain business expenses incurred by Executive in the course of his employment by the Company;

NOW THEREFORE, in consideration of the premises, the mutual covenants and the agreements hereinafter set forth and other good and valuable consideration, the parties hereto hereby agree that the Agreement is hereby amended as follows, with effect from the Effective Date (as defined in the Agreement):

1. Definitions. Unless otherwise defined herein, terms defined in the Agreement are used herein as therein defined.

2. Clause (e) of paragraph 3 of the Agreement is hereby amended and restated in its entirety to read as follows:

(e) Relocation. Executive shall relocate to Rochester, New Hampshire area no later than March 1, 2019. In the interim, Executive shall be reimbursed for temporary housing expenses and shall be entitled to such other relocation benefits as (i) are provided for pursuant to the Company's Executive Relocation Policy, a copy of which has been provided to the Executive, with the caveat that neither the one-year policy expiration nor 90- day temporary housing limit shall apply to Executive, or (ii) are approved by the Chairman of the Board of the Company. Provided such expenses are incurred in compliance with the Company's travel and expense policy, or have otherwise been approved by the Chairman, the Company will pay or reimburse Executive for all flight expenses incurred prior to March 1, 2019 for travel from any Company work location to Los Angeles, California, travel from Los Angeles, California to any Company work location, and travel from any Company work location to any other Company work location through Los Angeles, California. (Evidence of approval of any item covered by this clause may be in the form of an expense or relocation report reflecting such expenses that is approved by the Chairman.) The Company will provide tax assistance (gross-up) to Executive on all such expenses for travel to, from, or through Los Angeles, California that are personal

to Executive or will appear as income on Executive's Form W-2.

2. A new clause (g) to paragraph 3 shall be added to the Agreement to read as follows:

(g) Travel, Meals and Entertainment Expenses. Executive shall be entitled to reimbursement of any business travel and entertainment expenses incurred by the Executive in the performance of his duties for or on behalf of the Company that are (i) in accordance with the Company's policies as in effect from time to time, or (ii) approved by the Chairman of the Board. (Evidence of such approval may be in the form of an expense report reflecting such expenses that is approved by the Chairman.)

3. Except as expressly amended, modified and supplemented hereby, the terms, provisions and conditions of the Agreement are unchanged and in full force and effect and are hereby ratified and confirmed in all respects.

4. This Amendment may be executed in counterparts, and each counterpart will have the same force and effect as an original and will constitute an effective, binding agreement on the part of each of the undersigned.

IN WITNESS WHEREOF, each of the parties has executed this Agreement, in the case of the Company by a duly authorized officer, as of the day and year written below.

COMPANY:

ALBANY INTERNATIONAL CORP.

By: /s/ John B. Cozzolino

Date: July 25, 2018

Name: John B. Cozzolino

Title: Chief Financial Officer and Treasurer

EXECUTIVE

/s/ Olivier Jarrault

Date: July 25, 2018

Olivier Jarrault

AMENDMENT NO. 2 to EMPLOYMENT AGREEMENT

This AMENDMENT NO. 2, dated as of March 15, 2019 (the "Amendment"), is by and between Albany International Corp. (the "Company") and Olivier Jarrault ("Executive").

WHEREAS, the Company and Executive are parties to that certain Agreement entered into as of March 2, 2018, relating to Executive's employment by the Company (the "Agreement"); and

WHEREAS, the Agreement was previously amended pursuant to that certain Amendment No.1, dated as of July 9, 2018; and

WHEREAS, the Company and Executive desire to further amend the Agreement to extend the time by which Executive is expected to relocate;

NOW THEREFORE, in consideration of the premises, the mutual covenants and the agreements hereinafter set forth and other good and valuable consideration, the parties hereto hereby agree that the Agreement is hereby amended as follows, with effect from the Effective Date (as defined in the Agreement):

