UNIVERSAL SECURITY INSTRUMENTS INC
Form DEFR14A
August 03, 2017

SCHEDULE 14A

(Rule 14a-101)

INFORMATION REQUIRED IN PROXY STATEMENT

SCHEDULE 14A INFORMATION

Proxy Statement Pursuant to Section 14(a) of the Securities

Exchange Act of 1934 (Amendment No.)

Filed by the Registrant x

Filed by a Party other than the Registrant ¨

Check the appropriate box:

¨ Preliminary Proxy Statement ¨ Confidential, for Use of the, Commission Only (as permitted by Rule 14a-6(e)(2))

x Definitive Proxy Statement

¨ Definitive Additional Materials

¨ Soliciting Material Pursuant to Rule 14a-11(c) or Rule 14a-12

Universal Security Instruments, Inc.

(Name of Registrant as Specified in Its Charter)

N/A

(Name of Person(s) Filing Proxy Statement, if other than the Registrant)

Payment of Filing Fee (Check the appropriate box):

x No fee required.

¨ Fee computed on table below per Exchange Act Rules 14a-6(i)(4) and 0-11.

(1) Title of each class of securities to which transaction applies:

(2) Aggregate number of securities to which transaction applies:

(3) Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11 (Set forth the amount on which the filing fee is calculated and state how it was determined):

(4) Proposed maximum aggregate value of transaction:

(5) Total fee paid:

¨ Fee paid previously with preliminary materials.

¨ Check box if any part of the fee is offset as provided by Exchange Act Rule 0-11(a)(2) and identify the filing for which the offsetting fee was paid previously. Identify the previous filing by registration statement number, or the Form or Schedule and the date of its filing.

(1) Amount Previously Paid:

(2) Form, Schedule or Registration Statement No.:

(3) Filing Party:

(4) Date Filed:

Universal Security Instruments, Inc.

11407 Cronhill Drive, Suite A

Owings Mills, Maryland 21117

Notice of Annual Meeting of Shareholders

to be held NOVEMBER 15, 2017

To the Shareholders of Universal Security Instruments, Inc.:

The Annual Meeting of Shareholders of Universal Security Instruments, Inc., a Maryland corporation (the "Company") will be held at the offices of the Company, 11407 Cronhill Drive, Suite A, Owings Mills, Maryland, on Wednesday November 15, 2017 at 8:30 a.m., local time, for the following purposes:

1. To elect one (1) director for a three (3) year term ending at the Annual Meeting of Shareholders to be held in 2020 and until his successor is duly elected and qualified.

2. To vote on a non-binding resolution approving the compensation of the executive officers named in the proxy statement.

3. To authorize the Board of Directors to accept the auditors selected by the Audit Committee of an outside auditing firm for the fiscal year ending March 31, 2018.

4. To transact such other business as may properly come before the meeting or any adjournments or postponements thereof.

The Board of Directors has fixed September 18, 2017 as the record date for the determination of shareholders entitled to notice of, and to vote at, the meeting.

Important Notice Regarding the Availability of Proxy Materials for

the Annual Meeting of Shareholders to be held on November 15, 2017

Pursuant to rules and regulations adopted by the Securities and Exchange Commission, we have elected to provide access to our proxy materials over the Internet, allowing us to provide the information shareholders need, while lowering delivery and printing expenses. On or about September 26, 2017, we mailed to our shareholders a notice containing instructions on how our shareholders may access online our 2017 Proxy Statement and 2017 Annual Report to Shareholders. Our Annual Report to Shareholders does not constitute a part of the proxy solicitation material, but provides you with additional information about the Company. These materials are available on the following website: http://www.usiannualmeeting.com.

We invite your attention to each of these documents, and we invite you to attend the Annual Meeting of Shareholders, in person.

By Order of the Board of Directors

James B. Huff
Secretary

Owings Mills, Maryland

September 26, 2017

EVEN IF YOU PLAN TO ATTEND THE MEETING IN PERSON, PLEASE COMPLETE, SIGN AND DATE A PROXY CARD, WHICH IS AVAILABLE TO YOU ONLINE, OR UPON REQUEST, AND RETURN IT PROMPTLY TO US. IF YOU ATTEND THE MEETING IN PERSON, YOU MAY REVOKE YOUR PROXY AND VOTE IN PERSON AT THE MEETING.

Universal Security Instruments, Inc.

11407 Cronhill Drive, Suite A

Owings Mills, Maryland 21117

(410) 363-3000

Proxy Statement

The accompanying proxy is solicited by the Board of Directors (the “Board”) of Universal Security Instruments, Inc., a Maryland corporation (the “Company”), in connection with the Annual Meeting of Shareholders to be held on November 15, 2017, or at any adjournments or postponements thereof, for the purposes set forth in the accompanying notice of the meeting. The Board has fixed the close of business on September 18, 2017 as the record date (the “Record Date”) for the determination of shareholders entitled to notice of, and to vote at, the meeting. On that date, there were outstanding 2,312,887 shares of the Company’s Common Stock par value $.01 per share (the “Shares”).

Pursuant to the e-proxy rules and regulations adopted by the United States Securities and Exchange Commission (“SEC”), we have elected to provide access to our proxy materials over the Internet. On or about September 26, 2017, we mailed to our shareholders a notice (the “E-Proxy Notice”) containing instructions on how to access online our 2017 Proxy Statement, and Annual Report to Shareholders. If you would like to receive a printed copy of our proxy materials, you should follow the instructions for requesting proxy materials included in the E-Proxy Notice. These materials will be available free of charge and will be sent to you within three business days of your request. Our Annual Report to Shareholders does not constitute a part of the proxy solicitation material, but provides you with additional information about the Company.

Each record holder of Shares on the Record Date is entitled to one vote for each Share held on all matters to come before the meeting, including the election of directors. Because most of our shareholders cannot attend the Annual Meeting in person, it is necessary for a large number to be represented by proxy. Shareholders may vote by completing a proxy card and mailing it to us at our address above. Please check the information forwarded by your bank, broker or other holder of record to see what options are available to you. A proxy may be revoked at any time before its exercise by the filing of a written revocation with James B. Huff, Corporate Secretary of the Company, by timely providing a later-dated proxy, or by voting by ballot at the Annual Meeting. Mere attendance at the Annual Meeting will not revoke a proxy, and if you are a beneficial owner of shares not registered in your own name, you will need additional documentation from your record holder to vote personally at the Annual Meeting.

A quorum for the Annual Meeting consists of a majority of the issued and outstanding Shares present in person or by proxy and entitled to vote. Under Maryland law, unless a corporation's charter or bylaws provide otherwise, directors are elected by a plurality of all votes cast at a meeting at which a quorum is present, and for all other matters (except for certain extraordinary matters for which Maryland law requires a higher proportion) a majority of the all of the votes cast at a meeting at which a quorum is present is sufficient for approval. The Company's Bylaws provide that the affirmative vote of the holders of a majority of all of the votes cast at a meeting at which a quorum is present is necessary for the election of directors or for the taking or authorization of any action by the shareholders.

Beneficial Ownership

The following table reflects the names and addresses of the only persons known to the Company to be the beneficial owners of 5% or more of the Shares outstanding as of the Record Date. For purposes of calculating beneficial ownership, Rule 13d-3 of the Securities Exchange Act of 1934, as amended ("Exchange Act") requires inclusion of Shares that may be acquired within sixty days of the Record Date. Unless otherwise indicated in the footnotes to this table, beneficial ownership of Shares represents sole voting and investment power with respect to those Shares.

Name and Address of Beneficial Owner	**Shares Beneficially Owned**	**Percent of Class**
Lenox Financial Services, Inc.	740,645 [(1)]	32.0%

(1) Represents shares of common stock beneficially owned, based on a Schedule 13G/A filed on June 28, 2016, by Lenox Financial Services, Inc. which lists its address as 322 Alana Drive, New Lenox, Illinois 60451. In such filing, Lenox Financial Services, Inc. indicates that it has sole voting and dispositive power with respect to 14,500 shares of the Company's common stock, and shared voting and dispositive power with respect to 726,145 shares of the Company's common stock.

2

Election of Directors

The Board currently consists of four directors. The Company's directors are divided into three classes and are elected for terms of three years each and until their successors are elected and qualify. The independent members of the Board, serving as a nominating committee, have nominated Harvey B. Grossblatt for election as director at the 2017 Annual Meeting to serve for a term of three years and until his successor is duly elected and qualified. A majority of all of the votes cast at a meeting at which a quorum is present is necessary for the election of directors. Withholding of votes will have the effect of a vote against, and abstentions and broker non-votes with respect to Shares otherwise present at the Annual Meeting in person or by proxy will have no effect on the result of the vote although they will be considered present for purposes of determining the presence of a quorum.

Unless contrary instruction is given, the person named in the proxy solicited by the Board will vote each such proxy for the election of the named nominee. If the nominee is unable to serve, the Shares represented by all properly executed proxies which have not been revoked will be voted for the election of such substitute as the Board may recommend or the Board may reduce the size of the Board to eliminate the vacancy. At this time, the Board does not anticipate that the nominee will be unavailable to serve.

The following table sets forth, for the nominees and each continuing director, his name, age as of the Record Date, the year he first became a director of the Company, the expiration of his current term, and whether such individual has been determined by the Board to be "independent" as defined in Section 803.A. of the NYSE MKT LLC Company Guide. There are no known arrangements or understandings between any director or nominee for director of the Company and any other person pursuant to which such director or nominee has been selected as a director or nominee.

Name	Age	Director Since	Current Term to Expire	Independent
Cary Luskin	59	2002	2019	Yes
Ira F. Bormel	55	2008	2019	Yes
Harvey B. Grossblatt	71	1996	2017	No
Ronald A. Seff, M.D.	68	2002	2018	Yes

Presented below is certain information concerning the nominees and directors continuing in office. Unless otherwise stated, all directors and nominees have held the positions indicated for at least the past five years.

Harvey B. Grossblatt was Chief Financial Officer of the Company from 1983 until August 2004, Secretary and Treasurer of the Company from 1988 until August 2004, Chief Operating Officer of the Company from April 2003 through August 2004, and Chief Executive Officer since August 2004.

Mr. Grossblatt is well qualified to serve as a member of the Board due to his more than a quarter century experience as a member of the Company’s senior management and detailed knowledge of the Company’s operations and home safety products industry.

Ronald A. Seff, M.D. has been in the private practice of ophthalmology since 1977. From 1977 until 1998, Dr. Seff practiced with, and was a senior executive of, a large medical practice with four offices in Maryland.

Dr. Seff is well qualified to serve as a member of the Board due to his extensive practical business experience gained as a senior executive of a large medical practice in which Dr. Seff had responsibility for a wide range of business functions. Dr. Seff serves on the Audit and Compensation Committees of the Company and has a broad understanding of the Company, its management, and its operations.

Cary Luskin has been in the retail electronic business since 1978. Since 1998, Mr. Luskin has been President of The Big Screen Store, Inc., a chain of large-screen television retail stores.

Mr. Luskin is well qualified to serve as a member of the Board due to his extensive experience in the retail electronics business and senior executive of a public company.

Ira F. Bormel was appointed by the Board on July 24, 2008. Since 1999, Mr. Bormel has served as chief financial officer of Berman Enterprises LLC and related companies, a Maryland based owner, developer and manager of office and retail commercial properties. Mr. Bormel is also a former chief financial officer of the Company.

Mr. Bormel is well qualified to serve as a member of the Board due to his experience as chief financial officer of a multi-million dollar business and his familiarity with the Company's business and industry.

Corporate Governance

Board of Directors. During the fiscal year ended March 31, 2017, the Board met four times [IT DID?]. No incumbent director attended fewer than 75% of the total number of meetings of the Board of the Company held during the year and the total number of meetings held by all committees on which the director served during such year. Board members are expected to attend the Annual Meeting of Shareholders, and all incumbent directors, other than Mr. Luskin, attended the 2016 Annual Meeting of Shareholders.

The Board has the following committees, each of which meets at scheduled times:

Audit Committee. The Audit Committee is appointed by the Board to assist the Board in its duty to oversee the Company's accounting, financial reporting and internal control functions and the audit of the Company's financial statements. The Committee's responsibilities include, among others, direct responsibility for hiring, firing, overseeing the work of and determining the compensation for the Company's independent auditors, who report directly to the Audit Committee. The members of the Audit Committee during the fiscal year ended March 31, 2017 were Mr. Bormel (Chairman), Dr. Seff and Mr. Luskin. None of the Audit Committee members is an employee of the Company and each is independent under existing NYSE MKT and SEC requirements. The Board has examined the SEC's definition of "audit committee financial expert" and determined that Mr. Bormel satisfies this definition. Accordingly, Mr. Bormel has been designated by the Board as the Company's audit committee financial expert. During the fiscal year ended March 31, 2017, the Audit Committee met four times. The Board has adopted a written charter for the Audit Committee, which is available on the Company's website, www.universalsecurity.com, under the "Investor Relations" tab.

Nominations. The independent members of the Company's Board of Directors acts as a nominating committee for the annual selection of its nominees for election as directors, and the Board held one meeting during the 2017 fiscal year in order to make nominations for directors. The Board has not adopted a charter with respect to the nominating committee function. The Board of Directors believes that the interests of the Company's shareholders are served by relegating the nominations process to the Board members who are independent from management. While the Board will consider nominees recommended by shareholders, it has not actively solicited recommendations from the Company's shareholders for nominees, nor established any procedures for this purpose. In considering prospective nominees, the Board will consider the prospect's relevant financial and business experience, the integrity and dedication of the prospect, his independence and other factors the Board deems relevant. The Board of Directors will apply the same criteria to nominees recommended by shareholders as those recommended by the full Board. Nominations for director may be made by shareholders, provided such nominations comply with certain timing and informational requirements set forth in the Company's Bylaws. See "Other Matters" elsewhere in this Proxy Statement.

Compensation Committee. The Board's Compensation Committee consists of Mr. Luskin (Chairman), Dr. Seff and Mr. Bormel, none of whom is an employee of the Company and each of whom is independent under existing NYSE MKT and SEC requirements. The Compensation Committee is charged with reviewing and determining the compensation of the Chief Executive Officer and the other executive officers of the Company. The Board has not adopted a charter with respect to the Compensation Committee. The Compensation Committee met one time during the fiscal year ended March 31, 2017.

Director Compensation

During the Company's fiscal year ended March 31, 2017, Mr. Grossblatt, the Company's president and chief executive officer, received no additional compensation for serving as a director. For the Company's fiscal year ended March 31, 2017, each outside director was entitled to a $10,000 annual fee for annual service as a director. Directors' compensation is payable in cash or Shares (computed at the closing price as reported by the NYSE MKT on the date of the payment).

The following table summarizes the compensation paid to directors for the fiscal year ended March 31, 2017:

Name (a)	Fees Earned or Paid in Cash (b)	Option Awards (d)	Total (h)
Cary Luskin	$ 10,000	$ 0	$10,000
Ronald A. Seff, M.D.	$ 10,000	$ 0	$10,000
Ira F. Bormel	$ 10,000	$ 0	$10,000

Transactions with Management

Pursuant to its written charter, the Audit Committee of the Board of Directors of the Company reviews and approves all transactions with related persons that are required to be disclosed under applicable regulation. During the fiscal year ended March 31, 2017 and 2016, company expenses of approximately $988,000 and $514,000 were charged to credit cards held by Harvey B. Grossblatt, the Company's Chief Executive Officer. The Company subsequently reimbursed these charges in full. Mr. Grossblatt received mileage benefits from these charges and the Company utilized some of these benefits. The maximum amount outstanding and due to Mr. Grossblatt at any point during the fiscal year ended March 31, 2017 amounted to $102,004 and the amount outstanding at March 31, 2016 was $91,760.

Code of Ethics

The Company has adopted a Code of Business Conduct and Ethics that is designed to promote the highest standards of ethical conduct by the Company's directors, executive officers and employees. The Code of Ethics is posted on the Company's website, www.universalsecurity.com, under the "Investor Relations" tab.

Communications with the Board

Any shareholder desiring to contact the Board, or any specific director(s), may send written communications to: Board of Directors (Attention: (Name(s) of director(s), as applicable)), c/o James B. Huff, the Company's Secretary, 11407 Cronhill Drive, Suite A, Owings Mills, Maryland 21117. Any proper communication so received will be processed by the Secretary. If it is unclear from the communication received whether it was intended or appropriate for the Board, the Secretary will (subject to any applicable regulatory requirements) use his judgment to determine whether such communication should be conveyed to the Board or, as appropriate, to the member(s) of the Board named in the communication.

Leadership Structure and Risk Oversight

While the Board believes that there are various structures which can provide successful leadership to the Company, the Company's Bylaws provide that the Chairman of the Board, if one is elected by the Board, serves as Chief Executive Officer, and if a Chairman is not so elected, the President of the Company serves as Chief Executive Officer. Currently, the Board has not elected a Chairman and, accordingly, the Company's President is Chief Executive Officer and is also a member of the Board. All other members of the Board are independent. The Company's independent directors bring experience, oversight and expertise from outside the Company, while the Chief Executive Officer brings company-specific experience and expertise. The Board believes that the strong emphasis on Board independence provides effective independent oversight of management.

Management is responsible for the day-to-day management of risks the Company faces, while the Board, as a whole and through its committees, has responsibility for the oversight of risk management. In its risk oversight role, the Board of Directors has the responsibility to satisfy itself that the risk management processes designed and implemented by management are adequate and functioning as designed. To do this, management discusses with the Board members strategy and the risks facing the Company. The independent members of the Board provide strong, independent oversight of the Company's management and affairs through its standing committees and, when necessary, meetings of independent directors in executive session.

Information Regarding Share Ownership of Management

The following table sets forth information with respect to the beneficial ownership of the Shares as of the Record Date by (i) each executive officer of the Company named in the Summary Compensation Table included elsewhere in this Proxy Statement, (ii) each current director and each nominee for election as a director and (iii) all directors and executive officers of the Company as a group. For purposes of calculating beneficial ownership, Rule 13d-3 of the Exchange Act requires inclusion of Shares that may be acquired within sixty days of the Record Date. Unless otherwise indicated in the footnotes to this table, beneficial ownership of Shares represents sole voting and investment power with respect to those Shares.

Name of Beneficial Owner	Shares Beneficially Owned	Percent of Class	
Harvey B. Grossblatt	110,402	4.77	%
Cary Luskin	59,423	2.57	%
Ronald A. Seff, M.D.	77,469	3.35	%
James B. Huff	510	0.02	%
Ira F. Bormel	0	--	
All directors and executive officers as a group (5 persons)	247,804	10.71	%

Compliance with Section 16(a) of the Exchange Act

Section 16(a) of the Exchange Act requires that the Company's directors and executive officers and each person who owns more than 10% of the Company's Shares, file with the SEC an initial report of beneficial ownership and subsequent reports of changes in beneficial ownership of the Shares. To the Company's knowledge, based solely upon the review of the copies of such reports furnished to us, all of these reporting persons complied with the Section 16(a) filing requirements applicable to them with respect to transactions during the fiscal year ended March 31, 2016.

Executive Compensation

Introduction

The individuals who served as the Company's Chief Executive Officer and Chief Financial Officer during the fiscal year ended March 31, 2017 as well as two of the Company's most highly compensated employees whose total compensation during the fiscal year exceeded $100,000 (listed in the Summary Compensation Table below), are referred to as the "named executive officers."

Summary Compensation Table

The following table sets forth information regarding the total compensation paid or earned by the named executive officers as compensation for their services in all capacities during the fiscal years ended March 31, 2017 and 2016.

