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SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-K

/X/ ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(D) OF THE
SECURITIES EXCHANGE ACT OF 1934

FOR THE FISCAL YEAR ENDED: DECEMBER 31, 1994
OR

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

FOR THE TRANSITION PERIOD FROM _____________ TO _____________

COMMISSION FILE NUMBER: 0-16214

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

DELAWARE	14-0462060
(State or other jurisdiction of incorporation or organization)	(IRS Employer Identification No.)
1373 BROADWAY, ALBANY, NEW YORK	12204
(Address of principal executive offices)	(Zip Code)

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

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

Title of each class	Name of each exchange on which registered
CLASS A COMMON STOCK ($0.001 PAR VALUE)	NEW YORK STOCK EXCHANGE AND PACIFIC STOCK EXCHANGE

Securities registered pursuant to Section 12(g) of the Act:
NONE
(Title of Class)

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

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

The aggregate market value of Class A Common Stock held on March 1, 1995 by non-affiliates of the registrant was $428,933,094.

The registrant had 24,448,868 shares of Class A Common Stock and 5,633,427 shares of Class B Common Stock outstanding as of March 1, 1995.

DOCUMENTS INCORPORATED BY REFERENCE	PART
Registrant's Annual Report to Shareholders for the year ended December 31, 1994.	II
Registrant's Proxy Statement for the Annual Meeting of Shareholders to be held on May 18, 1995.	III

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PART I

ITEM 1. BUSINESS

The Registrant designs, manufactures and markets paper machine clothing for each section of the paper machine. It is the largest producer of paper machine clothing in the world. Paper machine clothing consists of large continuous belts of custom designed and custom manufactured, engineered fabrics that are installed on paper machines and carry the paper stock through each stage of the paper production process. Paper machine clothing is a consumable product of technologically sophisticated design that is made with synthetic monofilament and fiber materials. The Registrant produces a substantial portion of its monofilament requirements. The design and material composition of paper machine clothing can have a considerable effect on the quality of paper products produced and the efficiency of the paper machines on which it is used. In addition to paper machine clothing, the Registrant manufactures other engineered fabrics which include fabrics for the non-woven industry, corrugator belts, filtration media and rapid roll doors.

Practically all press fabrics are woven tubular or endless from monofilament yarns. After weaving, the base press fabric goes to a needling operation where a thick fiber layer, called a batt, is laid on the base just before passing through the needling machine. The needles are equipped with tiny barbs that grab batt fibers locking them into the body of the fabric. After needling, the fabrics are usually washed, and water is removed. The fabric then is heat set, treatments may be applied, and it is measured and trimmed.

The Registrant's manufacturing process is similar for forming fabrics and drying fabrics. Monofilament screens are woven on a loom. The fabrics are seamed to produce an endless loop, and heat stabilized by running them around two large cylinders under heat and drawn out by tension. After heat setting, the fabrics are seamed and boxed.

INDUSTRY FACTORS

There are approximately 1,250 paper machines in the United States located in approximately 490 paper mills. It is estimated that, excluding China, there are 8,100 paper machines in the world and more than 5,000, mostly very small, paper machines in China. Demand for paper machine clothing is tied to the volume of paper production, which in turn reflects economic growth. According to published data, world production volumes have grown in excess of 4% annually over the last ten years. The Registrant anticipates continued growth for the long-term in world paper production. The profitability of the paper machine clothing business has generally been less cyclical than the profitability of the papermaking industry. Papermaking capacity utilization does not vary significantly because in periods of declining demand for paper, paper mills still operate near capacity but at lower profitability.

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

Over the last few years, paper manufacturers have generally reduced the number of suppliers of paper machine clothing per machine position. This trend has increased opportunities for market leaders to expand their market share.

INTERNATIONAL OPERATIONS

The Registrant maintains wholly-owned manufacturing facilities in Australia, Brazil, Canada, Finland, France, Germany, Great Britain, Holland, Mexico, Sweden and the United States. The Registrant has a 50% interest in a partnership in South Africa which is engaged primarily in the paper machine clothing business (see Note 1 of Notes to Consolidated Financial Statements).