1. Definitions. Unless otherwise defined herein, terms defined in the Agreement are used herein as therein defined.

2. Clause (e) of paragraph 3 of the Agreement is hereby amended and restated in its entirety to read as follows:

(e) Relocation. Executive shall relocate to Rochester, New Hampshire area no later than December 31, 2019. In the interim, Executive shall be reimbursed for temporary housing expenses and shall be entitled to such other relocation benefits as (i) are provided for pursuant to the Company's Executive Relocation Policy, a copy of which has been provided to the Executive, with the caveat that neither the one-year policy expiration nor 90-day temporary housing limit shall apply to Executive, or

(ii) are approved by the Chairman of the Board of the Company. Provided such expenses are incurred in compliance with the Company's travel and expense policy, or have otherwise been approved by the Chairman, the Company will pay or reimburse Executive for all flight expenses incurred prior to December 31, 2019 for travel from any Company work location to Los Angeles, California, travel from Los Angeles, California to any Company work location, and travel from any Company work location to any other Company work location through Los Angeles, California. (Evidence of approval of any item covered by this clause may be in the form of an expense or relocation report reflecting such expenses that is approved by the Chairman.) The Company will provide tax assistance (gross-up) to Executive on all

EMPLOYMENT AGREEMENT

This Agreement is entered into as of January 21, 2020 (the "Effective Date") by and between Albany International Corp. (the "Company") and A. William Higgins ("Executive").

1. Duties and Scope of Employment.

(a) Positions and Duties. Commencing on the Effective Date, Executive will serve as President and Chief Executive Officer of the Company, reporting to the Company's Board of Directors (the "Board"). The period during which Executive is employed by the Company under this Agreement is referred to herein as the "Employment Term." During the Employment Term, Executive will render such business and professional services in the performance of his duties, consistent with Executive's position within the Company, as may be assigned to him by the Board. Executive shall be based at the Company's headquarters in Rochester, New Hampshire, or such other place, as may be reasonably requested by the Company.

Executive shall continue to be nominated for election to the Board such that his nomination shall be voted on by the shareholders of the Company at annual shareholder's meetings during the Employment Term.

(b) Obligations. During the Employment Term, Executive will devote Executive's full business efforts to the Company and will use good faith efforts to discharge Executive's obligations under this Agreement to the best of Executive's ability. For the duration of the Employment Term, Executive agrees not to serve as a director for any for-profit entity or organization or actively engage in any employment, occupation, or consulting activity, without the prior approval of the Board, in its sole discretion; provided, however, that Executive may, without the approval of the Board, (i) serve in any capacity with any civic, educational, or charitable organization and (ii) manage his personal investments; in each case, provided such services do not interfere with Executive's obligations to the Company.

2. Term of Agreement; At-Will Employment. Executive and the Company agree that Executive's employment with the Company constitutes "at-will" employment. Executive and the Company acknowledge that, subject to the provisions of Sections 5 and 6 of this Agreement, Executive's employment relationship with the Company may be terminated at any time, upon written notice to the other party, with or without good cause, at the option either of the Company or Executive.

3. Compensation.

(a) Base Salary. Commencing on the Effective Date, the Company will pay Executive an annual salary of \$850,000 as compensation for his services (such annual salary, as is then effective, to be referred to herein as "Base Salary"). The Base Salary will be paid periodically in accordance with the Company's normal payroll practices and be subject to standard and customary withholdings.

Executive's salary will be subject to review by the Compensation Committee of the Board, or any successor thereto (the "Committee"), at least annually, and adjustments will be made in the discretion of the Committee.

(b) Annual Bonus. Executive will be granted an Annual Performance Period ("APP") award for service performed in 2020 under the Company's 2017 Incentive Plan, to be determined and paid in cash during early 2021. Under this award, Executive will be entitled to receive between 0% and 200% of his target award, based on performance goal attainment during 2020. Executive's 2020 APP target award amount will be equal to 100% of his 2020 Base Salary, pro-rated for the portion of the year during which he is actually employed. (For example, should the Effective Date be February 1, 2020, the target amount would be $\$850,000 \times 11/12$, or $\$779,166.61$). The Compensation Committee of the Company's Board of Directors shall determine the performance measurement metric for the 2020 APP award goal for senior management, including Executive, at its normal quarterly meeting in February 2020. The Committee retains the right to exercise its discretion, after the end of 2020, as in prior years, to determine to what extent the APP awards Executive and the other executive officers have been earned, and reserves the right to take individual performance factors into account, and to employ subjective and objective criteria. The pertinent terms of this award shall be as specified in the 2020 Annual Performance Award Agreement). Executive will be eligible in 2021 and thereafter to participate in the 2021 APP award or any other annual executive bonus program, as the same may be adopted, amended, modified or terminated by the Company, in accordance with its terms. Target bonuses in future periods will be at the discretion of the Compensation Committee.