Name and Principal Position (a)	Year (b)	Base Salary $ (c)	Bonus $ (d)	Stock Awards $ (e)	Option Awards $ (f)	All Other Compensation $ (i)		Total $ (j)
Harvey B. Grossblatt,	2017	352,287	0	0	0	62,055		414,342
President and CEO	2016	353,062	0	0	0	68,528	(1)	421,590
James B. Huff,	2017	121,630	0	0	0	17,229		138,859
Secretary/Treasurer/CFO	2016	121,630	0	0	0	17,548	(2)	139,178
Glenda Anderson,	2017	120,031	0	0	0	15,797		135,828
Sales Manager	2016	126,031	0	0	0	16,371	(3)	142,402
Phillip Haigh	2017	107,258	0	0	0	29,261		139,519
Sales Manager	2016	107,258	0	0	0	29,261	(4)	139,519

(1) All other compensation for Mr. Grossblatt for 2017 and 2016, respectively, includes employer 401(k) contributions of $34,384 and $33,700, medical reimbursement and health insurance premiums of $21,864 and $28,416, group life and disability premiums of $4,955 and $5,560, and auto lease value of $852 and $852.

(2) All other compensation for Mr. Huff for 2017 and 2016, respectively, includes employer match of 401(k) contributions of $4,865 and $4,865, group life and disability premiums of $4,564 and $4,883, and auto lease value or reimbursement allowance of $7,800 and $7,800.

(3) All other compensation for Ms. Anderson for 2017 and 2016 respectively, includes employer match of 401(k) contributions of $4,801 and $4,801, medical reimbursement and health insurance premiums of $2,918 and $2,918, group life and disability premiums of $2,078 and $2,653, and auto reimbursement allowances of $6,000 and $6,000.

(4) All other compensation for Mr. Haigh for 2017 and 2016 respectively, includes employer match of 401(k) contributions of $4.089 and $4,089, medical reimbursement and health insurance premiums of $11,700 and $11,700, group life and disability premiums of $2,672 and $2,672, and auto reimbursement allowances of $10,800 and $10,800.

401(k) Plan

The Company has a defined contribution profit sharing plan covering eligible employees. The Plan is voluntary with respect to participation and is subject to the provisions of ERISA. The plan provides for participant contributions of up to 25% of annual compensation, as defined by the plan. The Company contributes an amount equal to a match of the first three percent (3%) contributed by the employee plus fifty percent (50%) of the next two percent (2%) contributed by the employee with a maximum contribution of four percent (4%). The Company may contribute an additional amount from its profits as authorized by the Board. The Company made no additional contributions in 2017. Participants in the plan are immediately vested in their and the Company's contributions, plus actual earnings thereon. The Company's 2017 contributions to the plan on behalf of named executive officers are included in the "All Other Compensation" column in the "Summary Compensation Table" above.

Executive Employment Agreements

The Chief Executive Officer's compensation is governed largely by his employment agreement with the Company, originally effective April 1, 2002, as amended. The current employment agreement expires on July 31, 2018. The employment agreement currently provides that Mr. Grossblatt's base annual salary (sionce April 1, 2007) is $350,000. Additionally, Mr. Grossblatt is entitled to bonus compensation for each fiscal year of the Company in which the Company earned pre-tax net income in such fiscal year in excess of a percentage, pre-determined by the Board, of shareholders' equity as of the start of the fiscal year (which is 4% for the fiscal years ended March 31 2018 and 2017), as follows: 3% of all (after the 4% threshold) pre-tax net income up to $1 million, 4% of pre-tax net income from $1-$2 million, 5% of pre-tax net income from $2-$3 million, 6% of pre-tax net income from $3-$4 million, 7% of pre-tax net income over $4 million. Mr. Grossblatt is also entitled to life, health and disability insurance benefits, medical reimbursement, automobile allowance, and Company paid retirement plan contributions.

If the Employment Agreement is not renewed by the Company or is terminated by Mr. Grossblatt for good reason, Mr. Grossblatt is entitled to receive his compensation through any balance of the employment term plus a lump sum payment equal to his last 12 months base salary and bonus, health benefits for three years, and an additional lump sum payment payable on each of the first three anniversaries of the termination equal to the 401(k) plan contribution the Company would have made on behalf of the Company had he remained employed by the Company.

If Mr. Grossblatt's employment is terminated following or in anticipation of a "change of control" of the Company, Mr. Grossblatt will be entitled to receive a lump sum payment equal to his base salary for the balance of the Employment Agreement's term and the amount of Mr. Grossblatt's last bonus plus three times Mr. Grossblatt's last 12 months base salary and bonus. In addition, Mr. Grossblatt is entitled to receive health benefits for three years, and an additional lump sum payment payable on the anniversary of the termination equal to the 401(k) plan contribution the Company would have made on behalf of the Company had he remained employed by the Company. Furthermore, Mr. Grossblatt will receive an amount equal to three times his base salary for the last 12 months and the amount of his last bonus, limited to 2.99 times Mr. Grossblatt's average annual taxable compensation from the Company which is included in his gross income for the five taxable years of the Company ending before the date on which the change of control occurs.

If the Employment Agreement is terminated by the Company due to Mr. Grossblatt's death, Mr. Grossblatt's estate is entitled to receive a lump sum payment equal to his base salary for the greater of the balance of the Employment Agreement's term or one year, reduced by any individual life insurance benefits the premiums for which are paid for by the Company, plus the amount of his last bonus and the amount of the Company's last 401(k) plan contribution made on behalf of Mr. Grossblatt. In addition, Mr. Grossblatt's estate is entitled to the health insurance and medical reimbursement benefits for the longer of the balance of the term or three years following the date of death, or the cash equivalent thereof.

If the Employment Agreement is terminated by the Company due to Mr. Grossblatt's disability, Mr. Grossblatt is entitled to the continuation of the payment of his base salary for the balance of the term, reduced by any group or individual disability income insurance benefits the premiums for which are paid for by the Company and Social Security disability benefits paid to Mr. Grossblatt. In addition, Mr. Grossblatt is entitled to the health insurance and medical reimbursement benefits and a payment equal to the 401(k) plan contribution the Company would have made on behalf of the Company had he remained employed by the Company, for the longer of the balance of the term or three years following the date of disability, or the cash equivalent thereof.

The Employment Agreement generally prohibits Mr. Grossblatt from competing with the Company during the term and during any subsequent period during which he receives compensation from the Company.

Potential Payments upon Termination or Change in Control

The table below shows the estimated incremental value transfer to Harvey B. Grossblatt, the only named executive officer who is contractually entitled to compensation upon termination or a change in control, under various scenarios relating to a termination of employment. Please refer to the discussion titled "Executive Employment Agreements", above, in this Executive Compensation Section for a description of the circumstances that would trigger payments and benefits upon termination or a change in control. The tables below assume that such termination occurred on March 31, 2017, the last day of the Company's 2017 fiscal year. The Company's stock price on the last business day of its 2017 fiscal year was $2.95. The actual amounts that would be paid to any named executive officer can only be determined at the time of an actual termination of employment and would vary from those listed below. The estimated amounts listed below are in addition to any other benefits that are available to employees generally.

	Non Renewal		**Resignation for Good Reason**		**Termination Following Change in Control** [1]		**Death**		**Disability**
Severance	$471,000	(2)	$471,000	(2)	$1,058,000	(5)	$353,000 minus benefits		$353,000 minus benefits
Health Benefits	$85,000	(3)	$85,000	(3)	$85,000	(3)	$85,000	(7)	$85,000
401(k) Contribution	$72,000	(4)	$72,000	(4)	$72,000	(4)	$72,000	(4)	$72,000

We have significant manufacturing oper
trade policy with these countries (includ
NAFTA, or higher duties on imports fro
laws and policies governing foreign trad
regulations or policies by such countries
directly or in the form of increased costs
direct impact to date of recent developm
significant, there is a risk that the impac
chain will be reflected in higher costs fr
manufacturing operations in the United
uncertainties surrounding the U.K's plan

potential impact to the Company.

Our global presence subjects us to certai
repatriation of funds. While we have bee
working capital requirements from certa
governmental restrictions, there can be n
repatriate foreign earnings in the future.

***The Company is subject to laws and reg
our costs and have a material adverse e
operations***

The Company is subject to laws and reg
taxes, import and export matters, corrup
health and safety, intellectual property, l
and regulations have a significant impac

We incur significant expenses to comply
laws and regulations could increase thes
financial condition and results of operati
on our customers and suppliers, which i

While we have implemented policies an
there can be no assurance that our emplo
policies, which could have a material ad
operations.

20

Item 1B. **U**

None.

Item 2. PROPERTIES

Our principal manufacturing facilities ar
Mexico, South Korea, Sweden, the Unit
square footage of our operating facilities
square feet, of which 1.1 million square
Our facilities located outside the United
of which 3.1 million square feet are own
these facilities to be in good condition a
with these facilities is adequate to meet

Item 3. LEGAL PROCEEDINGS

The information set forth above under N
8, which is incorporated herein by refere

Item 4. MINE SAFETY DISCLOSUR

None.

21

PART II

Item 5. **MARKET FOR THE REGIST STOCKHOLDER MATTERS, SECURITIES**

We have two classes of Common Stock, each with a par value of $0.001 and equa principally traded on the New York Stoc 31, 2018, we estimate that there were ov Stock, including employees owning shar Class B Common Stock does not trade p of Class B Common Stock. Dividends a dividends, and the high and low prices p for the periods presented:

Quarter Ended	**March**
2018	
Cash dividends per share	$0.17
Class A Common Stock prices:	
High	$67.30
Low	$60.05
2017	
Cash dividends per share	$0.17
Class A Common Stock prices:	
High	$49.05
Low	$43.90

The graph below matches the cumulativ Corp.'s common stock with the cumulat customized peer group of twenty five co Barnes Group Inc., Circor International Industries Inc., Esco Technologies Inc., Idex Corp, Kadant Inc., Keyw Holding Nordson Corp, Omnova Solutions Inc., Schweitzer-mauduit International Inc., T Technologies Inc. The graph assumes th each index, and in the peer group (inclu 31, 2013 and tracks it through Decembe

COMPARISON OF 5 YEAR CUMUL
Among Albany International Corp., the
and a Peer Group

*$100 invested on 12/31/13 in stock or i
Fiscal year ending December 31.

December 31,	2013	2014
Albany International Corp.	100.00	107.
Russell 2000	100.00	104.
Peer Group	100.00	98.5

The stock price performance included in
price performance.

Restrictions on dividends and other distr
Financial Statements in Item 8, which is

Disclosures of securities authorized for i
under Item 12 of this Form 10-K.

23

In August 2006, we announced that the
purchase up to 2 million additional share
authorized management to purchase sha
whenever it believes such purchase to be
legally permitted to do so. Management

Item 6. SELECTED FINANCIAL DA

The following selected historical financi
Financial Statements in Item 8, which is
read in conjunction with those financial
of Financial Condition and Results of O
reference.

(in thousands, except per share amounts
Summary of Operations
Net sales (1) (4)
Cost of goods sold (1) (2) (3)
Restructuring and other (2) (3) (7)
Operating income/(loss) (2)
Interest expense, net
Income/(loss) from continuing operations
Net income attributable to the Company
Earnings per share attributable to Company Shareholders- Basic
Earnings per share attributable to Company Shareholders- Diluted
Dividends declared per share
Weighted average number of shares outstanding - basic
Capital expenditures, including software
Financial position
Cash
Asset held for sale (5)
Property, plant and equipment, net (5)
Total assets (1) (3) (4)
Current liabilities (6)
Long-term debt
Total noncurrent liabilities (6)
Total liabilities (1)
Total equity (1)

(1) In 2018, we adopted the provisions o
using the modified retrospective (or c
transition method, periods prior to 20
initially applying the new standard w
January 1, 2018.

(2) In 2018, we adopted the provisions o
improving the presentation of net per
benefit cost". This update resulted in
items in the Consolidated Statement o
reclassified pension costs for periods

24

(3) In 2017, we discontinued the Bear Cl
the oil and gas industry, which led to
write-off of inventory, and a non-cas
of equipment and intangibles.

(4) In 2016, we acquired the outstanding
business for cash of $187 million, plu
includes operational results from Apr
and 2018.

(5) In 2015, we discontinued operations
Germany, and recorded a charge of $
building to their estimated fair marke
and equipment to Asset held for sale.

(6) In 2015, we adopted the provisions o
transition method. This accounting u
tax assets and liabilities.

(7) During the period 2014 through 2018
organizational changes and cost redu

ITEM 7. MANAGEMENT'S DISCUSS CONDITION AND RESULTS

Management's Discussion and Analysis
results of operations and financial condi
supplement to, and should be read in co
and the accompanying Notes.

Business Environment Overview and

Our reportable segments, Machine Clot
draw on the same advanced textiles and
basis of product-based advantage that is

The MC segment is the Company's long
cash. While it has suffered from well-do
Company's traditional markets, the pape
slightly on a global basis, driven by dem
expansion of paper consumption and pr
now well-positioned in key markets, wit
substantially lower fixed costs in mature
development, technical product support,
pressures and industry overcapacity, the

face top line pressure. Despite continued
potential for maintaining stable earnings
and we seek to maintain the cash-genera
costs that we have achieved through con
competing vigorously by using our diffe
our customers' total cost of operation an

The AEC segment provides significant g
term. Our strategy is to grow by focusin
non-3D technology capabilities, on high
applications, while at the same time perf
programs. AEC (including Albany Safra
SAFRAN Group owns a 10 percent non
the aerospace industry. AEC's largest ae
SAFRAN, through ASC, (consisting pri
accounted for approximately 19 percent
through ASC, also supplies 3D-woven c
portfolio of non-3D programs includes

25

components for the F-35, fuselage comp
helicopter, vacuum waste tanks for Boei
Martin's JASSM air-to-surface missiles.
applications in both commercial and def

Consolidated Results of Operations

Effective January 1, 2018, the Company
contracts with customers", using the mo
transition. Under this transition method,
table summarizes the effect on various f
adoption of ASC 606:

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

(in thousands)
Net sales
Gross profit
Selling, technical, general and research expenses
Operating income and Income before income taxes
Income taxes
Net income
Net income attributable to the noncontrolling interest in ASC
Net income attributable to the Company

The Company acquired the outstanding
business for $187 million in cash, plus t
the acquisition occurred during the year,
portion of the year, which can affect co
located in Salt Lake City (SLC), Utah, i
the acquisition broadened and deepened
capabilities, and significantly increased

The following table presents operational
Consolidated Statements of Income:

(in thousands)

Net sales
Gross profit
Selling, technical, general and research e
Restructuring expense
Operating income/(loss)

26

Net sales

The following table summarizes our Net

	(in tho percen
Years ended December 31,	2018
Machine Clothing	$611,8
Albany Engineered Composites	370,62
Total	$982,4
% change	13.8

The following table summarizes 2018 N
ASC 606 and currency translation effect

(in thousands, except percentages)	2018 Net sales, as reported
Machine Clothing	$611,858
Albany Engineered Composites	370,621
Total	$982,479

2018 vs. 2017

· Changes in currency translation rates ha (0.9% of net sales), compared to 2017. the euro being stronger in 2018 as comp

· Excluding the eff

§ Consolidated Net sales increased 12.8 increased 13.6%.

§ Net sales in MC increased 2.6%. Exclu
sales increased 3.3%, principally due t

§ Net sales in AEC increased 34.7%. Ex
sales increased 35.9%, primarily drive
CH-53K programs.

2017 vs. 2016

· Changes in currency translation rates h
(0.4% of net sales), compared to 2016.
the effect on European sales that result
2017.

· Excluding the eff
§ Consolidate
§ Net sales in
§ Net sales in

27

· The increase in MC Net sales w
grades, which more than offset

· The increase
SLC sales increased $41.1 million. The
§ of 2016, resulting in an additional quar
due to the ramping up of key programs
§ Sales in the LEAP program increased S

Backlog

Backlog in the MC segment was $204.6
million at December 31, 2017. Backlog
December 31, 2018, compared to $327.9
in several key programs. All of the back
is expected to be invoiced during the ne

Gross Profit

The following table summarizes Gross p

	(in thou
Years ended December 31,	2018
Machine Clothing	$297,4
Albany Engineered Composites	52,550
Corporate expenses	(217
Total	$349,7
% of Net Sales	35.6

The increase in 2018 gross profit, as con
the following individually significant ite

· The increase in MC Gross profit of $16
following individually significant items
§ Higher sales in MC generated an increa

§ Changes in currency translation rates, p
increasing MC Gross profit by approxi

§ MC Gross profit was also increased as
the impact of continuous cost reductio

. The increase in AEC Gross profit of $3
following individually significant items

§ In the second quarter of 2017, we reco
contract profitability of two long-term
programs.

§ During the third quarter of 2017, the C
hydraulic fracking components used in

28

which was part of the 2016 SLC acquisi
Cost of goods sold for the write-off of in

§ The Net sales increase in 2018, as desc
$10 million.
§ Favorable adjustments to estimates of c
resulted in a reduction to Cost of goods
the favorable adjustment related to a re
2017, the adjustment related to an ame
A380 program.
§ In the fourth quarter of each year, we r
$4 million for inefficiencies in the ram
§ The remaining 2018 increase in AEC G
productivity resulting from the deploym
across AEC plants, as well as the favor

The decrease in 2017 Gross profit, as co
the following individually significant ite

· The increase in MC Gross profit was pr
above. Changes in currency translation
profit in 2017.

· Machine Clothing Gross profit as a pe

· The decrease in AEC Gross profit was p
individually significant items:
§ The Net sales increase in 2017, as desc
§ In 2017, we recorded the $15.8 million
§ In 2017, we recorded the $2.8 million c
Claw® inventory.
§ The acquired business generated $3.1 m
2016 due, in part, to an additional quar
§ In 2017, we recorded the $4.9 million c
long-term agreement with a licensor fo
§ In 2017, we recorded a charge to Cost
inefficiencies in the ramp-up of produc
an unfavorable change in the estimated

Selling, Technical, General, and Resea

Selling, technical, general and research (
administrative, technical, product engine
summarizes STG&R by business segme

	(in tho
Years ended December 31,	**2018**
Machine Clothing	$115,3
Albany Engineered Composites	32,855
Corporate expenses	48,611
Total	$196,7
% of Net Sales	20.0

29

The decrease in STG&R expenses in 20
following individually significant items:

- MC revaluation of nonfunctional curre
in 2018 and losses of $3.9 million in 20
- Changes in currency translation rates in
principally due to the stronger euro, wh
weaker Brazilian real.
- AEC STG&R expenses decreased $4.6
organization changes.
- Corporate STG&R expenses increased
support continued growth in AEC.

The increase in STG&R expenses in 201
following individually significant items:

- MC revaluation of nonfunctional curre
million in 2017 and gains of $0.4 millio
- Changes in currency translation rates in
which approximately $0.7 million was
during 2017. The remainder of the incre
- AEC STG&R expenses decreased $0.7
following individually significant items
  - § 2016 SLC acquisition expenses were $
  - § STG&R expenses of the SLC business
timing of the acquisition in 2016.
  - § STG&R expenses were $2.3 million hi
of the U.S.

Research and Development

The following table is a subset of the ST
with internally funded research and deve

	(in tho
Years ended December 31,	2018
Machine Clothing	$17,47
Albany Engineered Composites	12,278
Corporate expenses	-
Total	$29,75

Restructuring

In addition to the items discussed above
income was affected by restructuring co
$8.5 million in 2016.