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

The Registrant's widespread presence subjects it to certain risks, including controls on foreign exchange and the repatriation of funds. However, the Registrant has been able to repatriate earnings in excess of working capital requirements from each of the countries in which it operates without substantial governmental restrictions and does not foresee any material changes in its ability to continue to do so in the future. In addition, the Registrant believes that the risks associated with its operations and locations outside the United States are those normally associated with doing business in these locations. In countries in which the Registrant operates that have experienced high inflation rates, the Registrant frequently reprices its products. This practice has enabled the Registrant to quickly pass on to its customers most of the increased costs due to local inflation. Although government imposed price freezes have occasionally occurred in some of the Registrant's markets, including the United States, neither controls nor high inflation rates have had a long-term material adverse impact on the Registrant's operating results.

MARKETING, CUSTOMERS AND BACKLOG

Paper machine clothing is custom designed for each user depending upon the type, size and speed of the papermaking machine, the machine section, the grade of paper being produced, and the quality of the pulp stock used. Judgment and experience are critical in designing the appropriate clothing for each position on the machine. As a result, the Registrant employs highly skilled sales and technical service personnel in 24 countries who work directly with paper mill operating management. The Registrant's technical service program in the United States gives its service engineers field access to the measurement and analysis equipment needed for troubleshooting and application engineering. Sales, service and technical expenses are major cost components of the Registrant. The Registrant employs approximately 900 people in the sales and technical functions combined, many of whom have engineering degrees or paper mill experience.

The forming and pressing sections of the papermaking process have been characterized by a greater frequency of technological and design innovations that improve performance than has the drying section. The Registrant's market leadership position in forming and pressing fabrics and the 1993 acquisition of Mount Vernon which produces dryer fabrics, reflects the Registrant's commitment to technological innovation.

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

Payment terms granted to customers reflect general competitive practices. Terms vary with product and competitive conditions, but generally require payment within 30 to 90 days, depending on the country of operation. Historically, bad debts have been insignificant. No single customer, or group of related customers, accounted for more than 5% of the Registrant's sales of paper machine clothing in any of the past three years. Management does not believe that the loss of any one customer would have a material adverse effect on the Registrant's business.

The Registrant's order backlogs at December 31, 1994 and 1993 were approximately $446 million and $407 million, respectively. Orders recorded at December 31, 1994 are expected to be invoiced during the next 12 months.

RESEARCH AND DEVELOPMENT

The Registrant invests heavily in research, new product development and technical analysis to maintain its leadership in the paper machine clothing industry. The Registrant's expenditures fall into two primary categories, research and development and technical expenditures. Research and development expenses totaled $18.4 million in 1994, $17.6 million in 1993 and $18.5 million in 1992. While most research activity supports existing products, the Registrant engages in research for new products. New product research has focused primarily on more sophisticated paper machine clothing and has resulted in a stream of products such as DUOTEX-Registered Trademark- and TRIOTEX-TM- forming fabrics, for which the technology has been licensed to several competitors, the patented, on-machine-seamed press fabric, long nip press belts which are essential to water removal in the press section and Thermonetics-TM- a dryer fabric. Technical expenditures, primarily at the plant level, totaled $22.5 million in 1994, $21.4 million in 1993, and $22.9 million in 1992. Technical expenditures are focused on design, quality assurance and customer support.

Although the Registrant has focused most of its research and development efforts on paper machine clothing products and design, the Registrant also has made progress in developing non-paper machine clothing products. Through its major research facility in Mansfield, Massachusetts, the Registrant conducts research under contract for the U.S. government and major corporations. In addition to its Mansfield facility, the Registrant has four other research and development centers located at manufacturing locations in Halmstad, Sweden; Selestat, France; Albany, New York; and Menasha, Wisconsin.

The Registrant has developed and is developing proprietary processes for manufacturing structural and insulation products using polyimide and other fibers, which have potential applications in aircraft, automotive and other industries. A number of products that include properties such as thermal stability, non-flammability, non-melting and low generation of smoke and toxic gasses at high temperatures are currently being tested.

Another innovative engineered fabric development unrelated to paper machine clothing is Primaloft-Registered Trademark-, a synthetic down which is believed to have properties superior to goose down. This product continues to gain acceptance in the marketplace for cold weather clothing and bedding.

The Registrant holds a number of patents, trademarks and licenses, none of which are material to the continuation of the Registrant's business. Consistent with industry practice, the Registrant frequently licenses its patents to competitors primarily to enhance customer acceptance of the new products. The revenue from such licenses is less than 1 percent of consolidated net sales.

COMPETITION

While there are more than 50 paper machine clothing suppliers worldwide, only six major paper machine clothing companies compete on a global basis. Market shares vary depending on the country and the type of paper machine clothing produced. In the paper machine clothing market, the Registrant believes that it has a market share of approximately 27% in the United States and Canadian markets, taken together, 17% in the rest of the world and approximately 21% in the world overall. Together, the United States and Canada constitute approximately 38% of the total world market for paper machine clothing.