(c) Long Term Incentive. Executive will be granted a Multi-year Performance Period ("MPP") award for service performed in 2020, 2021 and 2022 under the Company's 2017 Incentive Plan, to be determined and paid in equity during early 2023. Under this award, Executive will be entitled to receive between 0% and 200% of his target award, based on performance goal attainment during the three year performance period. Executive's 2020 MPP target award will be a share amount with a grant date value equal to 200% of his actual 2020 Base Salary, pro-rated for the portion of the performance period during which he is actually employed. The Compensation Committee of the Company's Board of Directors shall determine the performance measurement metric for the 2020 MPP award goal for senior management, including Executive, at its normal quarterly meeting in February 2020. The Committee retains the right to exercise its discretion, after the end of 2022, as in prior years, to determine to what extent the MPP awards Executive and the other executive officers have been earned, and reserves the right to take individual performance factors into account, and to employ subjective and objective criteria. The other pertinent terms of this award shall be as specified in the 2020 Multi-year Performance Award Agreement. Executive will be eligible in 2021 thereafter to participate in the 2021 MPP award or any other long term executive bonus program, as the same may be adopted, amended, modified or terminated by the Company, in accordance with its terms. Target bonuses in future periods will be at the discretion of the Compensation Committee.

4. Employee Benefits and Policies. Executive will be entitled to four weeks of vacation with pay during the remainder of 2020, and thereafter will be entitled to four weeks of vacation per

calendar year, unless the Company's then-current vacation policy applicable to executive officers provides for a greater period. In addition, Executive will be eligible to participate in all of the Company's employee benefit plans, policies, and arrangements that are applicable to other executive officers of the Company (including, without limitation, 401(k), health care, vision, dental, life insurance and disability), subject to eligibility and otherwise on such terms and as such plans, policies, and arrangements may exist from time to time.

5. Termination of Employment. In the event Executive's employment with the Company terminates for any reason, Executive will be entitled to any (a) all unpaid Base Salary accrued to the effective date of termination, (b) unpaid but earned short-term or long-term cash bonuses, all unpaid but vested performance stock awards, all unpaid but vested portions of restricted stock units grants, subject to the terms of the applicable bonus plan, agreement or arrangement, (c) all benefits or compensation required to be provided after termination pursuant to, and in accordance with the terms of, any employee benefit plans, policies or arrangements applicable to Executive, (d) all unreimbursed business expenses incurred prior to termination and required to be reimbursed to Executive pursuant to the Company's policy, and (e) all rights to indemnification to which Executive may be entitled under the Company's Articles of Incorporation, Bylaws, or separate indemnification agreement, as applicable. In addition, if the termination is a "Qualifying Termination" (as defined in Section 6), Executive will be entitled to the amounts and benefits specified in Section 6.

6. Severance. If Executive's employment is terminated pursuant to a Qualifying Termination, Executive will receive an amount equal to twice the Base Salary plus twice the APP award target or other annual cash incentive target of Executive at the time of termination, payable in 24 substantially equal monthly installments (the "Severance Amount"). Executive's right to receive the Severance Amount is contingent upon Executive's continuing compliance with the provisions of Sections 9, 10 and 11 of this Agreement and subject to the Executive having executed and delivered to the Company an effective release of any and all claims in such form as is reasonably acceptable to the Company. Executive will not be required to mitigate the amount of payments under this Section 6, nor will any earnings that Executive may receive from any other source reduce any the Severance Amount. For purposes of this Agreement,

(a) "Qualifying Termination" shall mean (i) an involuntary termination of Executive's employment by the Company without Cause, or (ii) a termination of Executive's employment by Executive for Good Cause.