30

The following table summarizes restruct

	(in tho
Years ended December 31,	2018
Machine Clothing	$12,27
Albany Engineered Composites	3,048
Corporate expenses	244
Total	$15,57

In 2017, the Company announced a prop
France, and the proposal was approved b
program was driven by the Company's r
We recorded restructuring expense of $1
included severance and outplacement co
terminated under this plan. To date, we h
related to these actions. Annual cost sav
lower Cost of goods sold in 2018.

In 2016, the Company discontinued rese
Sélestat, France, which resulted in $2.2 r
2018, we recorded additional restructuri
respectively, principally related to additi
date, we have recorded $4.8 million of r

In 2017, the Company initiated work for
and Rochester, New Hampshire. The 20
$5.0 million and $1.1 million, respective
restructuring charges related to these act

AEC restructuring charges in 2018 inclu
manufacturing processes in Salt Lake Ci
million, and an additional $0.2 million fo
from an impairment of related manufact
of that equipment by sale and the impair
that may be recovered in the sale. As of
impairment charge, is included in Prepai
accompanying Consolidated Balance Sh

In 2017, the Company decided to discon
components used in the oil and gas indu
charge of $4.5 million for the write-off o
charge to Cost of goods sold for the writ

AEC restructuring expenses in 2016 wer
programs into Boerne, Texas.

In 2015, the Company announced a plan
manufacturing facility in Göppingen, Ge
restructuring charges of $2.6 and $0.8 m
plant.

For more information on our restructurin
Statements in Item 8, which is incorpora

31

Operating Income

The following table summarizes operati

	(in tho
Years ended December 31,	2018
Machine Clothing	$169,8
Albany Engineered Composites	16,647
Corporate expenses	(49,07
Total	$137,4

Other Earnings Items

Years ended December 31,
Interest expense, net
Other expense, net
Income tax expense
Net income/(loss) attributable to the non

Interest Expense

Interest expense increased $1.0 million i
outstanding. The higher debt balances re
“Liquidity and Capital Resources” for fu

Other Expense, net

The change in Other expense, net includ

.

- In 2018, we recorded a $2.2 million cha
non-U.S. defined benefit pension plan l
to the restructuring in Sélestat, France.
- Foreign currency revaluations of cash a
million in 2018, losses of $4.6 million i
- In 2016, we recorded a $2.5 million cha
subsidiary in Japan. In 2017, we record
settlement related to that theft.

Income Taxes

The Company has operations which con
United States. The majority of these cou
States federal tax rate of 21% during 20
significant component of our effective ta
expense.

The Company's effective tax rate for fis
32.5%, respectively. New tax legislation
2018. Among other items, the 2017 Tax
territorial tax system and imposed a tran
subsidiaries. The Company recorded a n
tax in 2018. The $1.0 million adjustmen
attributable to adjustments discovered w
tax pools through 2017 and a $0.1 millio
by various states during the year on how
those jurisdictions. The

32

Company also recorded an additional ta
of U.S. net deferred tax assets using the
the provisional amount was the result of
Act, and refinement of our calculations
tax expense of $2.7 million was recorde
income (GILTI) inclusion, net of foreig
$0.7 million for foreign-derived intangi

The tax rate is also affected by recurring
non-U.S. jurisdictions and the mix of in
that may occur in any given year but are

Significant items that impacted the 201
reflect the effect of each item as a perce

- A tax benefit of $1.0 million (-0.9%) re mandatory deemed repatriation provisi
- A tax charge of $1.6 million (1.4%) rel re-measurement of U.S. net deferred ta
- A tax charge of $0.4 million (0.4%) rel
- A tax benefit of $1.3 million (-1.1%) re adjustments.
- A tax benefit of $4.9 million (-4.2%) re
- A net effective tax rate expense of 0.2% between non-U.S. and U.S. jurisdiction will be repatriated and foreign withhol rate.
- A tax charge of $1.3 million (1.1%) rel
- Income tax rate on continuing operatio

Significant items that impacted the 201
reflect the effect of each item as a perce

- A tax charge of $5.8 million (10.5%) re repatriation.
- A tax charge of $1.9 million (3.4%) rel
- A tax benefit of $0.8 million (-1.5%) re adjustments.
- A tax benefit of $3.5 million (-6.4%) re
-

A net effective tax rate reduction of 10.
between non-U.S. and U.S. jurisdiction
where tax rates are lower than the U.S.
reduction noted. U.S. tax costs on forei
foreign withholdings resulted in an incr
- A tax charge of $1.4 million (2.4%) rel
- Income tax rate on continuing operatio

Significant items that impacted the 2016
effect of each item as a percentage of in

- A tax benefit of $2.6 million (-3.4%) r
- A $0.5 million (0.6%) net tax expense
- A net effective tax rate reduction of 9.
between non-U.S. and U.S. jurisdictio
where tax rates are lower than the U.S.
reduction noted. U.S. tax costs on fore
foreign withholdings resulted in an inc
- Income tax rate on continuing operatio

33

Segment Results of Operations

Machine Clothing Segment

Machine Clothing is our primary busine
consolidated revenues during 2018. MC
paper and paperboard.

According to RISI, Inc., global producti
annual rate of approximately 1 percent c
growth in packaging and tissue, which is
publication grades.

While the MC business has suffered fro
Company's traditional markets, the pape
slightly on a global basis, driven by dem
now well-positioned in these markets, w
substantially lower fixed costs in mature
development, technical product support,
advances in paper machine clothing, wh
customers, have lengthened the useful li
on overall paper machine clothing dema

The Company's manufacturing and proc
demands across product grades and geog
challenges continues to be to grow share
to maintain our manufacturing footprint
of inflation through continuous producti

We have incurred significant restructuri
manufacturing capacity and administrati

Review of Operations

(in thousan

Years ended December 31,	2018
Net sales	$611,858
% change from prior year	3.6 %
Gross profit	297,416
% of net sales	48.6 %
STG&R expenses	115,305
Operating income	169,836

Net Sales

2018 vs. 2017

- Changes in currency translation rates h
compared to 2017. That currency transl
stronger in 2018 than in 2017.

34

- Excluding the effect of changes in curr
Excluding the additional effect of adop
to global growth in sales for the packag

2017 vs. 2016

- Changes in currency translation rates h
compared to 2016. That currency transl
European sales that resulted from the e

- Excluding the effect of changes in curr
million, or 0.9%, principally due to the
more than offset declines in the publica

Gross Profit

2018 vs. 2017

- Higher sales in MC generated an in

- Changes in currency translation rates, p
MC gross profit approximately $5 milli

- MC Gross profit was also increased as
the effect of continuous cost reduction

2017 vs. 2016

- The increase in MC Gross profit was p
above. Gross profit, as a percentage of

- Changes in currency translation rates d
compared to 2016.

Operating Income

2018 vs. 2017

The increase in operating income was pr
individually significant items:

- Gross profit increased $16.7 million du
rates, as described above.

- STG&R expenses decreased $8.0 millio
currency revaluation gains and losses, a

- Restructuring charges were $12.3

2017 vs. 2016

The increase in operating income was pr
individually significant items:

35

· Gross profit increased $4.3

· STG&R expenses increased $5.5 millio
currency revaluation gains and losses, a

· Restructuring charges were $3.4

Albany Engineered Composites Segm

The Albany Engineered Composites (AE
LLC (ASC), in which our customer SAF
provides highly engineered advanced co
aerospace (both commercial and defense
International's LEAP engine. AEC, thro
composite fan blades and cases for this p
significant AEC programs include comp
components for the CH-53K helicopter,

Review of Operations

	(in thousan
Years ended December 31,	2018
Net sales	$370,621
% change from prior year	35.6 %
Gross profit	52,550
% of net sales	14.2 %
STG&R expenses	32,855
Operating income/(loss)	16,647

Net Sales

2018 vs. 2017

The increase in net sales was principally
significant items:

Excluding the effect of changes in curr
· Excluding the impact of adopting ASC
growth in the LEAP, Boeing 787, F-35

2017 vs. 2016

The increase in net sales was principally
significant items:

· Net sales for the SLC business increase
acquisition occurred in the second quar
2017. SLC net sales were also higher a
and F-35 programs.

· Sales in the LEAP program incr

36

Gross Profit

2018 vs. 2017

The increase in AEC Gross profit in 201
individually significant items:

- In the second quarter of 2017, we recor
contract profitability of two long-term r
programs.

- During the third quarter of 2017, the Co
hydraulic fracking components used in
SLC acquisition. That decision resulted
write-off of inventory.

- The Net sales increase in 2018, as descr
$10 million.

- Favorable adjustments to estimates of c
resulted in a reduction to Cost of goods
In 2018, the favorable adjustment relate
contract. In 2017, the adjustment relate
licensor for the A380 program.

- In the fourth quarter of each y
approximately $4 million for

- The remaining 2018 increase in AEC G
resulting from the deployment of a disc
plants, as well as the favorable impact c

2017 vs. 2016

The decrease in AEC Gross profit in 201
individually significant items:

- The Net sa
- In 2017, we recorded the $15.8 milli
- In 2017, we recorded the $2.8 million c
Claw® inventory.
- The acquired business generated
compared 2016 due, in part, to a
- In 2017, we recorded the $4.9 million d
long-term agreement with a licensor fo
- In 2017, we recorded a charge to Cost o
inefficiencies in the ramp-up of produc
an unfavorable change in the estimated

37

Long-term contracts

AEC has contracts with certain custome
revenue is determined by a cost-plus-fee
arrangements accounted for approximate
revenue for 2018, 2017, and 2016, respe
737 Max, Airbus A320neo and COMAC
States, have recently issued orders grour
recent groundings cause a decrease in de
an adverse impact on demand for LEAP
demand for our LEAP engine parts. Suc
demand for A320neo aircraft, which cou

In addition, AEC has long-term contract
those contracts, we estimate the profit m
recognize a pro-rata share of that profit
approach. Changes in estimated contract
the change occurs, which could have a s
and gross profit in any reporting period.

In the fourth quarter of 2018, we had bo
estimated profitability on long-term con
$1.5 million. The favorable adjustment r
long-term contract that resulted from be
unfavorable adjustment resulted in a cha
key program and we also had a charge o
ramp-up inefficiencies.

AEC has a contract for the manufacture
engine, which powers Gulfstream's G-6
these components for the life of the BR7
Company revised its estimate of the pro
$10.2 million as a provision for anticipa
was driven primarily by a reduction in th
Company previously recorded a charge
program, including $10.9 million for the
engineering and tooling, and $3.1 millio

The SLC business has a contract for the
under which it is obligated to supply co
struts through 2023. During the second
profitability of this contract and determi
provision for anticipated losses through
decrease in estimated demand for these
program inefficiencies. In the fourth qu
licensor for the A380 program, which re

Other than the changes in estimated pro
estimates decreased gross profit by $0.5
in 2017, and increased gross profit by $

Selling, Technical, General, and Rese

2018 vs. 2017

STG&R expenses decreased $4.6 millio
changes.

2017 vs. 2016

STG&R expenses decreased $0.7 millio
significant items:

38

· 2016 acquisition expenses were $5.4 m

· STG&R expenses of the SLC business
timing of the acquisition in 2016.

· STG&R expenses were $2.3 million hi
of the U.S.

Operating Income/(Loss)

2018 vs. 2017

The increase in operating income of $48
of the following individually significant

· A significant increase in Net sales and

· The $15.8 million charge recorded in t

· The $2.8 million charge to Cost of goo
inventory.

· A decrease of $7.0 million in Restructu

2017 vs. 2016

The operating loss increased by $16.3 m
individually significant items:

· Gross profit decreased $9.2 million in 2
recorded in the second quarter of 2018,

· Restructuring

Liquidity and Capital Resources

Cash Flow Summary

For the years ended December 31,
Net income
Depreciation and amortization
Changes in working capital (a)
Changes in long-term liabilities, deferre
credits
Write-off of pension liability adjustmen
settlement/curtailment
Write-off of intangible assets in a discon
Other operating items
Net cash provided by operating activitie
Net cash used in investing activities
Net cash (used in)/provided by financin
Effect of exchange rate changes on cash
Increase/(decrease) in cash and cash equ
Cash and cash equivalents at beginning
Cash and cash equivalents at end of yea

(a) Includes Accounts receivable, Contra

39

Operating activities

Cash provided by operating activities wa
2017, and $80.9 million in 2016. The ne
2018 was due to increased profitability i
working capital. In 2018, the Company r
pension plan resulting in that plan being
working capital increases $26.0 million
2016. Additionally, the Noncurrent rece
$12.2 million in 2018, $18.8 million in 2
liabilities, deferred taxes and other liabil
million in 2018, a use of cash of totaling
$0.7 million in 2016. The amount report
long-term agreement with a licensor for
million cash payment, plus a $4.9 millio
supplier. Cash paid for income taxes wa
2018, 2017, and 2016, respectively.

At December 31, 2018, the Company ha
$144.2 million was held by subsidiaries
the Consolidated Financial Statements in
amount (which represents the amount of
United States at some point in the future
for an indefinite period of time. Our curr
generated from foreign operations to fun
the United States. In the event that such
and if associated accruals for taxes have
record additional tax expense.

Investing Activities

On April 8, 2016, the Company acquired
composite aerostructures business for $1
liabilities. Total capital expenditures for
were $82.9 million in 2018, compared to
the AEC segment, capital expenditures w
in 2017, and $54.7 million in 2016. We
to $100 million in 2019.

Financing Activities and Capital Reso

We finance our business activities prima
borrowings, largely through our revolvi
outside of the United States may also ma
borrowings under such local facilities te
balance at December 31, 2018 was held
credit facilities, we anticipate that the C
the foreseeable future. We were in comp

On November 7, 2017, we entered into a
Facility Agreement (the "Credit Agreem
Agreement, entered into on April 8, 201
$499 million of borrowings were outstan
rate for borrowings was LIBOR plus a s
borrowing. At the time of the last borrow
The spread was based on a pricing grid,
leverage ratio. Based on our maximum l
without modification to any other credit
been able to borrow an additional $186 r

As of December 31, 2018, our leverage
was 11.59 to 1.00. We may purchase ou
leverage ratio remains at or below 3.50 t
our leverage ratio does not exceed the li

40

noted above. On November 28, 2017, w
period December 18, 2017 through Octo
fixing the LIBOR portion of the effectiv
million of indebtedness drawn under the
period. Under the terms of these transact
counterparties pay a floating rate based
calculation date, which on December 17
December 17, 2018, the all-in-rate on th

Dividends have been declared each quar
respect to whether a dividend will be pa
Board of Directors each quarter. Cash di
$21.8 million, in 2018, 2017, and 2016,
dividends in the future, we expect to pay
cash dividends will also depend on debt
to generate sufficient cash flows.

On May 6, 2016, we terminated other in
the interest rate on $120 million of revol
interest rate swap with a greater notional
Agreement. We paid $5.2 million to term
amortized into interest expense through
interest rate swap agreements, originally
the interest rate on $300 million of revol
interest rate swap with a greater notional
Agreement. We received $6.3 million to
received to terminate these swap agreem
March 2021.

Off-Balance Sheet Arrangements

As of December 31, 2018, we have no o
pursuant to Item 303(a)(4) of Regulation

Contractual Obligations

As of December 31, 2018, we have the f

(in millions)	Total
Total debt	$524.
Interest payments (a)	79.5
Pension plan contributions (b)	4.2
Other postretirement benefits (c)	51.1
Restructuring accruals	5.6
Other noncurrent liabilities (d)	-
Operating leases	17.9
Totals	$683.

(a) The terms of variable-rate debt arrang
included in Note 17 of Notes to Cons
are based on the assumption that we r
November 2017 Credit Agreement m
December 31, 2018 (3.69%) continue
maturity. Both rates include the effec

41

(b) We estimate pension benefits to be p
however, that estimate is subject to r
make contributions to pension trusts
contributions after 2019 is subject to
interest rates, and tax and employee b
not included in this schedule.

(c) Estimated cash outflow for other pos
benefit payments as presented in Not
for the next five years. Beyond five y
those presented in Note 4, due to the

(d) Estimated payments for deferred com
noncurrent liabilities are not included
cash settlement. Also, this table does
which is uncertain. Refer to Note 7 o
additional discussion on unrecognize

The foregoing table should not be deem
which will vary based on our future nee
forth in the table is reasonably determin
materials costs, payroll, and taxes, are d
addition, while the contingencies descri
in Item 8 are not currently anticipated to
can be no assurance that this may not ch
cash from operations and the other sour
enable us to meet the foregoing cash obl

Recent Accounting Pronouncements

The information set forth above may be
Supplementary Data, Note 1, which is in

Critical Accounting Policies and Estim

For the discussion of our accounting pol
Supplementary Data, Note 1, which is in
financial statements in conformity with
States of America requires management
the amounts reported in the Consolidate
subject to uncertainties and changes in t
operations. In addition to the accounting

Supplementary Data, Note 1, financial s
influenced by market factors, judgments

Revenue Recognition

Effective January 1, 2018, the Company
contracts with customers. The standard r
including industry-specific requirements
recognizing revenue from contracts with

Contracts with customers in the Machine
the point in time when revenue is recogn
order to ensure revenue is recognized in

42

Products and services provided under lo
in the Albany Engineered Composites se
the LEAP contract under a cost-plus-fee
on our success in achieving certain cost
incurred. Under this contract, there is sig
contract costs and the amount of revenu

We also have fixed price long-term cont
(actual cost to estimated cost) method. T
estimation, which could be considerably
change. When adjustments in estimated
from prior estimates are included in earn

The Albany Engineered Composites seg
which there are two phases: a phase duri
a phase of supplying production parts. D
pre-production or nonrecurring engineer
fulfillment activity, rather than a perforn
resources that will be used in satisfying
to be recovered, are capitalized to Other
goods sold over the period over which th
which includes anticipated renewal perio
those costs are determined to be unrecov

For contracts with anticipated losses, a p
remaining loss is charged against incom
Contract loss provisions include contrac
profitable options that might be expecte
all direct and indirect contract costs, exc
allocations, which are treated as period e
limit our estimate of contract values to th
many cases is considerably shorter than
While certain contracts are expected to b
including expected renewals, under the r
costs is limited to the estimated value of
anticipated renewals. In some cases, this
provision at the inception of the contract
in Item 7, *Management's Discussion and*
herein by reference.

Pension and Postretirement Liabilities

The Company has pension and postretir
from actuarial valuations. Inherent in th
rates and expected return on plan assets,
31, 2018, total liabilities under our defin
exceeded plan assets by $22.5 million, o
Additionally, at December 31, 2018, oth
substantially all of which related to our
unrecognized pretax net losses of $69.1
postretirement benefit plans that may be

We are required to consider current mar
making these assumptions. For 2019, we
retirees to total $4.2 million, and payme
million. Changes in the related pension

43

and other postretirement benefit costs or
assumptions. The amount of annual pens
variables, including the investment retur
contributions could vary significantly. A
postretirement plan liabilities and expen

Income Taxes

In the ordinary course of business there
liabilities related to income tax balances
taxes payable or receivable in future per
organizational changes or changes in the
assess our income tax positions and reco
examination based upon management's
available at the reporting date. For those
benefit will be sustained, we have deter
estimating the largest amount of tax ben
being realized upon ultimate settlement
relevant information.

Deferred tax assets are expected to be re
differences and future taxable income. A
reduce net deferred tax assets to the amo
more likely than not that some or all of t
needed, the valuation allowance will be

In late 2017, new tax legislation was ena
charges to income tax expense. Charges
2017 and represent the Company's best
recorded to the provisional amounts thro
tax expense.