(b) "involuntary termination of Executive's employment by the Company without Cause" shall not include termination as the result of death or Disability.

(c) "Cause" shall be deemed to exist upon any of the following, determined by a majority of the members of the Board in its sole discretion: (i) the indictment of Executive for, or the entry of a plea of guilty or *nolo contendere* by Executive to, a felony charge or any crime involving moral turpitude; (ii) Unlawful conduct on the part of Executive that may reasonably be considered to

reflect negatively on the Company or compromise the effective performance of Executive's duties as determined by the Board in its sole discretion; (iii) Executive's willful misconduct in connection with his duties or willful failure to use reasonable effort to perform substantially his responsibilities in the best interest of the Company (including, without limitation, breach by the Executive of this Agreement), except in cases involving Executive's mental or physical incapacity or disability; (iv) Executive's willful violation of the Company's Business Ethics Policy, Code of Ethics or any other Company policy that may reasonably be considered to reflect negatively on the Company or compromise the effective performance of Executive's duties as determined by the Board in its sole discretion; (v) fraud, material dishonesty, or gross misconduct in connection with the Company perpetrated by Executive; (vi) Executive undertaking a position or any activity in or in furtherance of competition with Company during the Employment Term; (vii) Executive having caused substantial harm to the Company with intent to do so or as a result of gross negligence in the performance of his duties; or (viii) Executive having wrongfully and substantially enriched himself at the expense of the Company.

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

(e) "Good Cause" shall mean a termination of Executive's employment by Executive, as a consequence of , and following: (i) a material adverse change in Executive's authority and responsibilities without Executive's consent, (ii) a material reduction in Executive's compensation, not proportionally and similarly affecting other senior executives, without Executive's consent, or (iii) the failure of the Company or any successor to fully honor the terms of any contractual agreements with Executive; provided, that, in any of the foregoing cases , Executive shall have delivered written notice to the Company of his intention to terminate his employment for Good Cause within 90 days of the event or events constituting Good Cause, which notice specifies in reasonable detail the circumstances claimed to give rise to the Executive's right to terminate employment for Good Cause, and the Company shall not have cured such circumstances within 30 days following receipt of such notice.

(f) Clawback. Executive shall forfeit any unpaid Severance Amount due pursuant to this Agreement and shall, upon demand, repay any Severance Amounts already paid hereunder if, after the termination date: (a) there is a significant restatement of the Company's financial results, caused or substantially caused by the fraud or intentional misconduct of the Executive; (b) Executive breaches any provision of this Agreement, including, without limitation, the covenants set for in Sections 9, 10 and 11; or (c) the Company discovers conduct by Executive that would have permitted termination for Cause, provided that such conduct occurred prior to the termination date.

7. Internal Revenue Code Section 409A.

(a) The payments and the payment schedules set forth herein are intended to be exempt from, or comply with, Section 409A of the Internal Revenue Code ("Section 409A"). Accordingly, the

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

(b) It is the intent of the parties that this Agreement provides payments and benefits that are either exempt from the distribution requirements of Section 409A of Code, or satisfy those requirements. Any distribution that is subject to the requirements of Section 409A may only be made based on the Executive's "separation from service" (as that term is defined under the final regulations under Section 409A). It is intended that each installment of the payments and benefits, if any, provided to Executive under this Agreement hereof shall be treated as a separate "payment" for purposes of Section 409A of the Code.

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

8. Internal Revenue Code Section 280G. In the event that the benefits provided for in this Agreement, when aggregated with any other payments or benefits or to be received by Executive (the "Aggregate Benefits"), would (i) constitute "parachute payments" within the meaning of Section 280G of the Internal Revenue Code (the "Code"), and (ii) would be subject to the excise tax imposed by Section 4999 of the Code (the "Excise Tax"), then Executive's Aggregate Benefits will be either: (a) delivered in full, or (b) delivered as to such lesser extent as would result in no portion of such Aggregate Benefits being subject to the Excise Tax, whichever of the foregoing amounts, taking into account the applicable federal, state and local income taxes and the Excise Tax, results in the receipt by Executive on an after-tax basis of the greatest amount of Aggregate Benefits, notwithstanding that all or some portion of such Aggregate Benefits may be taxable under Section 4999 of the Code. Unless the Company and Executive otherwise agree in writing, any determination required under this paragraph will be made in writing by an independent certified public accounting firm engaged by the Company (the "Accounting Firm") whose determination will be conclusive and binding upon Executive and the Company for all purposes. For purposes of making the calculations required by this paragraph, the Accounting Firm may make reasonable assumptions and approximations concerning applicable taxes and may rely on reasonable, good faith interpretations concerning the application of Sections 280G and 4999 of the Code. The Company and Executive will furnish to the Accounting Firm such information and documents as the Accounting Firm may reasonably request in order to make a determination under this paragraph. To the extent any reduction in Aggregate Benefits is required by this paragraph, the Company and Executive shall cooperate so that the reduction results in

Executive retaining the maximum amount of the Aggregate Benefits.

9. Confidential Information. Executive agrees that all aspects of the Company's business, products, prospects, plans and strategies that have not been publicly disclosed, including, but not limited to, the identities, needs and preferences of its customers, internal business operations and pricing information, manufacturing know-how, technical attributes of products, annual or strategic business plans or analyses, and any and all other trade secrets (collectively, "Confidential Information"), are confidential and secret, shall be maintained in confidence and not disclosed to any third party, and shall remain the exclusive property of the Company. Any Confidential Information may be used or disclosed by the Executive solely to discharge his obligations hereunder, and shall not be used or disclosed for any other purpose, including, without limitation, for any purpose whatsoever following termination of Executive's employment. All Confidential Information in tangible form that is provided to the Executive shall be returned by the Executive to the Company within 30 days of any termination of employment, together with a statement certifying: (1) that Executive has returned all Confidential Information in his possession, (2) that Executive has at all times maintained the confidential nature of the Confidential Information, and (3) that Executive confirms his continuing obligations of confidentiality under this Agreement following such termination.

10. Non-disparagement. During the Employment Term, and thereafter, Executive will not knowingly disparage, criticize or otherwise make any derogatory statements regarding the Company, its shareholders, directors or its officers. The foregoing restriction will not apply to any truthful statements made in response to a valid subpoena or other compulsory legal process.

11. Restrictive Covenants. Executive acknowledges and recognizes the highly competitive nature of the Company's business. Accordingly, Executive agrees as follows:

A. That for a period of twenty-four (24) months following the termination of his employment with the Company for any reason, whether on his own behalf or on behalf of or in conjunction with any person, firm, partnership, joint venture, association, corporation or other business, organization, entity or enterprise whatsoever ("Person"), Executive shall not directly or indirectly:

- (i) operate a Competitive Business;
- (ii) enter into the employ of, or render any services to, any Person in respect of any Competitive Business;
- (iii) acquire a financial interest in, or otherwise become actively involved with, any Competitive Business, directly or indirectly, as an individual, partner, shareholder, officer, director, principal, agent, trustee or consultant; provided, however, that in no event shall ownership of less than 2% of the outstanding capital stock of any corporation, in and of itself, be deemed a violation of this Release if such capital stock is listed on a national securities exchange or regularly traded in an over-the-counter market; or
- (iv) interfere with, or attempt to interfere with, any business relationships between Albany or any of its subsidiaries or affiliates and their customers, clients, suppliers or investors; and

B. That for a period of twenty-four (24) months following the termination of his employment with the Company for any reason, whether on the Executive's own behalf or on behalf of or in conjunction with any person, firm, partnership, joint venture, association, corporation or other business, organization, entity or enterprise whatsoever, Executive shall not directly or indirectly:

- (i) solicit or encourage any employee of the Company or any of its subsidiaries or affiliates to leave the employment of the Company or any of its subsidiaries or affiliates; or
- (ii) hire any such employee who was employed by the Company or any of its subsidiaries or affiliates as of the date of such termination or, if later, within the six-months before the date the person was hired by Executive.

Executive understands that the Company will have the right to seek injunctive relief in the event that Executive violates this Section 10 because the harm caused by such violation will be irreparable and difficult to calculate in terms of monetary damages.