Goodwill and Intangible assets

Goodwill is not amortized, but is tested
value of reporting units requires the use
a number of factors including actual ope

estimates could change in future periods

The determination of the fair value of in
acquisition, including the Company's ac
assumptions. We review amortizable int
changes in circumstances indicate that th

Non-GAAP Measures

This Form 10-K contains certain non-G
net sales, excluding the impact of ASC 6
and the Company as a whole); EBITDA
Company as a whole, represented in dol
debt excluding the impact of certain non
Company, excluding adjustments. Such
when reconciled from the GAAP items t
information to investors regarding the C

Presenting sales and increases or decrea
impact are excluded, can give managem
EBITDA, or net income

44

with interest, taxes, depreciation, and an
financial performance used, among othe
between companies and industries becau
asset bases and taxes. An understanding
restructuring costs, acquisition expenses
charges, inventory write-offs associated
on net income (absolute as well as on a p
management and investors additional ins
compared to periods in which such item
Restructuring expenses in the MC segme
significant reductions in manufacturing
shifting markets, and not of the profitabi
debt, and net debt excluding the impact
Company, helpful to investors wishing t
be if all available cash were applied to p
and net income per share attributable to
measures that relate to the Company's c

Net sales, or percent changes in net sales
converting amounts reported in local cur
period. The impact of ASC 606 on vario
calculating what the GAAP-reported am
standard, and comparing that amount to
These amounts are then compared to the
The Company calculates EBITDA by re
expense net, Income tax expense, and D
calculated by: adding to EBITDA costs
associated with discontinued businesses
subtracting) revaluation losses (or gains)
of buildings or investments; subtracting
recorded losses; and subtracting (or addi
interest in Albany Safran Composites (A
percentage of net sales by dividing it by
Company, excluding adjustments, is calc
attributable to the Company per share, o
write-offs associated with discontinued b
tax charges (or gains) and the effect of c
revaluation losses (or gains); acquisition
investments.

EBITDA, Adjusted EBITDA, and net in
adjustments, as defined by the Company
other companies. Such measures are not
considered in addition to, but not as subs
statements of income.

45

The following tables show the calculatio

Consolidated results
Years ended December 31,
Operating income (GAAP)
Interest, taxes, other income/expense
Net income (GAAP)
Interest expense, net
Income tax expense
Depreciation and amortization
EBITDA (non-GAAP)
Restructuring and other, net
Foreign currency revaluation (gains)/los
Acquisition expenses
Pension settlement/curtailment
Write-off of inventory in a discontinued
Pretax (income)/loss attributable to nonc
ASC
Adjusted EBITDA (non-GAAP)

46

Year ended December 31, 2018

Operating income/(loss) (GAAP)
Interest, taxes, other income/expense
Net income (GAAP)
Interest expense, net
Income tax expense
Depreciation and amortization
EBITDA (non-GAAP)
Restructuring expenses, net
Foreign currency revaluation (gains)/los
Pension settlement/curtailment charge
Pretax income attributable to noncontrol
interest in ASC
Adjusted EBITDA (non-GAAP)

Year ended December 31, 2017

Operating income/(loss) (GAAP)
Interest, taxes, other income/expense
Net income (GAAP)
Interest expense, net
Income tax expense
Depreciation and amortization
EBITDA (non-GAAP)
Restructuring expenses, net
Foreign currency revaluation losses
Write-off of inventory in a discontinued
product line
Pretax loss attributable to noncontrolling
interest in ASC
Adjusted EBITDA (non-GAAP)

(a) Includes charge of $15.8 million rela
long-term contracts.

47

Year ended December 31, 2016

Operating income/(loss) (GAAP)
Interest, taxes, other income/expense
Net income (GAAP)
Interest expense, net
Income tax expense
Depreciation and amortization
EBITDA (non-GAAP)
Restructuring and other, net
Foreign currency revaluation (gains)/los
Acquisition expenses
Pretax income attributable to noncontrol
interest in ASC
Adjusted EBITDA (non-GAAP)

The Company discloses certain income
believes that such disclosures provide in
financial performance metrics commonl
per-share amount for items included in c
on income from continuing operations a
for each period. Year-to-date earnings p
calculated at each reporting period.

The following tables show the earnings

Year ended December 31, 2018
Restructuring expenses, net
Foreign currency revaluation gains
Pension settlement/curtailment charge
Net discrete income tax benefit
Favorable effect of applying ASC 606

(a) includes tax and noncontrolling inter

48

Year ended December 31, 2017
Restructuring expenses, net
Foreign currency revaluation losses
Write-off of inventory in a discontinued
Net discrete income tax charge
Charge for revision to estimated profitab
contracts

	(in
	Pre
Year ended December 31, 2016	Am
Restructuring and other, net	$8,3
Foreign currency revaluation gains	3,9
Acquisition expenses	5,3(
Loss due to theft	2,5(
Net discrete income tax benefit	-

The following table contains the calcula
Company, excluding adjustments:

Years ended December 31,
Net income attributable to the Company
Adjustments:
Restructuring expenses, net
Discrete tax charges/(benefits)
Foreign currency revaluation (gains)/los
Write-off of inventory in a discontinued
Pension settlement/curtailment charge
Acquisition expenses
Net income attributable to the Company

(a) includes a charge of $0.31 per share
contracts

The following table contains the calcula

	(i
As of December 31,	20
Notes and loans payable	$-
Current maturities of long-term debt	1,
Long-term debt	52
Total debt	52
Cash and cash equivalents	19
Net debt	$3

49

Item 7a. **QUANTITATIV
MARKET RISK**

We have market risk with respect to fore
market risk is the potential loss arising f

Foreign Currency Exchange Rate Ris

We have manufacturing plants and sales
foreign currency risk. This risk is compo
foreign currency financial statements an
To manage this risk, we periodically ent
net assets of a foreign investment or to p
The total net assets of non-U.S. operatio
nonfunctional currencies subject to pote
potential loss in fair value resulting from
foreign currency exchange rates amount
currency transactions, we have exposure
$72.2 million. This amount includes, on
held in currencies other than our local e
million of foreign currency assets as of
nonfunctional currency balances are rev
the income statement. A hypothetical ch
adjustment to the income statement of a

Interest Rate Risk

We are exposed to interest rate fluctuati
general economic conditions.

On December 31, 2018, we had the follo

(in thousands, except interest rates)

Long-term debt

Credit agreement with borrowings outst
period interest rate of 3.882% in 2018, d

Total

Assuming borrowings were outstanding
in weighted average interest rates would
manage interest rate risk, we may perio
effectively fix the interest rates on varia
18 to the Consolidated Financial Statem

50

Item 8. FINANCIAL STATEMENTS

INDEX TO CONSOLIDATED FINA

51

Report of Independent Registered Pu

To the Shareholders and Board of Direc

Opinion on the Consolidated Financia

We have audited the accompanying con
and subsidiaries (the Company) as of De
statements of income, comprehensive in
three-year period ended December 31, 2
schedule II - valuation and qualifying ac
statements). In our opinion, the consolid
respects, the financial position of the Co
results of their operations and their cash
ended December 31, 2018, in conformit

We also have audited, in accordance wit
Oversight Board (United States) (PCAO
reporting as of December 31, 2018, base
Framework (2013) issued by the Comm
Commission (COSO), and our report da
effectiveness of the Company's internal

Change in Accounting Principle

As discussed in Notes 1 and 2 to the co
method of accounting for revenue in 201
No. 2014-09, *Revenue from Contracts w*

Basis for Opinion

These consolidated financial statements
Our responsibility is to express an opini

our audits. We are a public accounting f
independent with respect to the Compan
and the applicable rules and regulations
PCAOB.

We conducted our audits in accordance
require that we plan and perform the au
consolidated financial statements are fre
fraud. Our audits included performing p
the consolidated financial statements, w
that respond to those risks. Such proced
regarding the amounts and disclosures i
included evaluating the accounting prin
management, as well as evaluating the o
statements. We believe that our audits p

/s/ KPMG LLP

We have served as the auditor of Alban

Albany, New York
March 14, 2019

52

Report of Independent Registered Pu

The Shareholders and Board of Director

Opinion on Internal Control Over Fina

We have audited Albany International C
over financial reporting as of December
Control - Integrated Framework (2013)
of the Treadway Commission. In our op
described below, on the achievement of
not maintained effective internal control
based on criteria established in *Internal*
Committee of Sponsoring Organizations

We also have audited, in accordance wit
Oversight Board (United States) (PCAO
of December 31, 2018 and 2017, the rel
income, and cash flows for each of the y
and the related notes and the financial st
(collectively, the consolidated financial
expressed an unqualified opinion on tho

A material weakness is a deficiency, or
financial reporting, such that there is a r
company's annual or interim financial st
basis. A material weakness related to ine
systems development plan related to cer
reconciliation controls over the unbilled
attributable to ineffective risk assessmen
management's assessment. The material
timing, and extent of audit tests applied
statements, and this report does not affe

Basis for Opinion

The Company's management is respons
financial reporting and for its assessmen
reporting, included in the accompanying
Financial Reporting (Item 9A). Our resp
internal control over financial reporting
registered with the PCAOB and are requ
accordance with the U.S. federal securit
Securities and Exchange Commission ar

We conducted our audit in accordance w
require that we plan and perform the aud
effective internal control over financial r
audit of internal control over financial re
control over financial reporting, assessin
and evaluating the design and operating
risk. Our audit also included performing
the circumstances. We believe that our a

Definition and Limitations of Internal

A company's internal control over finan
assurance regarding the reliability of fin
statements for external purposes in acco
company's internal control over financia
(1) pertain to the maintenance of records
the transactions and dispositions of the a
that transactions are recorded as necessa
accordance with generally accepted acco
the company are being made only in acc
directors of the company; and (3) provid
detection of unauthorized acquisition, us
a material effect on the financial stateme

Because of its inherent limitations, inter
detect misstatements. Also, projections o
subject to the risk that controls may beco
that the degree of compliance with the p

/s/ KPMG LLP

Albany, New York

March 14, 2019

53

Albany International Corp.
Consolidated Statements of Income
For the years ended December 31,
(in thousands, except per share amou

Net sales
Cost of goods sold
Gross profit

Selling, general and administrative expe
Technical and research expenses
Restructuring expenses, net
Operating income

Interest income
Interest expense
Other expense, net
Income before income taxes

Income tax expense
Net income
Net income/(loss) attributable to the non
Net income attributable to the Company

Earnings per share attributable to Comp
Basic

Earnings per share attributable to Comp
Diluted

Dividends declared per share, Class A a

The accompanying notes are an integral

54

Albany International Corp.
Consolidated Statements of Compreh
For the years ended December 31,
(in thousands)

Net income
Other comprehensive income/(loss), bef
Foreign currency translation adjustment
Pension/postretirement settlements and
Pension/postretirement plan remeasurem
Amortization of pension liability adjust
Prior service credit
Net actuarial loss
Payments related to interest rate swaps i
Derivative valuation adjustment

Income taxes related to items of other c
income/(loss):
Pension/postretirement settlements and
Pension/postretirement plan remeasurem
Amortization of pension liability adjust
Payments related to interest rate swaps i
Derivative valuation adjustment
Comprehensive income
Comprehensive income/(loss) attributab
interest
Comprehensive income attributable to t

The accompanying notes are an integral

55

Albany International Corp.
Consolidated Balance Sheets
At December 31,
(in thousands, except per share data)

Assets
Current assets:
Cash and cash equivalents
Accounts receivable, net
Contract assets
Inventories
Income taxes prepaid and receivable
Prepaid expenses and other current asset
Total current assets

Property, plant and equipment, net
Intangibles, net
Goodwill
Deferred income taxes
Noncurrent receivables
Other assets
Total assets

Liabilities
Current liabilities:
Notes and loans payable
Accounts payable
Accrued liabilities
Current maturities of long-term debt
Income taxes payable
Total current liabilities

Long-term debt
Other noncurrent liabilities
Deferred taxes and other liabilities
Total liabilities

Commitments and Contingencies

Shareholders' Equity
Preferred stock, par value $5.00 per shar
shares; none issued
Class A Common Stock, par value $.00
100,000,000 shares; issued 37,450,329 i
2017

Class B Common Stock, par value $.001
25,000,000 shares; issued and outstandin
2017
Additional paid-in capital
Retained earnings
Accumulated items of other comprehens
Translation adjustments
Pension and postretirement liability adju
Derivative valuation adjustment
Treasury stock (Class A), at cost; 8,418,
8,431,335 shares in 2017
Total Company shareholders’ equity
Noncontrolling interest
Total equity
Total liabilities and shareholders’ equity

The accompanying notes are an integral

56

Albany International Corp.
Consolidated Statements of Cash Flov
For the years ended December 31,
(in thousands)

Operating Activities
Net income
Adjustments to reconcile net income to r
operating activities:
Depreciation
Amortization
Change in other noncurrent liabilities
Change in deferred taxes and other liabi
Provision for write-off of property, plan
Non-cash interest expense
Write-off of pension liability adjustmen
settlement/curtailment
Compensation and benefits paid or paya
Common Stock
Write-off of intangible assets in a discor
Changes in operating assets and liabiliti
provided/(used) cash, net of impact of b
Accounts receivable
Contract assets
Inventories
Prepaid expenses and other current asse
Income taxes prepaid and receivable
Noncurrent receivable
Accounts payable
Accrued liabilities
Income taxes payable
Other, net
Net cash provided by operating activitie
Investing Activities
Purchase of business, net of cash acquir
Purchases of property, plant and equipm
Purchased software
Proceeds from sale or involuntary conve
Net cash used in investing activities
Financing Activities
Proceeds from borrowings
Principal payments on debt
Debt acquisition costs
Cash received/(paid) to settle swap agre
Proceeds from options exercised

Taxes paid in lieu of share issuance
Dividends paid
Net cash (used in)/provided by financing
Effect of exchange rate changes on cash
Increase/(decrease) in cash and cash equ
Cash and cash equivalents at beginning
Cash and cash equivalents at end of year

The accompanying notes are an integral

57

1. Accounting Policies

Basis of Consolidation

The consolidated financial statements in
subsidiaries (the Company, Albany, we,
transactions. We have a 50 percent inter
statements include our original investme
or losses, in the account "Other Assets."

The Company owns 90 percent of the co
(ASC) which is reported within the Alba
information regarding that entity is inclu

Estimates

The preparation of the consolidated fina
principles generally accepted in the Unit
estimates and assumptions that affect th
disclosure of contingent assets and liabil
and the reported amounts of revenues ar
used in accounting for, among other thin
allowances for doubtful accounts, rebate
benefits, goodwill and intangible assets,
accruals. Our estimates are based on his
which are believed to be reasonable und
involved in making estimates, actual res
estimates. Estimates and assumptions ar
are reflected in the consolidated financia
necessary.

Revenue Recognition

Effective January 1, 2018, the Company
contracts with customers, using the mod

transition. Under this transition method,
cumulative effect of initially applying th
Retained earnings at January 1, 2018. Th
GAAP, including industry-specific requ
for recognizing revenue from contracts w
to contracts which were not completed b

In our Machine Clothing (MC) business
sale of a product when persuasive evider
title was transferred, the selling price wa
Under the new standard, we recognize M
obligations related to the manufacture ar
in earlier recognition of revenue associa

In our Albany Engineered Composites (
long-term contracts was, prior to 2018, r
which is considered an output method. U
contracts is recognized over time using a
generally results in earlier recognition of
classification of revenue in excess of pro
Accounts receivable. Under the new stan
are rights to consideration that are condi
as completion of remaining performance
standard, such assets were reclassified a
In addition, under the new standard, we

58

estimate of contract values to the period
cases is considerably shorter than the co
certain contracts are expected to be prof
including expected renewals, under the r
costs is limited to the estimated value of
anticipated renewals. In some cases, this
provision at contract inception. Expected
that are probable of exercise, excluding

Significant changes to our accounting po
forth in Note 2.

Products and services provided under lo
in the Albany Engineered Composites se
which revenue is recognized under a cos
long-term contracts, for which we use th
cost) method. That method requires sign
considerably different if the underlying
estimated contract revenues or costs are
in earnings in the period the change occu
and unfavorable adjustments to the estin
effect of reducing gross profit by $1.5 m
million due to ramp-up inefficiencies on
million for ramp-up inefficiencies. The f
resulted from a reduction to the estimate
better-than-expected ramp-up on a differ
recorded a $15.8 million charge to Cost
profitability of our BR725 and A380 pro
program inventory costs and a reserve o
2017, we amended a long-term agreeme
a reduction to Cost of goods sold of $4.9
the profitability changes noted above, de
gross profit by $0.6 million in 2017, and
contracts with anticipated losses, a provi
loss is charged against income in the per
are determined considering all direct and
general or administrative cost allocation

We limit the concentration of credit risk
collection policies. We record allowance
net sales. Such provisions are recorded c
and/or historical experience. Any value
excluded from net sales.

Cost of Goods Sold

Cost of goods sold includes the cost of r
supplies, shipping and handling costs, d
purchasing, receiving, warehousing, and
provisions for loss contracts and charges
activity.

Selling, General, Administrative, Tec

Selling, general, administrative, and tec
benefits, travel, professional fees, revalu
costs, and are expensed as incurred. Sell
related to contract acquisition. Research
consist primarily of compensation, supp
intellectual property. Total company res
in 2017, and $28.8 million in 2016.

59

The Albany Engineered Composites seg
customer-funded research and developm
may be on a cost-sharing basis and cons
both parties are active participants and a
success of the activity. In such cases, am
research and development expense. Whi
years, we may enter into such arrangem
development in which we anticipate fun
the customer in Net sales, while expense

Restructuring Expense

We may incur expenses related to restru
employee termination costs, costs to cor
contractual relationships. Restructuring
plant and equipment, as described below
termination costs include the severance
is completed. Termination costs related
the amount becomes probable and estim
arrangement are recognized at the comm
termination, relocation of employees, ou
facilities, are recognized when incurred.

Income Taxes

Deferred income taxes are recognized fo
attributes by applying enacted statutory
between existing assets and liabilities fo
The effect of tax rate changes on deferre
period that includes the enactment date.
reduce net deferred tax assets to the amo
more likely than not that some or all of t
needed, the valuation allowance will be

In the ordinary course of business there
positions. We assess our income tax pos
examination based upon management's
available at the reporting date. For those
benefit will be sustained, we have deter

estimating the largest amount of tax ben
being realized upon ultimate settlement
relevant information. For those income t
tax benefit will be sustained, no tax bene
Where applicable, associated interest an
accrued interest and penalties related to
expense.

Earnings Per Share

Basic net income or loss per share is co
Class A Common Stock and Class B Co
income per share includes the effect of a
from continuing operations, the diluted l

60

Translation of Financial Statements

Assets and liabilities of non-U.S. operat
income statement accounts are translated
from translating non-U.S. currency finan
comprehensive income and accumulated
adjustments".

Selling, general, and administrative expe
from third party balances, such as receiv
currency other than the entity's function
short-term intercompany loans and balan
functional currency, and foreign currenc
Gains and losses on long-term intercomp
future are recorded in other comprehens
during 2018.

The following table summarizes foreign
income statement:

(in thousands)
(Gains)/losses included in:
Selling, general, and administrative expe
Other expense, net
Total transaction (gains)/losses

The following table presents foreign cur
recognized in Other comprehensive inco

(in thousands)
Gain on long-term intercompany loans

Cash and Cash Equivalents

Cash and cash equivalents consist of cas
maturities of three months or less.

Accounts Receivable

Accounts receivable includes trade recei
certain sales in Asia Pacific, the Compa
The notes may be presented for paymen

The Company maintains allowances for
the inability of its customers to make re
allowance based on historical write-off
conditions. If the financial condition of
in an impairment of their ability to mak

The Company also has Noncurrent recei
earned which have extended payment te
customer, with 2% interest, over a 10-ye

As a result of adopting ASC 606, Reven
in the Albany Engineered Composites se
Contract assets in 2018.