For the purposes of this Section 11, a Competitive Business is any person or entity that manufactures or sells (a) papermachine clothing or belts used in the manufacture of paper, nonwovens or fiber cement, or (b) advanced composite materials, structures or components for use in defense, aerospace or automotive applications.

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

13. Board Membership. Upon the termination of Executive's employment for any reason, Executive will be deemed to have resigned from any seat on the Board (and from any seats on the boards, and from any offices, of subsidiaries) held at such time, voluntarily, without any further required action by the Executive, as of the end of the Employment Term. Executive, at the Board's request, will execute any documents necessary to reflect his resignation.

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

15. Notices. All notices, requests, demands, and other communications called for hereunder will be in writing and will be deemed given (a) on the date of delivery if delivered personally, (b) one (1) day after being sent overnight by a well-established commercial overnight service, or (c) four (4) days after being mailed by registered or certified mail, return receipt requested, prepaid and addressed to the parties or their successors at the following addresses, or at such other addresses as the parties may later designate in writing:

If to the Company:

Attn: Chairman of the Board
Albany International Corp.
218 Airport Drive
Rochester, NH 03867

If to the Executive:

at the last residential address known by the Company. In addition, the Company shall make a reasonable effort to fax or e-mail such notice to Executive at his most recent personal fax number or e-mail address, with a copy to Executive's lawyer by the same method, to the extent known to the Company.

16. Severability. If any provision hereof becomes or is declared by a court of competent jurisdiction to be illegal, unenforceable, or void, this Agreement will continue in full force and effect without said provision.

17. Arbitration. The Parties agree that any and all disputes arising out of the terms of this Agreement, Executive's employment by the Company, Executive's service as an officer or director of the Company, or Executive's compensation and benefits, their interpretation, and any of the matters herein released, will be subject to binding arbitration in New York, New York under the American Arbitration Association's National Rules for the Resolution of Employment Disputes. The Parties agree that the prevailing party in any arbitration will be entitled to injunctive relief in any court of competent jurisdiction to enforce the arbitration award. The Parties hereto agree to waive their right to have any dispute between them resolved in a court of law by a judge or jury. This paragraph will not prevent either party from seeking injunctive relief (or any other provisional remedy) from any court having jurisdiction over the Parties and the subject matter of their dispute relating to Executive's obligations under this Agreement.

18. Integration. This Agreement represents the entire agreement and understanding between the parties as to the subject matter herein and supersedes all prior or contemporaneous agreements whether written or oral. No waiver, alteration, or modification of any of the provisions of this Agreement will be binding unless in a writing that is signed by duly authorized representatives of the parties hereto, provided that any benefits or compensation provided to Executive pursuant to the terms of any plan, program, policy, or arrangement may be amended or terminated by the

Company at any time, in accordance with the terms of such plan, program, policy or arrangement. In entering into this Agreement, no party has relied on or made any representation, warranty, inducement, promise or understanding that is not in this Agreement.

Executive acknowledges that Executive is not subject to any contract, obligation or understanding (whether written or not) that would in any way restrict the performance of Executive's duties as set forth in this Agreement.

19. Waiver of Breach. The waiver of a breach of any term or provision of this Agreement, which must be in writing, will not operate as or be construed to be a waiver of any other previous or subsequent breach of this Agreement.

20. Survival. The Company's and Executive's obligations under Section 6 and, to the extent provided in Section 6, the Executive's obligations under Sections 9, 10 and 11, will survive the termination of this Agreement.

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

22. Tax Withholding. All payments made pursuant to this Agreement will be subject to withholding of applicable taxes.

23. Governing Law. This Agreement shall be governed by and construed in accordance with the laws of the State of New Hampshire without regard to any provisions thereof relating to conflict of laws.

24. Certain Acknowledgment. Executive acknowledges that he has had the opportunity to obtain legal advice with respect to this Agreement, has had sufficient time to read, and has carefully read and fully understands all the provisions of this Agreement, and is knowingly and voluntarily entering into this Agreement. Executive represents that he has no other employment or other agreement, arrangements or undertakings that might restrict or impair his performance of this Agreement or to serve as an employee of the Company. Executive will not in connection with his employment by the Company, use or disclose any confidential, trade secret, or other proprietary information of any previous employer or other Person that Executive is not lawfully entitled to disclose.

25. Counterparts. This Agreement may be executed in counterparts, and each counterpart will have the same force and effect as an original and will constitute an effective, binding agreement on the part of each of the undersigned.

26. Certain Disclosures to Governmental Agencies and Others. Notwithstanding anything herein or in any other agreement with or policy (including without limitation any code of conduct or employee manual) of the Company, nothing herein or therein is intended to or shall: (i) prohibit Executive from making reports of possible violations of federal law or regulation (even if Executive participated in such violations) to, and cooperating with, any governmental agency or

entity in accordance with the provisions of and rules promulgated under Section 21F of the Securities Exchange Act of 1934 or Section 806 of the Sarbanes-Oxley Act of 2002 or of any other whistleblower protection provisions of state or federal law or regulation; (ii) require notification to or prior approval by the Company of any such reporting or cooperation; or (iii) result in a waiver or other limitation of Executive's rights and remedies as a whistleblower, including to a monetary award. Notwithstanding the foregoing, Executive is not authorized (and the above should not be read as permitting Executive) to disclose communications with counsel that were made for the purpose of receiving legal advice or that contain legal advice or that are protected by the attorney work product or similar privilege. Furthermore, Executive will not be held criminally or civilly liable under any federal or state trade secret law for the disclosure of a trade secret that is made (1) in confidence to a federal, state or local government official, either directly or indirectly, or to an attorney, in each case, solely for the purpose of reporting or investigating a suspected violation of law or (2) in a complaint or other document filed in a lawsuit or proceeding, if such filings are made under seal.

IN WITNESS WHEREOF, each of the parties has executed this Agreement, in the case of the Company by a duly authorized officer, as of the day and year written below.

COMPANY:

ALBANY INTERNATIONAL CORP.

By: /s/ Joseph M. Gaug
Name Joseph M. Gaug
Title Secretary

Date: January 21, 2020

EXECUTIVE

/s/ A. William Higgins

Date: January 21, 2020

A. William Higgins

Affiliate	Percent Ownership		Country of Incorporation
	Direct	Indirect	
Albany International Corp.			United States
Albany International Holdings Two, Inc.	100%		United States
Albany International Research Co.	100%		United States
Albany Engineered Composites, Inc.	100%		United States
Albany Safran Composites, LLC		90%	United States
Brandon Drying Fabrics, Inc.		100%	United States
Geschmay Corp.	100%		United States
Geschmay Forming Fabrics Corp.		100%	United States
Geschmay Wet Felts, Inc.		100%	United States
Transglobal Enterprises, Inc.	100%		United States
Albany Aerostructures Composites, LLC		100%	United States
Albany International Pty., Ltd.		100%	Australia
Albany International Tecidos Tecnicos Ltda.		100%	Brazil
Albany International Canada Corp.		100%	Canada
Albany International (China) Co., Ltd.		100%	China
Albany International Engineered Textiles (Hangzhou) Co., Ltd.		100%	China
Albany International OY		100%	Finland
Albany Safran Composites, S.A.S		90%	France
Albany International France, S.A.S.		100%	France
Albany International Germany GmbH		100%	Germany
CirComp GmbH		100%	Germany
ProfileComp GmbH		100%	Germany
Albany International Italia S.r.l.		100%	Italy
Albany International Japan Kabushiki Kaisha		100%	Japan
Albany International Korea, Inc.		100%	Korea
Albany Engineered Composites Mexico, S. de R.L. de C.V.		100%	Mexico
Albany Safran Composites Mexico, S. de R.L. de C.V.		90%	Mexico
Albany Engineered Composites Services Company, S. de R.L. de C.V.		100%	Mexico
Albany Mexico Services, S. de R.L. de C.V.	100%		Mexico
Albany International de Mexico S.A. de C.V.	100%		Mexico
Albany International B.V.		100%	Netherlands
Nevo-Cloth Ltd.		50%	Russia
Albany International S.A. Pty. Ltd.		100%	South Africa
Albany International AB		100%	Sweden
Albany International Holding AB		100%	Sweden
AI (Switzerland) GmbH		100%	Switzerland
Albany International Holding (Switzerland) AG		100%	Switzerland
Albany International Europe GmbH		100%	Switzerland
Albany Engineered Composites Ltd.		100%	United Kingdom
Albany International Ltd.		100%	United Kingdom