61

Including that reclassification, the cumu
increase to Accounts receivable of $8.5
cumulative adjustment exceeded that rec

See additional information set forth in N

Contract Assets and Contract Liabilit

Beginning in 2018, Contract assets inclu
under contracts when the cost-to-cost m
recognized exceeds the amount billed to
included in Accounts receivable. At the
assets of $47.4 million, which included t
December 31, 2017, and additional trans
retrospective application of ASC 606 to

Contract assets are transferred to Accou
becomes unconditional. Contract liabilit
revenue recognized. Contract liabilities a
Balance Sheet.

See additional information set forth in N

Inventories

Costs included in inventories are raw ma
overhead. Raw material inventories are v
elements are valued at cost, using the fir
inventories for estimated obsolescence, a
assumptions about future demand and m
charged to Cost of goods sold. If actual d
those projected by the Company, additio
established, the original cost of the inve
basis of such inventories. The decrease i
December 31, 2017, was principally due

Note 2) which decreased Inventories by

See additional information set forth in N

Property, Plant and Equipment

Property, plant and equipment are recor
combination, at fair value. Depreciation
estimated useful lives of the assets for fi
methods are used for income tax purpos
assets' useful lives are capitalized; norm
incurred. The cost of fully depreciated a
and accumulated depreciation accounts.
are included in net income.

Computer software purchased for intern
five to eight years, depending on the nat
included in property, plant, and equipme
related to the software development stag
related to the software development amo

We review the carrying value of propert
impairment whenever events and circum
group may not be recoverable from the e
use and eventual disposition.

62

See additional information set forth in N

Goodwill, Intangibles, and Other Ass

Goodwill and intangible assets with inde
impairment at least annually. Goodwill r
value of the net tangible and identifiable
combination. Our reportable segments a
additional information set forth in Note

Intangible assets acquired in a business c
to Cost of goods sold or Selling, general
lives of the assets. We review amortizab
events or changes in circumstances indic
recoverable.

We have an investment in a company in
accounting and is included in Other asse
in 2017. We perform regular reviews of
our investment is other than temporarily
to no longer support their valuation, we

For some AEC contracts, we perform pr
These costs are normally considered a fu
Fulfillment activities that create resourc
obligations in the future, and are expecte
is classified as a noncurrent asset in the
amortized into Cost of goods sold over t
to future cash flows, which includes anti

Included in Other assets is $14.2 million
pension plans where plan assets exceed
includes financial assets of $5.3 million
information set forth in Note 18.

Stock-Based Compensation

We have stock-based compensation plar
accordance with applicable guidance for
share-based payments. No options have
forth in Note 21.

Derivatives

We use derivatives from time to time to
currency exchange rates and interest rate
on an ongoing basis, the risk of potentia
hedging such risks.

We may use interest rate swaps in the m
currency derivatives in the management
liabilities (including net investments in s
foreign currencies. When we enter into a
the transaction is deemed to be a hedge
be a hedge, we formally document the re
risk being hedged. In this documentation
transaction, cash flow, or net investment
evaluate whether the derivative instrume
hedged item. To the extent these criteria
derivative.

63

All derivative contracts are recorded at f
transactions that are designated as hedge
hedge. To the extent that the hedge is ef
recorded, net of tax, in other comprehen
relationships both at inception and on an
any, and changes in the fair value of a de
Other expense, net.

For derivatives that are designated and q
located outside the United States, chang
comprehensive income as part of the Cu

Pension and Postretirement Benefit P

As described in Note 4, we have pension
all employees. Our defined benefit pensi
participants as of October 1998 and, as o
frozen.

We have liabilities for postretirement be
liability relates to the U.S. plan. Effectiv
U.S. was closed to new participants, exc
2008, we changed the cost sharing arran
care costs are the responsibility of plan p
insurance benefit for retirees and elimin

The pension plans are generally trusteed
in accordance with governing laws and r
recognized for defined benefit pension p
from actuarial valuations. Inherent in the
rates and expected return on plan assets,
current market conditions, including cha
Discount rate assumptions are based on
high-quality fixed-income investments w
assumption for expected return on plan a
various categories of plan assets.

Recent Accounting Pronouncements

In February 2016, an accounting update
operating leases on their balance sheets,
manner similar to current practice. Unde
a lease liability for the obligation to mak
underlying asset for the lease term, for a
be classified as finance or operating, wit
of expense recognition in the income sta
recognized on a straight-line basis, whil
recognized following a front-loaded exp
presented separately in the income stater
statements will be an increase in assets a
list of its leases and has completed an as
transition approach is required, applying
initial application. The Company adopte
our date of initial application. Conseque
disclosures required under the new stand
January 1, 2019. The new standard prov
transition, some of which, if elected, mu
elect the package of practical expedients
standard our prior conclusions about lea
costs. The Company does not expect to e
use-of-hindsight or land easements. The

64

standard also provides practical expedie
recording a lease-related asset and liabil
provision which the Company will adop
practical expedient to not separate lease
Company does not expect a significant c
adoption. Additionally, the Company is
controls to ensure we meet the standard'

In June 2016, an accounting update was
impairment of many financial assets by
expected to occur over their remaining l
periods beginning after December 15, 2
update.

In August 2017, an accounting update w
nonfinancial hedging strategies eligible
and disclosure requirements and change
more closely align hedge accounting wi
application of hedge accounting, and in
hedging programs. In November 2018, a
Overnight Index Swap (OIS) rate based
benchmark interest rate for hedge accou
our consolidated assets and liabilities, n
accounting updates. We will adopt the n

In February 2018, an accounting update
reclassification from accumulated other
tax effects resulting from the Tax Cuts a
interim periods in fiscal years beginning
intend to make the reclassifications perm

In August 2018, an accounting update w
incurred by customers in cloud computi
capitalized by customers in software lic
guidance. The Company elected to adop
financial statements.

In August 2018, an accounting update w
of disclosures to financial statement use

preparing defined benefit plan disclosur
periods in fiscal years beginning after D
impact of this update.

In August 2018, an accounting update w
of disclosures to financial statement use
preparing fair value measurement disclo
periods in fiscal years beginning after D
impact of this update.

In November 2018, an accounting updat
collaborative arrangement participants a
some guidance on presentation of transa
effective for annual and interim periods
Early adoption is permitted. We are curr

65

2. Revenue Recognition

Effective January 1, 2018, the Company
contracts with customers, using the mod
transition. Under this transition method,
cumulative effect of initially applying th
Retained earnings at January 1, 2018.

For the MC segment, the cumulative eff
Accounts receivable, a decrease to Inver
the cumulative effect of adopting ASC 6
liabilities, and a decrease to Accounts re

The table below presents the cumulative
Consolidated Balance Sheet as the resul

66

Albany International Corp.
Consolidated Balance Sheet
(in thousands, except share and per sh

Assets
Current assets:
Cash and cash equivalents
Accounts receivable, net
Contract assets
Inventories
Income taxes prepaid and receivable
Prepaid expenses and other current asset
Total current assets

Property, plant and equipment, net
Intangibles, net
Goodwill
Deferred income taxes
Noncurrent receivable
Other assets
Total assets

Liabilities
Current liabilities:
Notes and loans payable
Accounts payable
Accrued liabilities
Current maturities of long-term debt
Income taxes payable
Total current liabilities

Long-term debt
Other noncurrent liabilities
Deferred taxes and other liabilities
Total liabilities

Commitments and Contingencies

Shareholders' Equity
Preferred stock, par value $5.00 per shar
authorized 2,000,000 shares; none issue

Class A Common Stock, par value $.001
share; authorized 100,000,000 shares; is
37,395,753 in 2017
Class B Common Stock, par value $.001
share; authorized 25,000,000 shares; issu
outstanding 3,233,998 in 2017
Additional paid-in capital
Retained earnings
Accumulated items of other comprehens
income:
Translation adjustments
Pension and postretirement liability adju
Derivative valuation adjustment
Treasury stock (Class A), at cost; 8,431,
shares in 2017
Total Company shareholders' equity
Noncontrolling interest
Total Equity
Total liabilities and shareholders' equity

67

For periods ending after December 31, 2
commitment from both parties, the right
identified, the contract has commercial s
probable. Revenue is measured based on
customer, and excludes any amounts col
when we satisfy a performance obligatio
series of distinct goods or services, to th
over time, depending on the performanc
a promise in the contract to transfer a dis
account under ASC 606. "Control" refer
all of the remaining benefits from the pr
material distinct performance obligation
performance obligation is satisfied.

In our MC segment, our primary perforn
solution-based, custom-designed fabrics
obligation upon transferring control of t
Contracts with customers in the MC seg
when revenue is recognized. Generally,
received at the location specified by the
under the contract are fulfillment costs,
transferred.

In the MC segment, some contracts with
various product-related services at no ad
material in the context of the contract w
obligation and allocate revenue to those
price. The standalone selling price for th
services offered and an assessment of th
offering. As we typically provide such s
revenue over time. Revenue allocated to
revenue that is recognized over time.

In our AEC segment, we primarily enter
engineered advanced composite product
revenue is from short duration, firm-fixe
containing general terms and conditions
agreement. To determine the proper reve
more orders or contracts should be comb
whether the combined or single contract
This evaluation requires significant judg
or to allocate revenue from the combine
obligations, could have a significant imp

given period. For most AEC contracts, t
obligation) to the customer is to manage
integrating a complex set of tasks and co
often result in the delivery of multiple h

At the inception of a contract, we estima
do not contemplate future modifications
until they become legally enforceable. M
include changes in specifications, requir
existing enforceable rights and obligatio
consider whether to account for the mod
separate contract. Generally, we are able
from the existing contract, due to the sig
interrelated nature of tasks, provided for
Therefore, such modifications are accou

68

part of the existing contract, and we accu
estimates of contract value.

Revenue is recognized over time for a la
contracts have provisions that, under the
the customer over time. Revenue is reco
completion of the performance obligatio
toward completion requires judgment an
provided. We generally use the cost-to-c
depicts the transfer of assets to the custo
contract deliverables. Under the cost-to-
completion is measured based on the rat
completion of the performance obligatio
as costs are incurred. Accounting for lon
estimation, which could be considerably
change. When any adjustments of estima
from prior estimates are included in reve
occurs.

In other AEC contracts, revenue is recog
to multiple customers, or do not have an
shipped or delivered to the location spec

AEC's largest source of revenue is deriv
cost-plus-fee agreement. Beginning in 2
achieving certain cost targets. Revenue i
contract, there is significant judgment in
expected margin, and therefore, in deter

Payment terms granted to MC and AEC
vary with product, competitive conditio

The following table provides a summary

Segment	Reporting Unit

Machine Clothing (MC)	Machine Clothing
Albany Engineered Composites (AEC)	Albany Safran Composites (ASC) Airframe and engine Components (Other AEC)

69

We disaggregate revenue earned from c
segments and reporting units based on t
internal review purposes.

The following table presents disaggrega
recognition:

(in thousands)
Machine Clothing
Albany Engineered Composites
ASC
Other AEC
Total Albany Engineered Composite
Total revenue

The following table disaggregates MC s
machine clothing (PMC) and engineere
which the paper machine clothing was s

(in thousands)
Americas PMC
Eurasia PMC
Engineered Fa
Total Machine

In accordance with ASC 606-10-50-14,
obligations for contracts with an origina
MC segment are generally for periods o
are short duration firm-fixed-price orde

maturity of less than one year. Remainir
that had an original duration of greater t
firm contracts in the AEC segment. Of t
approximately $57 million during 2019,
2021.

70

As a result of applying the cumulative e
to disclose the effect of the new standard
The following tables show the balances
how the consolidated financial statemen

Albany International Corp.
Consolidated Statement of Income
(in thousands, except per share amou

Net sales
Cost of goods sold
Gross profit

Selling, general and administrative expe
Technical and research expenses
Restructuring expenses, net
Operating income

Interest income
Interest expense
Other expense, net
Income before income taxes

Income tax expense
Net income
Net income/(loss) attributable to the noncontrolling interest
Net income attributable to the Company

Earnings per share attributable to Comp
shareholders - Basic

Earnings per share attributable to Comp
shareholders - Diluted

Albany International Corp.
Consolidated Statement of Comprehe
(in thousands)

Net income
Other comprehensive income/(loss), bef
Foreign currency translation adjustment
Pension/postretirement settlements and curtailments
Pension/postretirement plan remeasurem
Amortization of pension liability adjustr
Prior service credit
Net actuarial loss
Payments related to interest rate swaps i earnings
Derivative valuation adjustment

Income taxes related to items of other comprehensive income/(loss):
Pension/postretirement settlements and curtailments
Pension/postretirement plan remeasurem
Amortization of pension liability adjustr
Payments related to interest rate swaps i earnings
Derivative valuation adjustment
Comprehensive income
Comprehensive income/(loss) attributab noncontrolling interest
Comprehensive income attributable to th Company

72

Albany International Corp.
Consolidated Balance Sheet
(in thousands, except share and per sh

Assets
Current assets:
Cash and cash equivalents
Accounts receivable, net
Contract assets
Inventories
Income taxes prepaid and receivable
Prepaid expenses and other current asset
Total current assets

Property, plant and equipment, net
Intangibles, net
Goodwill
Deferred income taxes
Noncurrent receivables
Other assets
Total assets

Liabilities
Current liabilities:
Notes and loans payable
Accounts payable
Accrued liabilities
Current maturities of long-term debt
Income taxes payable
Total current liabilities

Long-term debt
Other noncurrent liabilities
Deferred taxes and other liabilities
Total liabilities

Commitments and Contingencies

Shareholders' Equity
Preferred stock, par value $5.00 per sha
authorized 2,000,000 shares; none issued
Class A Common Stock, par value $.00
share; authorized 100,000,000 shares; is
37,450,329 in 2018 and 37,395,753 in 2
Class B Common Stock, par value $.00
share; authorized 25,000,000 shares; issu
outstanding 3,233,998 in 2018 and 2017
Additional paid-in capital
Retained earnings
Accumulated items of other comprehens
income:
Translation adjustments
Pension and postretirement liability adj
Derivative valuation adjustment
Treasury stock (Class A), at cost; 8,418,
shares in 2018 and 8,431,335 shares in 2
Total Company shareholders' equity
Noncontrolling interest
Total Equity
Total liabilities and shareholders' equity

73

Albany International Corp.

Consolidated Statement of Cash Flow

(in thousands)

Operating Activities
Net income
Adjustments to reconcile net income to n
provided by operating activities:
Depreciation
Amortization
Change in other noncurrent liabilities
Change in deferred taxes and other liabi
Provision for write-off of property, plan
equipment
Non-cash interest expense
Write-off of pension liability adjustment
settlement/curtailment
Compensation and benefits paid or paya
A Common Stock
Changes in operating assets and liabilitie
provided/(used) cash, net of impact of b
acquisition:
Accounts receivable
Contract assets
Inventories
Prepaid expenses and other current asset
Income taxes prepaid and receivable
Noncurrent receivables
Accounts payable
Accrued liabilities
Income taxes payable
Other, net
Net cash provided by operating activitie

Net cash used in investing activities

Net cash used in financing activities
Effect of exchange rate changes on cash
equivalents
Increase in cash and cash equivalents
Cash and cash equivalents at beginning
Cash and cash equivalents at end of year

74

3. Reportable Segments and Geograpl

In accordance with applicable disclosure
information, the internal organization th
decisions and assessing performance is u

The accounting policies of the segments
expenses include wages and benefits for
information systems development and su
other activities. These costs are not alloc
decision-making for these functions lies

Machine Clothing:

The Machine Clothing (MC) segment su
impermeable belts used in the manufactu
several other industrial applications. We
countries across the globe. Our products
MC are substantially the same in each re

We design, manufacture, and market pap
paper, paperboard, tissue and towel) for
of paper. Paper machine clothing produc
technologically sophisticated design tha

Albany Engineered Composites:

The Albany Engineered Composites (Al
LLC (ASC), in which our customer SAF
interest, provides highly engineered, adv
commercial and defense aerospace indus
International's LEAP engine. Under this
of advanced composite fan blades and ca
manufacturing spaces used for the produ
owned by Safran, and leased to the Com

expense is reimbursable by Safran to the
agreement. AEC net sales to Safran were
$88.9 million in 2016. The total of invoi
receivable due from Safran amounted to
2018 and 2017, respectively. Other sign
Boeing 787, and the fan case for the GE
sales were related to U.S. government co

As described in Note 2, effective Januar
606, “Revenue from contracts with custo
Periods prior to 2018 have not been resta
segment, reconciled to consolidated tota

75

(in thousands)	2018
Net Sales	
Machine Clothing	$611,8
Albany Engineered Composites	370,62
Consolidated total	$982,4
Depreciation and amortization	
Machine Clothing	30,813
Albany Engineered Composites	43,205
Corporate expenses	5,018
Consolidated total	$79,03
Operating income/(loss)	
Machine Clothing	169,83
Albany Engineered Composites	16,647
Corporate expenses	(49,07
Operating income	$137,4
Reconciling items:	
Interest income	(2,118
Interest expense	20,242
Other expense, net	4,037
Income before income taxes	$115,2

As described in Note 4, effective Januar
that affects the classification of compon
result of adopting that update, some cost
shall now be included in Other expense,
conform to the current year presentation

The table below presents restructuring c

(in thousands)	**2018**
Restructuring expenses, net	
Machine Clothing	**$12,278**
Albany Engineered Composites	**3,048**
Corporate expenses	**244**
Consolidated total	**$15,570**

In the measurement of assets utilized by
Accounts receivable, Contract assets, No
intangibles and goodwill. At the January
Clothing (MC) assets increased by $22.5
assets decreased by $14.1 million. Exclu
prepaid and other current assets, and cer
operations.

The following table presents assets and c

(in thousands)
Segment assets
Machine Clothing
Albany Engineered Composites
Reconciling items:
Cash
Income taxes prepaid, receivable and d
Other assets
Consolidated total assets
Capital expenditures and purchased s
Machine Clothing
Albany Engineered Composites
Corporate expenses
Consolidated total

In 2018, AEC finalized a modification to
Lake City, Utah, which is accounted for
modification, which includes additional
until December 31, 2029. The lease moc
million to both Property, plant and equip
Balance Sheets. Due to the non-cash nat
amounts reported in the Consolidated St

The following table shows data by geog
operation recording the final sale to the c
Switzerland are derived from products s
various currencies.

(in thousands)
Net sales
United States
Switzerland
France
Brazil
China
Mexico
Other countries
Consolidated total
Property, plant and equipment, at co
United States
China
France
Mexico
Korea
United Kingdom
Canada
Other countries
Consolidated total

4. Pensions and Other Postretirement

Pension Plans

The Company has defined benefit pensi
The U.S. qualified defined benefit pensi
October 1998 and, as of February 2009,
of the freeze, employees covered by the
accrued through February 2009, but no b
U.S. Supplemental Executive Retiremen
similarly frozen. The U.S. pension plan
assets, and 45 percent of consolidated pe
and contribution requirements for plans

The December 31, 2018 benefit obligati
calculated using the RP-2014 mortality t
pension funding purposes, the Company
target, which is determined based on ma

Other Postretirement Benefits

In addition to providing pension benefit
life insurance benefits for certain retired
2005 may become eligible for these ben
for the Company. Benefits provided und
cost of these benefits. Any new employe
under this plan will be responsible for th
changed the cost-sharing arrangement u
are the responsibility of plan participant
for retirees and eliminated the benefit fo

The Company also provides certain post
in Canada. As of December 31, 2018, th
the U.S. and $1.0 million in Canada. Th
benefits during the active service period
plans as claims are paid.

Accounting guidance requires the recog
other postretirement benefit plan. Each c
underfunded plan is recognized as a liab
plans has been combined for both 2018

The Company's pension and postretirem
actuarial valuations that are affected by
assumed discount rate, expected rate of
assumptions is reviewed and updated an
pension plan assets are determined for e
return for assets in that category and exp
simulated future capital market perform

a portfolio of currently available high-qu
matching the expected future payments,
the plan provisions.

Gains and losses arise from changes in t
and experience different from what had
what had been expected. The Company
the average future service of the plan's c
of the greater of the plan's projected ber

78

or market-related value of plan assets. T
determine the expected return on plan as
market-related value for its U.S. plan is
between the actual and the expected retu
of 5 percent of the expected return is add
remainder is added to the market-related

To the extent the Company's unrecogniz
including the amount recognized throug
reduced by future favorable plan experie
periodic cost in future years.

In 2018, the Company adopted the provi
Benefits: improving the presentation of
postretirement benefit cost". This accou
pension and postretirement plans be repo
compensation costs arising from service
Additionally, the other components of n
the income statement separately from th
income from operations. The Company
cost other than the service component in
Statements of Income.

We restated 2017 and 2016 expenses usi
permits the usage of amounts disclosed i
benefit plans footnote as the estimation
requirements. The tables below show th
financial statement line item that resulte

Effect by segment operating expenses

(in thousands)	**Increas expens Decemb**
Machine Clothing	$(44
Albany Engineered Composites	-
Corporate expenses	(2,481
Total operating expenses	$(2,525
Other expense, net	$2,525

Effect by Statement of Income line ite

(in thousands)

Cost of goods sold
Selling, general and administrative expe
Technical and research expenses
Restructuring expenses, net
Total operating expenses

79

The following table sets forth the plan b

(in thousands)	As of Decem Pension plans	 Ot be
Benefit obligation, beginning of year	**$230,911**	**$5**
Service cost	**2,723**	**23**
Interest cost	**7,217**	**2,(**
Plan participants' contributions	**228**	**-**
Actuarial (gain)/loss	**(10,666)**	**(6**
Benefits paid	**(7,814)**	**(3**
Settlements and curtailments	**(13,807)**	**-**
Plan amendments and other	**534**	**-**
Foreign currency changes	**(7,876)**	**(8**
Benefit obligation, end of year	**$201,450**	**$5**
Accumulated benefit obligation	**$193,870**	**$**
Weighted average assumptions used to determine benefit obligations, end of year:		
Discount rate - U.S. plan	**4.41%**	**4.**
Discount rate - non-U.S. plans	**2.93%**	**3.**
Compensation increase - U.S. plan	**-**	**3.**
Compensation increase - non-U.S. plans	**3.02%**	**3.**

The following sets forth information abo

(in thousands)
Fair value of plan assets, beginning of year
Actual return on plan assets, net of expenses

Employer contributions
Plan participants' contributions
Benefits paid
Settlements
Foreign currency changes
Fair value of plan assets, end of year
80

The funded status of the plans was as fo

	As of Dec
(in thousands)	Pension plans
Fair value of plan assets	$178,942
Benefit obligation	201,450
Funded status	$(22,508
Accrued benefit cost, end of year	$(22,508
Amounts recognized in the consolidated balance sheet consist of the following:	
Noncurrent asset	$14,206
Current liability	(2,124
Noncurrent liability	(34,590
Net amount recognized	$(22,508
Amounts recognized in accumulated other comprehensive income consist of:	
Net actuarial loss	$68,110
Prior service cost/(credit)	1,020
Net amount recognized	$69,130

The composition of the net pension plan

(in thousands)	U.
Pension plans with pension assets	$(
Pension plans without pension assets	(6
Total	$(

The net underfunded balance in the U.S.
Retirement Plan.

81

The composition of the net periodic ben
2017, and 2016, was as follows:

	Pension	
(in thousands)	**2018**	
Components of net periodic benefit cost:		
Service cost	**$2,723**	
Interest cost	**7,217**	
Expected return on assets	**(8,873**	**)**
Amortization of prior service cost/(credit)	**34**	
Amortization of net actuarial loss	**2,219**	
Settlement	**2,246**	
Curtailment (gain)/loss	**(752**	**)**
Net periodic benefit cost	**$4,814**	
Weighted average assumptions used to determine net cost:		
Discount rate - U.S. plan	**3.70**	%
Discount rate - non-U.S. plans	**2.83**	%
Expected return on plan assets - U.S. plan	**3.87**	%
Expected return on plan assets - non-U.S. plans	**4.83**	%
Rate of compensation increase - U.S. plan	**-**	
Rate of compensation increase - non-U.S. plans	**3.04**	%

Pretax (gains)/losses on plan assets and
income for the years ended December 3

(in thousands)
Settlements/curtailments
Asset/liability loss/(gain)
Amortization of actuarial (loss)
Amortization of prior service cost/(credit)
Currency impact

Cost/(benefit) in Other comprehensive income

The estimated amounts that will be amo
into net periodic benefit cost in 2019 are

(in thousands)	Total pension	Tot pos ben
Actuarial loss	$2,254	$2,2
Prior service cost/(benefit)	68	(4,4
Total	$2,322	$(2

Investment Strategy

Our investment strategy for pension asse
defined benefit pension plans. Some of o
and, in those arrangements, the Compan
of the funded defined benefit plans is th

82

United States plan:

During 2009, we changed our investmen
adopting a liability-driven investment st
invest in assets that track closely to the d
Accordingly, the plan assets are primaril
reflective of the Company's 2008 decisi

Non-United States plans:

For the countries in which the Company
achieve a competitive, total investment r
asset classes and managing other risks. I
based on specific risks and investment o
class vary from target allocations due to
fluctuations, the length of time it takes t
the timing of benefit payments and contr

Fair-Value Measurements

The following tables present plan assets
fair-value hierarchy, which has three lev
in Note 17. Certain investments that are
practical expedient are not required to b
fair value of these investments is include
value hierarchy to amounts presented in
and 2017, there were no investments exp
NAV.

(in thousands)	**Assets at Fair Value as o** **Quoted prices in active markets Level 1**		**Signif observ Level**
Common Stocks and equity funds	$284	$-	$-
Debt securities	-	78,523	-
Insurance contracts	-	-	2,890
Cash and short-term investments	3,016	-	-
Total investments in the fair value hierarchy	$3,300	$78,523	$2,890
Investments at net asset value:			

Common Stocks and equity funds	4
Fixed income funds	4
Limited partnerships	3
Total plan assets	$

83

(in thousands)	Assets at Fair Value as o Quoted prices in active markets Level 1		Signif observ Level	
Common Stocks and equity funds	$335	$-	$-	$
Debt securities	-	81,363	-	8
Insurance contracts	-	-	2,407	1
Cash and short-term investments	3,253	-	-	1
Total investments in the fair value hierarchy	$3,588	$81,363	$2,407	8
Investments at net asset value:				
Common Stocks and equity funds				1
Fixed income funds				7
Limited partnerships				4
Total plan assets				3

The following tables present a reconcilia
December 31, 2018 and 2017:

(in thousands)	**December 31, 2017**	**Net realized gains**
Insurance contracts -		
Total level 3 assets	$2,407	$-

(in thousands)	**December 31, 2016**	**Net realize**
Insurance contracts -		
Total level 3 assets	$2,238	$-

The asset allocation for the Company's
the target allocation, by asset category, a

	Target Allocation	United Stat Plan Percentage plan assets at plan measureme date	
Asset category		2018	201
Equity securities	**-**	1%	1%
Debt securities	**100%**	94%	95%
Real estate	**-**	4%	4%
Other (1)	**-**	1%	-
	100%	100%	100

(1) Other includes hedged equity and
Company has procedures to closely mon
asset valuations to audited financial state

84

The targeted plan asset allocation is base
viable asset classes, and an analysis of th
characteristics of various investment ass

At the end of 2018 and 2017, the project
and fair value of plan assets for pension
accumulated benefit obligation in excess

(in thousands)	**Plans w projecte benefit in excess o assets 2018**
Projected benefit obligation	**$123,26**
Fair value of plan assets	**86,547**

(in thousands)	**Plans w accumu benefit in excess o assets 2018**
Accumulated benefit obligation	**$120,86**
Fair value of plan assets	**86,062**

Information about expected cash flows f
follows:

(in thousands)	
Expected employer contributions and di payments in the next fiscal year	
Expected benefit payments	
2019	
2020	
2021	
2022	

2023
2024-2028

85

5. Restructuring

In 2017, the Company announced a prop
facility in Sélestat, France. The restructu
balance manufacturing capacity with de
restructuring expense associated with th
total costs for severance and other charg
assurance, at that time, that approval for
approved by the French Labor Ministry
2018, which includes severance and out
were terminated under this plan. Since 2
charges related to this action. As a result
gain of $0.7 million which is recorded i

In 2016, the Company discontinued rese
Sélestat, France as part of a plan to redu
resulted in 2016 expense of $2.2 million
equipment. In 2017 and 2018, we record
$1.0 million respectively, principally rel
employees. Since 2016, we have record
action.

In 2017, the Company initiated work fo
and Rochester, New Hampshire. The 20
$5.0 million and $1.1 million, respective
restructuring charges related to these act

AEC restructuring charges in 2018 inclu
manufacturing processes in Salt Lake Ci
million, and an additional $0.2 million f
from an impairment of related manufact
of that equipment by sale and the impai
that may be recovered in the sale. As of
impairment charge, is included in Prepa
accompanying Consolidated Balance Sh
restructuring charges related to these act

In 2017, the Company decided to discon
components used in the oil and gas indu
business acquired by AEC in 2016. This
$4.5 million for the write-off of intangib
Cost of goods sold for the write-off of i

AEC restructuring expenses in 2016 wer
programs into Boerne, Texas.

In 2015, the Company announced a plan
fabric manufacturing facility in Göpping
$14.8 million from 2015 to 2017, includ
was driven by the Company’s need to ba
2017, we recorded additional restructuri
respectively, principally related to the fi

86

The following table summarizes charges
under “Restructuring expenses, net”:

Year ended December 31, 2018 **(in thousands)**	**Total restru costs**
Machine Clothing	$12,2
Albany Engineered Composites	3,048
Corporate expenses	244
Total	$15,5

Year ended December 31, 2017 **(in thousands)**	**Total restr costs**
Machine Clothing	$3,42
Albany Engineered Composites	10,06
Corporate expenses	-
Total	$13,4

Year ended December 31, 2016 **(in thousands)**	**Total restr costs**
Machine Clothing	$6,13
Albany Engineered Composites	2,314
Corporate expenses	(7
Total	$8,43

We expect that approximately $5.5 milli
31, 2018 will be paid within one year an
year. The table below presents the chang
which related to termination costs:

(in thousands)	**December 31, 2017**	**Res char accr**
Total termination and other costs	$3,326	$13,

(in thousands)

	December 31, 2016	**Res cha acc**
Total termination and other costs	$5,559	$7,

87

6. Other Expense, net

The components of Other Expense, net,

(in thousands)
Currency transactions
Bank fees and amortization of debt issua
Pension settlements and curtailments
Components of net periodic pension and
than service
Gain on insurance recovery
Loss due to theft
Other
Total
In 2018, the Company adopted the provi
the components of net periodic pension
to be reported separately from the servic
Company elected to report other compo
Other expense, net. The comparative co
by this update. Additional detail of this

In 2018, the Company took actions to se
plan liabilities, which resulted in a settle

In 2018, the Company recorded a pensio
restructuring in Sélestat, France.

In 2016, the Company had a loss due to
In September 2017, the Company record
that incident.

88

7. Income Taxes

The following tables present component
income taxes on continuing operations:

(in thousands)	**2018**	**2017**	**20**
Income tax based on income from continuing operations, at estimated tax rates of 31%, 32%, and 35%, respectively	**$36,044**	$17,519	$
Income tax before discrete items	**36,044**	17,519	2
Discrete tax expense(benefit):			
Net impact of mandatory deemed repatriation	**(1,003)**	5,758	-
Provision for/resolution of tax audits and contingencies, net	**1,286**	1,329	(2
Adjustments to prior period tax liabilities	**(1,284)**	(840)	5
Provision for/adjustment to beginning of year valuation allowances	**(4,882)**	(3,522)	(8
Enacted tax legislation	**2,067**	1,879	1
Total income tax expense	**$32,228**	$22,123	$2

(in thousands)	201
Income/(loss) before income taxes:	
U.S.	$41
Non-U.S.	73,
	$11
Income tax provision	
Current:	
Federal	$30
State	4,9
Non-U.S.	21,
	$26
Deferred:	
Federal	$10
State	(33
Non-U.S.	(4,9
	$5,
Total income tax expense	$32

The significant components of deferred

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

89

A reconciliation of the U.S. federal statu
is as follows:

U.S. federal statutory tax rate
State taxes, net of federal benefit
Non-U.S. local income taxes
U.S. permanent adjustments
Foreign permanent adjustments
Foreign rate differential
Net U.S. tax on non-U.S. earnings and f
Provision for/resolution of tax audits an
Research and development and other ta
Provision for/adjustment to beginning o
Enacted tax legislation and rate change
Return to provision and other adjustmen
Effective income tax rate

The Company has operations which con
United States. The majority of these cou
States federal tax rate of 21% during 20
significant component of the Company's
component is influenced by the specific
Company's total earnings. From period
result of operating fluctuations in the no
location of other income and expense ite
charges. The foreign income tax rate dif
the effective tax rate includes the differe
statutory tax rate of 21% and the expens
apply in the jurisdictions where the inco

During the periods reported, income out
(blended 34% tax rate), China (25% tax
foreign income tax rate differential was

On December 22, 2017, the U.S. Tax Cu
law. The Tax Reform Act significantly r
other things, lowering the U.S. corporate
while also repealing the deduction for d
tax system, imposing a transition tax on
creating new taxes on certain foreign-so
income (GILTI) and creating the foreign
GAAP requires that the impact of tax le
was enacted.

In December 2017, the Securities and E
Bulletin No. 118 (SAB 118), which add
when a company does not have the nece
(including computations) in reasonable
changes in the Tax Reform Act. The me

prepared and analyzed the information n
beyond one year. The Company elected
SAB 118. As of December 31, 2018, the
effects of the Tax Reform Act was comp
Company recognized adjustments of $(0
December 31, 2017 and included these a
continuing operations.

90

Deferred tax assets and liabilities: At De
deferred tax assets and liabilities based o
certain aspects of the Tax Reform Act an
ended December 31, 2018, the Company
is included as a component of income ta

Foreign tax effects: At December 31, 20
charge due to the transition tax on deem
Company had not yet completed its enac
recorded a net $1.0 million reduction to
adjustment was comprised of a $1.1 mil
discovered while analyzing the post 198
$0.1 million state tax charge based on in
year on how the deemed mandatory repa
changes to 2017 enactment-date provisio
0.9%.

The Company continues to believe that t
apply. The Company currently makes pa
manufacturing services and contract rese
manufacturing costs are excluded from B
expenses. The contract research and dev
However, the Company exceeds the gro
Base Erosion percentage requirement. T
provisions. As such, no adjustments hav
statements.

The Company has elected to account for
incurred (the "period cost method"). The
(including the gross up on the GILTI Inc
Company has also generated apportione
the amount of $2.4 million. Overall, the
increased the effective tax rate by 2.3%.
intangible income FDII deduction of $3.
0.6%.

Other federal tax: As a result of the Tax
(AMT) was repealed. In addition, tax pa
tax liability may have the credits refunde
$1.3 million of AMT credit carryforward
receivable.

Deferred income taxes reflect the net tax
amounts of certain assets and liabilities f
purposes. Significant components of the
follows:

91

(in thousands)	U.S 201
Noncurrent deferred tax assets:	
Accounts receivable	$6
Inventories	4
Deferred compensation	4,4
Depreciation and amortization	-
Postretirement benefits	1
Tax loss carryforwards	1,1
Tax credit carryforwards	3
Other	5,8
Noncurrent deferred tax assets before valuation allowance	5
Less: valuation allowance	-
Total noncurrent deferred tax assets	5
Total deferred tax assets	$5
Noncurrent deferred tax liabilities:	
Unrepatriated foreign earnings	
Depreciation and amortization	
Deferred gain	
Other	
Total noncurrent deferred tax liabilities	
Net deferred tax liabilities	
Net deferred tax asset	

Deferred income tax assets, net of valua
reversal of existing taxable temporary di
Company recorded the following mover
in a valuation allowance due to a net red
decrease due to the elimination of previo
decrease due to the effect of the changes

At December 31, 2018, the Company ha
operating loss carryforwards, for which
with expiration dates ranging from one y
taxable income. The Company believes
these net operating loss carryforwards w
recorded a valuation allowance of $7.8 r
management has evaluated its ability to
various carryforward periods and has co
able to utilize the remaining non-U.S. ta
carryforward is approximately $19.4 mi
subject to various business apportionme
utilized. In addition, the Company had a

million that will begin to expire in 2020
carryforwards of $6.2 million and $1.2 r

The Company reported a U.S. net deferr
which contained $31.7 million of tax att
cumulative book income

92

position for the three-year period ending
ability to utilize these tax attributes durin
profits from operations, available tax ele
not will generate income of sufficient ch
Accordingly, no valuation allowance has

The Company records the residual U.S.
that have been targeted for repatriation t
indefinitely reinvested, and the Compan
they cannot be repatriated in a tax-free n
$82.4 million of current year and prior y
these earnings were distributed, the Com
$3.0 million and state income taxes of $

The accumulated undistributed earnings
repatriation to the U.S. were approximat
indefinitely invested in foreign operation

No additional income taxes have been p
December 31, 2018. If these earnings we
taxes and additional foreign withholding
deferred tax liability related to any addit
practical.

The following table provides a reconcili
unrecognized tax benefits, all of which,

(in thousands)	2018		2017	
Unrecognized tax benefits balance at January 1st	**$4,509**		$4,183	
Increase in gross amounts of tax positions related to prior years	**2,008**		480	
Decrease in gross amounts of tax positions related to prior years	**(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	**(479**	)	(29	

Currency translation	**(264**)	306
Unrecognized tax benefits balance at December 31	**$3,790**	$4,509

The Company recognizes interest and pe
global operations as a component of inco
penalties related to the unrecognized tax
2018, 2017, and 2016. As of December
approximately $0.1 million, $0.4 million
penalties related to unrecognized tax ben

The Company conducts business globall
federal jurisdiction and various state and
the Company is subject to examination b
major jurisdictions such as the United St
and Switzerland. The open tax years in t
Company is currently under audit in non
Canada, and Italy. In 2018, the Company
settlements.

93

As of December 31, 2018, and 2017, cu
the following:

(in thousands)	2018	2017
Prepaid taxes	**$ 4,859**	$ 4,872
Taxes receivable	**2,614**	1,394
Total current income taxes prepaid and receivable	**$ 7,473**	$ 6,266

As of December 31, 2018, and 2017, no
the following:

(in thousands)
Deferred income taxes
Other liabilities
Total noncurrent deferred taxes and othe
Taxes paid, net of refunds, amounted to
million in 2016.