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

The Board of Directors
Albany International Corp.:

We consent to the incorporation by reference in the registration statements (Nos. 333-218122, 333-218121, 333-195269, 333-190774, 333-140995, 333-76078, 333-90069, 033-60767) on Form S-8 and in the registration statement (No. 333-231776) on Form S-3ASR of Albany International Corp. and subsidiaries (the Company) of our reports dated February 28, 2020, with respect to the consolidated balance sheets of the Company as of December 31, 2019 and 2018, the related consolidated statements of income, comprehensive income, and cash flows for each of the years in the three-year period ended December 31, 2019, and the related notes and financial statement Schedule II - Valuation and Qualifying Accounts (collectively, the consolidated financial statements), and the effectiveness of internal control over financial reporting as of December 31, 2019, which reports appear in the December 31, 2019 annual report on Form 10-K of the Company.

Our report dated February 28, 2020, on the consolidated financial statements, refers to a change to the method of accounting for revenue as of January 1, 2018.

Our report dated February 28, 2020, on the effectiveness of internal control over financial reporting as of December 31, 2019, contains an explanatory paragraph that states that the Company acquired CirComp GmbH (CirComp) during 2019 and management excluded from its assessment of the effectiveness of internal control over financial reporting as of December 31, 2019, CirComp's internal control over financial reporting associated with total assets of \$41.1 million and total net sales of \$0.5 million included in the consolidated financial statements of the Company as of and for the year ended December 31, 2019, and that our audit of internal control over financial reporting of the Company also excluded an evaluation of the internal control over financial reporting of CirComp.

/s/ KPMG LLP

Albany, New York
February 28, 2020

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 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, an Annual Report on Form 10-K for the year ended December 31, 2019 (such report, together with any amendments, supplements, and exhibits thereto, is collectively hereinafter referred to as “Form 10-K”), hereby constitutes and appoints A. William Higgins, Stephen M. Nolan, David M. Pawlick, and Joseph M. Gaug, 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 or her in his or her name, place, and stead, in any and all capacities, to sign the Form 10-K 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 the Form 10-K, 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 28th day of February, 2020.

/s/ Erland E. Kailbourne

Erland E. Kailbourne
Chairman of the Board and Director

/s/ Stephen M. Nolan

Stephen M. Nolan
Chief Financial Officer and Treasurer
(Principal Financial Officer)

/s/ John R. Scannell

John R. Scannell
Director

/s/ John F. Cassidy, Jr.

John F. Cassidy, Jr.
Director

/s/ Kenneth W. Krueger

Kenneth W. Krueger
Director

/s/ Lee C. Wortham

Lee C. Wortham
Director

/s/ A. William Higgins

A. William Higgins
President and Chief Executive
Officer and Director
(Principal Executive Officer)

/s/ David M. Pawlick

David M. Pawlick
Vice President - Controller
(Principal Accounting Officer)

/s/ Christine L. Standish

Christine L. Standish
Director

/s/ Katharine L. Plourde

Katharine L. Plourde
Director

/s/ Mark J. Murphy

Mark J. Murphy
Director

Certification of the Chief Executive Officer

I, A. William Higgins, certify that:

1. I have reviewed this report on Form 10-K of 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 Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (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(s) 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: February 28, 2020

By /s/ A. William Higgins
A. William Higgins
President and Chief Executive Officer
(Principal Executive Officer)

Certification of the Chief Financial Officer

I, Stephen M. Nolan, certify that:

1. I have reviewed this report on Form 10-K of 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 Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (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(s) 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: February 28, 2020

By /s/ Stephen M. Nolan
Stephen M. Nolan
Chief Financial Officer and Treasurer
(Principal Financial Officer)