8. Earnings Per Share

The amounts used in computing earning
of potentially dilutive securities are as fo

(in thousands, except market price an

Net income attributable to the Company

Weighted average number of shares:

Weighted average number of shares us
calculating basic net income per share

Effect of dilutive stock-based compens

Stock options

Long-term incentive plan

Weighted average number of shares use
calculating diluted net income per share

Average market price of common stock
for calculation of dilutive shares

Net income per share:

Basic

Diluted

Shares outstanding, net of treasury share
million as of December 31, 2017, and 32

94

9. Accumulated Other Comprehensiv

The table below presents changes in the
December 31, 2018:

(in thousands)	Translation adjustments
January 1, 2016	$(**108,655**
Other comprehensive income/(loss) before reclassifications	(24,643
Pension/postretirement settlements and curtailments	
Pension/postretirement plan remeasurement	
Interest expense related to swaps reclassified to the Statements of Income, net of tax	
Pension and postretirement liability adjustments reclassified to Statements of Income, net of tax	
Net current period other comprehensive income	(24,643
December 31, 2016	**(133,298**
Other comprehensive income/(loss) before reclassifications	45,980
Pension/postretirement plan remeasurement	
Interest expense related to swaps reclassified to the Statements of Income, net of tax	
Pension and postretirement liability adjustments reclassified to Statements of Income, net of tax	
Net current period other comprehensive income	45,980
December 31, 2017	**(87,318**
Other comprehensive income/(loss) before reclassifications	(28,658

Pension/postretirement settlements and curtailments	
Pension/postretirement plan remeasurement	
Interest expense related to swaps reclassified to the Statements of Income, net of tax	
Pension and postretirement liability adjustments reclassified to Statements of Income, net of tax	
Net current period other comprehensive income	(28,658
December 31, 2018	**$(115,976**

The components of our Accumulated Ot
Statement of Income relate to our pensio

The table below presents the expense/(in
Statement of Income that were affected

95

(in thousands)
Pretax Derivative valuation reclassified
Comprehensive Income:
Expense related to interest rate swaps in
before taxes (a)
Income tax effect
Effect on net income due to items reclas
Other Comprehensive Income

Pretax pension and postretirement liabili
Accumulated Other Comprehensive Inc
Pension/postretirement settlements and
Amortization of prior service credit
Amortization of net actuarial loss
Total pretax amount reclassified (b)

Income tax effect
Effect on net income due to items reclas
Other Comprehensive Income

(a) Included in interest expense are payn
amortization of swap buyouts (see Note

(b) These accumulated other comprehen
computation of net periodic pension cos

10. Noncontrolling Interest

Effective October 31, 2013, Safran S.A.
Albany subsidiary, Albany Safran Comp
agreements, ASC will be the exclusive s
parts for use in aircraft and rocket engin
braking systems (the "Safran Applicatio
advanced 3D-woven composite parts fo
3D-woven composite parts for any aeros
as airframe applications) and any non-ae

The agreement provides Safran an optio
upon the occurrence of certain bankrupt
Engineered Composites business is sold
based initially on the same valuation of
interest, and increases over time as LEA

In accordance with the operating agreem
ASC which includes a preferred return b
common shares of ASC are owned 90 p

The table below presents a reconciliation
and noncontrolling equity in the Compa
impact of transitioning to ASC 606:

96

(in thousands, except percentages)
Net income/(loss) of ASC
Less: Return attributable to the Compan
Net income/(loss) of ASC available for
Ownership percentage of noncontrolling
Net income/(loss) attributable to noncon
Noncontrolling interest, beginning of ye
ASC 606 transition effect
Net income/(loss) attributable to noncon
Changes in other comprehensive income interest
Noncontrolling interest, end of year

11. Accounts Receivable

As of December 31, 2018 and 2017, Ac

(in thousands)	D 2
Trade and other accounts receivable	$
Bank promissory notes	1
Revenue in excess of progress billings	
Allowance for doubtful accounts	
Total accounts receivable	$

As of December 31, 2018 and Decembe following:

(in thousands)	**December 31, 2018**	**D 2**
Noncurrent receivables	**$45,061**	$

12. Contract Assets and Liabilities

Contract assets and Contract liabilities a position on a contract-by-contract basis contract liabilities were as follows:

(in thousands)	**December 31, 2018**	**Decem 2017**
Contract assets	**$57,447**	$ -
Contract liabilities	**9,025**	-

Contract assets increased $10.0 million
to the January 1, 2018 opening balance s
2). The increase was primarily due to an
of performance obligations, in excess of

97

the amounts billed to customers. There v
during the year ended December 31, 201

Contract liabilities increased $5.8 millio
compared to the January 1, 2018 openin
606, primarily due to increased billings
for the year ended December 31, 2018, t
beginning of the year was $3.2 million, a
units.

13. Inventories

As of December 31, 2018 and 2017, inv

(in thousands)	December 31, 2018		Decem 2017
Raw materials	**$40,489**		$42,21
Work in process		**33,181**	
Finished goods		**12,234**	
Total inventories	**$85,904**		$136,5

98

14. Property, Plant and Equipment

The table below sets forth the componen
2018 and 2017:

(in thousands)

Land and land improvements

Buildings

Machinery and equipment

Furniture and fixtures

Computer and other equipment

Software

Capital expenditures in progress

Property, plant and equipment, gross

Accumulated depreciation and amortization

Property, plant and equipment, net

Depreciation expense was $68.8 million
2016. Software amortization is recorded
$3.2 million in 2018, $3.6 million in 20

Capital expenditures, including purchas
in 2017, and $73.5 million in 2016. Una
million as of December 31, 2018 and 20
repairs are charged to income as incurre
in 2017, and $16.6 million in 2016.

Included in Buildings in the above table
facility in Salt Lake City, Utah, which is
sale-leaseback. As described in Note 3,
which includes additional manufacturing
December 31, 2029 and resulted in an in
equipment, net (see discussion of Financ

15. Goodwill and Other Intangible As

Goodwill and intangible assets with inde
impairment at least annually. Goodwill r
value of the net tangible and identifiable
combination. Our reportable segments a

99

Determining the fair value of a reporting
assumptions, including revenue growth
market conditions, among others. Goodw
impairment whenever events, such as sig
changes in product offerings, or other ci
be recoverable.

To determine fair value, we utilize two
Under the market-based approaches, we
publicly available industry information t
Under the income approach, we determi
each reporting unit, discounted by an est
the overall level of inherent risk of a rep
would expect to earn.

In the second quarter of 2018, the Comp
performing its annual evaluation of good
required. There were no amounts at risk
values, of each reporting unit.

In the third quarter of 2017, the Compan
hydraulic fracturing components used in
aerostructures business acquired by AEC
non-cash write-off of intangibles to restr
in the table below for intangible assets a
carrying value of intangible assets assoc
anticipated cash flows and the Company
line to have no fair value as of Septembe
management performed an interim asses
allocable to the Bear Claw® product line

We are continuing to amortize certain pa
assets that have finite lives. The changes
2016 to December 31, 2018, were as fol

(in thousands, except for years)	**Amortization life in years**	**Balance a Decembe 31, 2017**
Amortized intangible assets:		
AEC trade names	15	$15
AEC technology	15	80
	6	12,369

AEC customer contracts		
AEC customer relationships	15	42,767
AEC other intangibles	5	210
Total amortized intangible assets		$55,441
Unamortized intangible assets:		
MC Goodwill		$71,066
AEC Goodwill		95,730
Total amortized intangible assets		$166,796

100

(in thousands, except for years)	Amortization life in years	Balance at December 31, 2016
Amortized intangible assets:		
AEC trade names	15	$20
AEC technology	15	104
AEC customer contracts	6	17,8
AEC customer relationships	15	47,00
AEC other intangibles	5	1,46
Total amortized intangible assets		$66,454
Unamortized intangible assets:		
MC Goodwill		$64,645
AEC Goodwill		95,73
Total amortized intangible assets		$160,375

As of December 31, 2018, the gross car
amortized intangible assets was $66.7 m

Amortization expense related to intangi
Income as follows: $2.9 million in Cost
administrative expenses in 2018; $3.3 m
general and administrative expenses in 2
million in Selling, general and administr
of intangibles for the years ending Dece

Year	Annual amortization (in thousands)

2019	$6,235	
2020		6,235
2021		6,163
2022		3,949
2023		3,228
101		

16. Accrued Liabilities

Accrued liabilities consist of:

(in thousands)
Salaries and wages
Accrual for compensated absences
Employee benefits
Workers' compensation
Pension liability - current portion
Postretirement medical benefits - curren
Returns and allowances
Contract liabilities
Billings in excess of revenue recognized
Contract loss reserve
Professional fees
Utilities
Dividends
Restructuring costs
Interest
Other
Total

The increase in Accrued liabilities in 20
was in part due to the cumulative effect
increased Contract loss reserves by $14.
accruals by $1.6 million.

102

17. Financial Instruments

Long-term debt, principally to banks and

(in thousands, except interest rates)

Revolving credit agreement with borrowings outstanding at an end of period interest rate of 3.69% in 2018 and 3.40% in 2017 (including the effect of interest rate hedging transactions, as described below), due in 2022

Finance obligation

Long-term debt

Less: current portion

Long-term debt, net of current portion

Principal payments due on long-term de
$1.9 million, 2022, $501.1 million, 2023
of interest amounted to $18.8 million in

On November 7, 2017, we entered into a
Facility Agreement (the "Credit Agreem
Agreement, entered into on April 8, 201
$499 million of borrowings were outstan
rate for borrowings was LIBOR plus a s
borrowing. At the time of the last borrow
The spread was based on a pricing grid,
leverage ratio. Based on our maximum l
without modification to any other credit
been able to borrow an additional $186 r

The Credit Agreement contains customa
covenants and events of default that are
Borrowings are guaranteed by certain of

Our ability to borrow additional amount
absence of any defaults, as well as the a
Credit Agreement).

In September 2018, we finalized a modi
facility in Salt Lake City, Utah, which is
sale-leaseback. The original lease agreem
2022 and an implied interest rate of 5.0%

manufacturing space, retains the same ir
period until December 31, 2029. The fol
payments under the finance obligation a
December 31, 2018.

103

Years ending December 31,	(i
2019	$
2020	
2021	
2022	
2023	
Thereafter	
Total minimum payments	
Less: Amount representing interest	
Present value of minimum payments	$

On November 27, 2017, we terminated o
on May 9, 2016, that had effectively fix
borrowings, in order to enter into a new
the same maturity as the Credit Agreem
agreements were terminated and that pa
March 2021.

On May 6, 2016, we terminated other in
the interest rate on $120 million of revol
interest rate swap with a greater notiona
Agreement. We paid $5.2 million to term
amortized into interest expense through

On November 28, 2017, we entered into
18, 2017 through October 17, 2022. The
portion of the effective interest rate (bef
indebtedness drawn under the Credit Ag
the terms of these transactions, we pay t
floating rate based on the one-month LI
December 17, 2018 was 2.46%, during t
on the $350 million of debt was 3.61%.

These interest rate swaps are accounted
in Note 18. No cash collateral was recei

Under the Credit Agreement, we are cur
in the agreement) of not greater than 3.7
including) September 30, 2019, and 3.50
September 30, 2019, and minimum inte

As of December 31, 2018, our leverage
was 11.59 to 1.00. We may purchase ou
leverage ratio remains at or below 3.50 t
our leverage ratio does not exceed the li

Indebtedness under the Credit Agreeme
senior debt.

We were in compliance with all debt co

104

18. Fair-Value Measurements

Fair value is defined as the exchange pri
a liability (an exit price) in the principal
an orderly transaction between market p
principles establish a hierarchy for input
observable inputs and minimizes the use
observable inputs be used when availabl
asset or liability, and include situations i
asset or liability. We had no Level 3 fina
December 31, 2017.

The following table presents the fair-val
non-financial assets and liabilities, whic

(in thousands)	Dece Quot price activ mark (Leve
Fair Value	
Assets:	
Cash equivalents	$14,
Other Assets:	
Common stock of unaffiliated foreign public company (a)	
Interest rate swaps	

(a) Original cost basis $0.5 million.
(b) Net of $32.0 million receivable floati
(c) Net of $34.9 million receivable floati

Cash equivalents include short-term secu
tradable. These securities are valued usi
securities.

The common stock of the unaffiliated fo
exchange. The shares are measured at fa
the Consolidated Balance Sheets as Oth
reported in the Consolidated Statements

We operate our business in many region
significant effect on operating results. Fo
periodically, and consist of foreign curre
valued using quoted prices in active mar

instruments are measured using market f
Consolidated Balance Sheets as Other cu
Changes in fair value of these instrumen
net.

When exercised, the foreign currency in
institution that bought or sold them. For
there is risk from the possible inability o
contracts and the risk of unfavorable cha

105

currency rates, which may reduce the va
evaluating the creditworthiness of count
interest rate markets while reviewing the
our internal guidelines and policies.

Changes in exchange rates can result in
general and administrative expenses or C
when our business units have cash, inter
trade (recorded in Selling, general and a
in a currency other than their local repor

Operating results can also be affected by
subsidiary, from the local functional cur
Consolidated Statements of Income is de
non-U.S. currency in which we do busin
a particular currency exceed expenses pa
opposite is true.

The interest rate swaps are accounted fo
interest rate swaps are derived from a di
contract and the interest rate curve, and
liabilities in the Consolidated Balance S
through the caption Derivative valuation
Consolidated Balance Sheets, to the exte
31, 2018, these interest rate swaps were
cash flow risk. Any gains and losses rela
recognized in the current period in earni
income are reclassified as Interest expen
hedged forecasted transactions), and am
Interest expense related to payments und
2018, \$0.8 million in 2017 and \$1.9 mil
expense/(income) related to the amortiza
\$0.7 million in 2017, and is expected to

Gains/(losses) related to changes in fair
Other expense, net in the Consolidated S

(in thousands)

Derivatives not designated as hedging in
Foreign currency options gains/(losse
106

19. Other Noncurrent Liabilities

As of December 31, 2018 and 2017, Oth

(in thousands)

Pension liabilities
Postretirement benefits other than pensio
Obligations under license agreement
Incentive and deferred compensation
Restructuring
Other
Total

20. Commitments and Contingencies

Principal leases are for machinery and e
contain renewal and purchase option pro
$5.5 million in 2018, $4.9 million in 201

Future rental payments required under o
non-cancelable lease terms in excess of
million; 2020, $3.2 million; 2021, $2.1 r
$6.5 million.

Asbestos Litigation

Albany International Corp. is a defendan
by plaintiffs who allege that they have s
asbestos-containing paper machine cloth
from 1967 to 1976 and used in certain p

We were defending 3,684 claims as of D

The following table sets forth the numbe
dismissed or otherwise resolved, and the
presented:

Year ended December 31,	Opening Number of Claims	Claims Dismissed, Settled, or Resolved
2013	4,463	230
2014	4,299	625
2015	3,821	116
2016	3,791	148
2017	3,745	105
2018	**3,730**	**152**

We anticipate that additional claims will
the future, but are unable to predict the r
that information sufficient to meaningfu
is typically not available until late in the
estimate can be made regarding the rang
claims and therefore are unable to estim
amounts already accrued for pending or

107

While we believe we have meritorious d
for amounts we consider reasonable giv
insurance carrier has defended each case
rights. As of December 31, 2018 we had
claims. The total cost of resolving all cla
was paid by our insurance carrier, who h
of remaining coverage under primary an
to current and future asbestos claims.

The Company's subsidiary, Brandon Dr
in many of the asbestos cases in which A
manufactured any fabrics containing asb
claims as of December 31, 2018, only te
1, 2012, and no settlement costs have be
Company in 1999, and has its own insur
2004, Brandon's insurance carriers have
subject to policy limits and a standard re

In some of these asbestos cases, the Con
"successor in interest" to Mount Vernon
Mount Vernon in 1993. Certain plaintiff
alleged to have been sold by Mount Ver
is contractually obligated to indemnify t
products. We deny any liability for prod
the Mount Vernon assets. Pursuant to its
has assumed the defense of these claims
dismissal in a number of actions.

We currently do not anticipate, based on
resolution of the aforementioned procee
position, results of operations, or cash fl
number and timing of future claims, bas
against us, and available insurance, we a
claims will have a material adverse effe
flows.

21. Stock Options and Incentive Plans

We recognized no stock option expense
remaining unvested options for which st
future periods.

There have been no stock options grante
plan under which options may be grante
2011 incentive plan. Options issued und
in five cumulative annual amounts begin
prices were normally equal to and were
date of grant. Unexercised options gene
plans, and must be exercised within ten

Activity with respect to these plans is as

	2
Shares under option January 1	2
Options canceled	-
Options exercised	1
Shares under option at December 31	1
Options exercisable at December 31	1

108

The weighted average exercise price is a

	2018
Shares under option January 1	$18
Options canceled	-
Options exercised	19.
Shares under option December 31	17.
Options exercisable December 31	17.

As of December 31, 2018, the aggregate
aggregate intrinsic value of options exer
and $0.5 million in 2016.

Executive Management share-based c

In 2011, shareholders approved the Alba
awards were granted through 2017. The
provide key members of management w
performance targets over a three year pe
in shares of Class A Common Stock. Pa
income taxes. In March 2018, we issued
million. In March 2017, we issued 25,89
In March 2016, we issued 26,146 shares
person terminates employment prior to t
all or a portion of the incentive compens
when the awards are approved each year
share-based portion of the award. Expen
three year vesting period. In connection
2018, $2.6 million in 2017 and $2.7 mil
on performance after 2018, we expect to
approximately $0.2 million in 2019.

During 2016 and 2017, the Company ha
whereby 40 to 50 percent of the earned i
shares of Class A Common Stock. Partic
income taxes. In March 2018, the Comp
totaling $1.4 million as a result of perfor
18,784 shares and made cash payments
In March 2016, the Company issued 26,
million as a result of performance in 201
is determined by an average share price
plan was $2.6 million in 2017, and $3.3

In 2017, shareholders approved the Alba
provides key members of management w
performance targets. Awards can be paid
other stock-based or incentive compensa
to receive shares net of applicable incom

this plan, with a performance period of c
Awards that were granted in 2018 with a
scheduled in March 2021. If a participan
fully vested, the person may forfeit all o
grant date share price is determined whe
used for measuring the cost for the share

109

associated with these awards is recogniz
which is generally one to three years.

In connection with this plan, we recogni
awards that are dependent on performan
compensation expense of approximately
payable under these plans generally vest

As of December 31, 2018, there were 1,
payment of awards under these plans. In
below:

Shares potentially payable at January 1,
Forfeitures
Payments
Shares accrued based on 2016 performa
Shares potentially payable at December
Forfeitures
Payments
Shares accrued based on 2017 performa
Shares potentially payable at December
Forfeitures
Payments
Shares accrued based on 2018 performa
Shares potentially payable at December

Other Management share-based compen

In 2012, the Company adopted a Phanto
over a five-year period and are paid annu
Company's stock. Under this program, e
based on the Company's results in the y
amounted to $4.8 million in 2018, $4.9 r
awards outstanding at December 31, 201
compensation cost from 2019 to 2022. T
is approximately 2 years.

The determination of compensation expe
plans is based on the number of outstand
Company performance. Information wit

110

Share units potentially payable at Januar
Grants
Changes due to performance
Payments
Forfeitures
Share units potentially payable at Decem
Grants
Changes due to performance
Payments
Forfeitures
Share units potentially payable at Decem
Grants
Changes due to performance
Payments
Forfeitures
Share units potentially payable at Decem

In 2018, the Company granted restricted
compensation expense is subject to chan
recorded in Selling, general, and admini
these grants will occur in various period
grants was $0.5 million in 2018. Based o
to record approximately $1.8 million of

The Company maintains a voluntary sav
United States. The Plan, known as the P
section 401(k) of the U.S. Internal Reve
between 50 percent and 100 percent of e
investment of employee contributions to
plan amounted to $6.3 million in 2018, $

The Company's profit-sharing plan cove
the close of each year, the Board of Dire
contribution. Company contributions to
for this plan was $3.2 million in 2018, $

111

22. Shareholders' Equity

We have two classes of Common Stock,
each with a par value of $0.001 and equa
Stock is entitled to one vote on all matte
Common Stock is entitled to ten votes. C
dividends as the Board of Directors may
Stock is convertible into an equal numbe
December 31, 2018, 3.3 million shares o
conversion of Class B Common Stock a

In August 2006, we announced that the
up to 2 million additional shares of our C
management to purchase shares from tin
believes such purchase to be advantaged
permitted to do so. We have made no sh
Activity in Shareholders' equity for 201

	Class A		**Clas**
	Common Stock		**Com**
(in thousands)	**Shares**	**Amount**	**Shar**
January 1, 2016	37,239	$37	3,23
Net income	-	-	-
Compensation and benefits paid or payable in shares	53	-	-
Options exercised	26	-	-
Shares issued to Directors'	1	-	(1
Dividends declared	-	-	-
Cumulative translation adjustments	-	-	-
Pension and postretirement liability adjustments	-	-	-
Derivative valuation adjustment	-	-	-
	37,319	$37	3,23

December 31, 2016			
Net income	-	-	-
Compensation and benefits paid or payable in shares	44	-	-
Options exercised	33	-	-
Shares issued to Directors'	-	-	-
Dividends declared	-	-	-
Cumulative translation adjustments	-	-	-
Pension and postretirement liability adjustments	-	-	-
Derivative valuation adjustment	-	-	-
December 31, 2017	37,396	$37	3,23
Net income	-	-	-
Adoption of accounting standards (a),(b)	-	-	-
Compensation and benefits paid or payable in shares	44	-	-
Options exercised	10	-	-
Shares issued to Directors'	-	-	-
Dividends declared	-	-	-
Cumulative translation adjustments	-	-	-
Pension and postretirement liability adjustments	-	-	-

Derivative valuation adjustment	-	-	-
December 31, 2018	37,450	$37	3,23

112

(a) As described in Note 2, the Compan
resulted in a decrease to Retained earnin
Noncontrolling interest.

(b) As described in Note 7, the Compan
which resulted in a $0.5 million increas

23. Business Acquisition

On April 8, 2016, the Company acquire
composite aerostructures business for ca
liabilities. The Company funded the cas
million, unsecured credit facility agreem
The seller provided representations, wa
transactions, including indemnities for c
acquired entity is part of the AEC segm

There were no changes subsequent to 2
year of acquisition. The following table
fair value of the assets and liabilities ac

(in thousands)	
Assets acquired	
Accounts receivable	
Inventories	
Prepaid expenses and other current asse	
Property, plant and equipment	
Intangibles	
Goodwill	
Total assets acquired	
Liabilities assumed	
Accounts payable	
Accrued liabilities	
Finance obligation	
Deferred income taxes	
Other noncurrent liabilities	
Total liabilities assumed	
Net assets acquired	

Goodwill of $95.7 million reflects that t
experience and manufacturing capabilit
growth. The goodwill is non-deductible

The following table presents operationa
Consolidated Statements of Income (un

113

(in thousands, except per share amou
Net sales
Operating loss
Loss before income taxes
Net loss attributable to the Company
Loss per share:
Basic
Diluted:

The Consolidated Statements of Income
only the period subsequent to the closin
table shows total company pro forma st
acquisition had occurred as of January 1

(in thousands, except per share amounts
Combined Net sales
Combined Income before income taxes
Pro forma increase/(decrease) to income
Acquisition expenses
Interest expense related to purchase pr
Acquisition accounting adjustments:
Depreciation and amortization on pro intangible assets
Valuation of contract inventories
Interest expense on fiinance obligation
Interest expense on other obligations
Pro forma Income before income taxes
Pro forma Net Income attributable to th

24. Quarterly Financial Data (unaudi

Presented below is certain unaudited qu
continuing operations for each of the qu
2016. The information has been prepare
consolidated financial statements contai
may vary from our quarterly earnings re
of operations for any quarter are not nec
future period.

Revision to 2018 quarterly financial d

In the fourth quarter of 2018, the Compa
with customers, implementation issues i
errors in certain reported segment and co
including Net sales and Net income - fo
are tables reflecting the revised amounts
showing amounts originally reported fo

(in millions, except per share amounts
2018
Net sales
Machine Clothing
Albany Engineered Composites
Total

Gross profit
Machine Clothing
Albany Engineered Composites
Corporate expenses
Total

Operating income
Machine Clothing
Albany Engineered Composites
Corporate expenses
Total

Net income attributable to the Compa
Basic earnings per share
Diluted earnings per share
Cash dividends per share
Class A Common Stock prices:
High
Low
115

2017
Net sales
Gross profit
Net income attributable to the Company
Basic earnings per share
Diluted earnings per share
Cash dividends per share
Class A Common Stock prices:
High
Low

2016
Net sales
Gross profit
Net income attributable to the Company
Basic earnings per share
Diluted earnings per share
Cash dividends per share
Class A Common Stock prices:
High
Low

In 2018, restructuring charges reduced e
the second quarter, $0.06 in the third qu
primarily related to the closure of the M
certain manufacturing processes in Salt

In 2018, discrete income tax adjustment
the first quarter, $0.12 in the second qua
quarter.

In 2017, restructuring charges reduced e
the second quarter, $0.11 in the third qu
recognized in the third quarter was prim
exit a discontinued product line.

In 2017, discrete income tax adjustment
the first quarter, ($0.02) in the second qu
fourth quarter. The amount recognized i
tax laws.

In 2017, we recorded a write-off of inve
of 2017. The write-off (decreased)/incre
and $0.01 in the fourth quarter.

In 2016, restructuring charges reduced e
the second quarter, $0.01 in the third qu

In 2016, we recorded measurement peri
occurred in the second quarter of 2016.
share by $0.03 in the third quarter, and $
acquisition transaction reduced earnings

116

share by $0.03 in the first quarter, $0.08
$0.00 in the fourth quarter.

In 2016, discrete income tax adjustment
quarter, $0.00 in the second quarter, $0.0

The Company's Class A Common Stock
As of December 31, 2018, there were ov
stock, including employees owning shar
plan.

117

As described above, in the fourth quarte
reports for the first three quarters of 201
reported, the amount of the error, and th
accounts.

(in millions, except per share amounts)	1st qua As previou reporte
Machine Clothing segment	
Net sales	$148.2
Gross profit	70.2
Operating income	30.8
Total Company	
Net income attributable to the Company	10.2
Basic earnings per share	0.32
Diluted earnings per share	0.32

(in millions, except per share amounts)	3rd qua As previou reporte
Machine Clothing segment	
Net sales	$159.0
Gross profit	79.4
Operating income	50.3
Total Company	
Net income attributable to the Company	28.2
Basic earnings per share	0.87
Diluted earnings per share	0.87

Item 9. CHANGES IN AND DISAGRE ACCOUNTING AND FINANC

None.

118

Item 9A. CONTROLS AND PROCEI
Evaluation of Disclosure Controls and

The Company, with the participation of
and Chief Financial Officer, has carried
operation of the Company's disclosure c
Rules 13a-15 and 15d-15) as of Decemb
are designed to ensure that information r
Act is recorded, processed, summarized
Commission's rules and forms, and to en
Exchange Act is accumulated and comm
Officer and Chief Financial Officer, as a
disclosure.

Based on and as of the date of this evalu
Financial Officer have concluded that du
financial reporting described below, the
effective as of such date.

The Company completed additional sub
Based on these procedures, managemen
included in this report have been prepare
principles, and present fairly, in all mate
operations and cash flows of the Compa

Management's Report on Internal Co

Management of the Company is respons
control over financial reporting as define
Exchange Act of 1934. The Company's
reasonable assurance regarding the relia
financial statements for external reporti
generally accepted in the United States c
that (1) pertain to the maintenance of rec
reflect the transactions and dispositions
assurance that transactions are recorded
statements in accordance with generally
expenditures of the Company are being
management and directors of the Compa
prevention or timely detection of unauth
assets that could have a material effect c

Because of its limitations, internal contr
misstatements. Also, projections of any
to the risk that controls may become ina
degree of compliance with the policies a

A material weakness is a deficiency, or a
financial reporting, such that there is a re

Company's annual or interim financial s
basis.

Management, under the supervision of t
Financial Officer, and oversight of the B
effectiveness of the Company's internal
using the criteria set forth by the 2013 C
Commission (COSO) in Internal Contro
management has identified the followin

The Company did not conduct an effecti
implementation of the systems developm
process level controls impacted by the a
customers, for certain revenue transactio
recognized at a point-in-time. In additio
controls over the unbilled accounts recei
point-in-time transactions.

119

The control deficiencies described abov
of goods sold, accounts receivable and i
statements as of and for the quarterly an
2018 and September 30, 2018 that were
financial statements contained in this an
deficiencies create a reasonable possibil
financial statements will not be prevente
concluded that the deficiencies represen
reporting and our internal control over fi

Our independent registered public accou
financial statements included in this ann
operating effectiveness of the Company'
report appears under Item 8 of this annu

Remediation Plan

As a result of the material weakness des
remediation efforts to ensure that the de
remediated such that these controls will

(a) Improving our risk assessment proce
testing and documentation of conclusion
financial reporting and internal controls;

(b) Revising our financial reporting proc
unbilled accounts receivable and invento

We believe that such efforts will effectiv
However, the material weakness will no
operate for a sufficient period of time an
these controls are operating effectively.

Changes in Internal Control over Fin

Except for the material weakness descri
during the fiscal year), there were no ch
during our fourth fiscal quarter of 2018
materially affect, our internal control ov

/s/ Olivier M. Jarrault	/s/ John B
Olivier M. Jarrault	John B. C
President and	Chief Fin
Chief Executive Officer	and Treas
and Director	(Principal
(Principal Executive Officer)	

Item 9B.

None.

120

PART III

Item 10. DIRECTORS, EXECUTIVE

a) Directors. The information set out in t
Statement is incorporated herein by re

b) Executive Officers. Information about
above.

c) Significant Employees. Same as Exec

d) Nature of any family relationship betw
or chosen to become a director or exe
captioned "Certain Business Relations
Statement is incorporated herein by re

e) Business experience, during the past f
nominated or chosen to become direct
Information about the officers of the C
information set out in the section capt
incorporated herein by reference.

f) Involvement in certain legal proceedin
director or executive officer. The info
Directors" in the Proxy Statement is in

g) Certain promoters and control persons

h) Audit Committee Financial Expert. Th
Governance" in the Proxy Statement i

i) Code of Ethics. The Company has ado
employees, directors, and officers, incl
Officer and Controller. A copy of the C
at the Corporate Governance section o
the Code of Ethics may be obtained, w
Department, Albany International Cor
03867. Any amendment to the Code o
of Ethics on the Company's website. A
disclosed by the filing of a Form 8-K.

Item 11.

The information set forth in the sections
Compensation Earned," "Summary Com
Awards," "Outstanding Equity Awards A
"Pension Benefits," "Nonqualified Defe
Committee Report," "Compensation Dis
Interlocks and Insider Participation" is i

121

Item 12. SECURITY OWNERSHIP OF
MANAGEMENT AND RELAT

The information set forth in the section o
incorporated herein by reference.

Equity Compensation Plan Informatio

Plan Category	**Num secur be iss exerc outst optio warr right** (a)
Equity compensation plans approved by security holders	18,94
Equity compensation plans not approved by security holders	-
Total	18,94

(1) Does not include 45,689 and 25,582,
2017 and 2018, respectively, perform
officers pursuant to the 2011 Incentiv
not "exercisable," but will be paid ou
to certain conditions.

(2) Reflects the number of shares that ma
Incentive Plan and 2017 Incentive Pl
available for issuance under the 2011
Directors' Annual Retainer Plan (see
any of the stock option plans pursuan

(3) 146,440 shares available for future is
Incentive Plan allows the Board from
be issued pursuant to awards granted
added may not exceed 500,000 in an
number of shares then available for is
time. Shares of Common Stock cove
only counted as used to the extent th
award is settled for cash, or if shares
tax-withholding requirement, only sh
deemed delivered for purposes of det
If shares are issued subject to conditi
return of such shares to the Company
treated as not issued. Assuming full e

(4) the number of shares available under
additional shares that could yet be iss
forth in column (c) above) would be
1,000,000 shares available for future
Common Stock covered by awards g
as used to the extent they are actually
satisfy tax requirement. Accordingly,
to pay any exercise price, only shares
delivered for purposes of determinin
shares are issued subject to condition
of such shares to the Company, any s

122

canceled, or returned shall be treated as
column (c) above) would be 1,000,000.

(5) The Directors' Annual Retainer Plan
retainer payable for service as a mem
$90,000 of which is required to be pa
number of shares to be paid for any y
closing price of such stock on the day
directors for such year occurs, as sho
Wall Street Journal, rounded down to
shares with a value of $330,000 or th
elect to receive, in stock, all of the re
and related persons, who owns shares
may elect to receive, in cash, all or an
Common Stock.

Item 13. CERTAIN RELATIONSHIPS
INDEPENDENCE

The information set out in the section ca
incorporated herein by reference.

Item 14. PRINCIPA

The information set forth in the section
is incorporated herein by reference.

123

PART IV

Item 15. EXHIBITS AN

Exhibit Number	Exhibit Description
3 (a)	Amended and Restated Certif Incorporation of Company
3 (b)	Bylaws of Company
4 (a)	Article IV of Certificate of In Company
4 (b)	Specimen Stock Certificate fo Common Stock
Credit Agreement	
10(k)(xix)	$685 Million Five-Year Revo Agreement among Albany Int other Borrowers named therei thereto, JPMorgan Chase Ban Administrative Agent, dated as of November
Restricted Stock Units	
10(l)(viii)	2011 Performance Phantom S adopted on May 26, 2011 (42
10(l)(i)	2003 Restricted Stock Unit Pl November 13, 2003
10(l)(x)	Form of Restricted Stock Uni units granted on March 2, 201
10(l)(xi)	Form of Restricted Stock Uni units granted on August 28, 2
Stock Options	
10(m)(i)	1992 Stock Option Plan
10(m)(ii)	1997 Executive Stock Option
10(m)(iii)	2011 Incentive Plan
10(m)(iv)	Form of 2011 Annual Perforn Agreement
10(m)(v)	Form of 2011 Multi-Year Per Bonus Agreement
Executive Compensation	
10(n)(i)	Supplemental Executive Reti of January 1, 1994, as amend

	January 1, 2008
10(n)(ii)	Annual Bonus Program, as an restated as of March 29, 2017
10(o)(iv)	Directors' Annual Retainer Pl and restated as of February 23
10(o)(viii)	Form of Severance Agreemen International Corp. and certai key executives
10(p)	Code of Ethics
10(q)	Directors Pension Plan, amen of January 12, 2005
10(r)	Employment agreement, date 2005, between the Company a Morone
10(s)	Form of Indemnification Agre
10(u)	Employment agreement, date 2018, between the Company a Jarrault
10(u)(i)	First Amendment, dated July Amend employment agreeme

124

Exhibit Number	Exhibit Description
10.2	Amended and restated LLC op between Albany Engineered C Composites, Inc. 10% equity i
2.1	Stock Purchase Agreement by International Corp. and Harris February 27, 2016
11	Statement of Computation of I (provided in Footnote 8 to the Financial Statements)
21	Subsidiaries of Company
23	Consent of Independent Regis Accounting Firms
24	Powers of Attorney
31(a)	Certification of Olivier M. Jar to Rule 13a-14(a) or Rule 15d-
31(b)	Certification of John B. Cozzo to Rule 13a-14(a) or Rule 15d-
32(a)	Certification of Olivier M. Jar Cozzolino required pursuant to Rule 15d-14(b) and Section 13 Title 18 of the United States C

The following information from the R ended December 31, 2018, formatted i filed herewith:

101(i)	Consolidated Statements of In ended December 31, 2018, 20
101(ii)	Consolidated Statements of Co for the years ended December 2016
101(iii)	Consolidated Balance Sheets a 2018 and 2017
101(iv)	Consolidated Statements of Ca years ended December 31, 201

101(v) Notes to Consolidated Financi
* As provided in Rule 406T of Regulati
purposes of Sections 11 and 12 of the Se
Act or otherwise subject to liability und
125

SIGNATURES

Pursuant to the requirements of Section
Company has duly caused this report to
duly authorized on the 14th day of Marc

ALBANY INTERNATIONAL CORP

by /s/ John B. Cozzolino
John B. Cozzolino
Chief Financial Officer and Treasurer
(Principal Financial Officer)

Pursuant to the requirements of the Secu
by the following persons on behalf of th
indicated.

Signature	Title
* Olivier M. Jarrault	President an (Principal E
/s/ John B. Cozzolino John B. Cozzolino	Chief Finan (Principal F
* David M. Pawlick	Vice Preside (Principal A
* A. William Higgins	Chairman o
* John F. Cassidy, Jr.	Director
* Katharine Plourde	Director
* Edgar G. Hotard	Director
* John R. Scannell	Director
* Christine L. Standish	Director
* Erland E. Kailbourne	Director

* Kenneth W. Krueger	Director
* Lee C. Wortham	Director

*By /s/ John B. Cozzolino
John B. Cozzolino
Attorney-in-fact
126

SCHEDULE II

ALBANY INTERNATIONAL CORP

VALUATION AND QUALIFYING A

(Dollars in thousands)

Column A	**Column B**
Description	**Balance at beg of period**
Allowance for doubtful accounts	
Year ended December 31:	
2018	$7,919
2017	6,952
2016	8,530
Allowance for sales returns	
Year ended December 31:	
2018	$11,370
2017	13,714
2016	14,024
Valuation allowance deferred tax assets	
Year ended December 31:	
2018	$16,057
2017	22,82
2016	24,43

(A) Amounts sold, written off, or recove rates, are included in Column D.

127

CORPORATE INFORMATION

Investor Relations

The Company's Investor Relations Depa

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,
shareholder services.

Computershare maintains the records fo
variety of shareholder-related services a

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Access your investor statements online 2
more information, go to www.computers

Notice of Annual Meeting

The Annual Meeting of the Company's
2019 at 9:00 a.m. at The One Hundred C
Hampshire 03801.

Stock Listing

Albany International is listed on the Nev
newspapers and financial publications li

128

Equal Employment Opportunity

Albany International, as a matter of poli
applicant for employment because of rac
origin, age, physical or mental disability
policy of nondiscrimination is applicabl
layoffs, terminations, rates of pay, select
advertising. The Company maintains aff

Trademarks and Trade Names

INLINE, KRAFTLINE, PRINTLINE, H
SEAMPLANE, Seam KMX, SPRING, V
VENTABELT XTR, TRANSBELT GX
AEROPOINT, DURASPIRAL, TOPST
LC, PACKLINE and NOVALACE are a

129

Directors and Officers

Directors
A. William Higgins, Chairman[2]
Director, Kaman Corporation and the Br
Group

John F. Cassidy, Jr.[2,3]
Retired – Senior Vice President,
Science and Technology, United Techno
Corp.

Katharine L. Plourde[1,3]
Retired- Principal and Analyst,
Donaldson, Lufkin& Jenrette, Inc.

Edgar G. Hotard[1]

Retired- President and COO, Praxair, In

John R. Scannell[2]
Chairman and Chief Executive Officer,
Inc.

Officers
Olivier M. Jarrault
President and Chief Executive Officer

Daniel A. Halftermeyer
President – Machine Clothing

Robert A. Hansen
Senior Vice President and Chief Techno
Officer

Joseph M. Gaug
Associate General Counsel and Assistan
Secretary

130