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

EMPLOYEES

The Registrant employs 5,404 persons, of whom approximately 75% are engaged in manufacturing the Registrant's products. Wages and benefits are competitive with those of other manufacturers in the geographic areas in which the Registrant's facilities are located. The Registrant considers its relations with its employees in general to be excellent.

EXECUTIVE OFFICERS OF REGISTRANT

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

NAME	AGE	POSITION
J. Spencer Standish	69	Chairman of the Board and Director
Francis L. McKone	60	President, CEO and Director
Michael C. Nahl	52	Senior Vice President and Chief Financial Officer
J. Weldon Cole	58	Senior Vice President -- Administration and Development
Manfred F. Kincaid	57	Senior Vice President -- Technology
Thomas H. Richardson	59	Senior Vice President -- International
Frank R. Schmeler	55	Senior Vice President -- North America
Edward Walther	51	Senior Vice President -- Europe
Charles B. Buchanan	63	Vice President, Secretary and Director
Richard A. Carlstrom	51	Vice President -- Controller
Raymond D. Dufresne	47	Vice President, Treasurer and Assistant Secretary
William H. Dutt	59	Vice President -- Research, Development and Engineering
Hugh A. McGlinchey	55	Vice President -- Information Systems
James W. Sherrer	59	Vice President -- Administration
Thomas H. Hagoort	62	General Counsel

J. SPENCER STANDISH joined the Registrant in 1952. He has served the Registrant as Chairman of the Board since 1984, Vice Chairman from 1976 to 1984, Executive Vice President from 1974 to 1976, and Vice President from 1972 to 1974. He has been a Director of the Registrant since 1958. He is a director of Berkshire Life Insurance Company.

FRANCIS L. MCKONE joined the Registrant in 1964. He has served the Registrant as Chief Executive Officer since 1993, President since 1984, Executive Vice President from 1983 to 1984, Group Vice President -- Papermaking Products Group from 1979 to 1983, and prior to 1979 as a Vice President of the Registrant and Division President -- Papermaking Products U.S. He has been a Director of the Registrant since 1983.

MICHAEL C. NAHL joined the Registrant in 1981. He has served the Registrant as Senior Vice President and Chief Financial Officer since 1983 and prior to 1983 as Group Vice President.

J. WELDON COLE joined the Registrant as Senior Vice President on January 1, 1995. From 1988 until December 1994 he held various management positions, most recently as President and Director of Beloit Corporation, an international manufacturer of pulp and papermaking equipment. He is a director of Rock Financial Corporation.

MANFRED F. KINCAID joined the Registrant in 1960. He has served the Registrant as Senior Vice President since 1983, Vice President -- Papermaking Products Europe from 1981 to 1983, and prior to 1981 as Vice President and General Manager of the Appleton Wire Division.

THOMAS H. RICHARDSON joined the Registrant in 1965. He has served the Registrant since 1993 as Senior Vice President -- International. Prior to 1993, he served as Vice President and General

Manager of Euroscan from 1986 to 1993, as Senior Vice President -- Canada and Europe from 1983 to 1986, as Senior Vice President -- International from 1981 to 1983, and prior to 1981 as General Manager of Albany International Industria e Comercio Ltda. in Brazil.

FRANK R. SCHMELER joined the Registrant in 1964. He has served the Registrant as Senior Vice President since 1988, as Vice President and General Manager of the Felt Division from 1984 to 1988, as Division Vice President and General Manager, Albany International Canada from 1978 to 1984 and as Vice President of Marketing, Albany International Canada from 1976 to 1978.

EDWARD WALTHER joined the Registrant in 1994. He has served the Registrant as Senior Vice President since 1995 and as Vice President and General Manager -- Continental Europe since 1994. Prior to joining the Registrant, he held various marketing and managerial positions with a company in the paper machine clothing business.

CHARLES B. BUCHANAN joined the Registrant in 1957. He has served the Registrant as Vice President and Secretary since 1980 and as Vice President and Assistant to the President from 1976 to 1980. He has been a Director of the Registrant since 1969. He is a Director of Fox Valley Corporation and of CMP Industries, Inc.

RICHARD A. CARLSTROM joined the Registrant in 1972. He has served the Registrant as Vice President -- Controller since 1993, as Controller since 1980, as Controller of a U.S. division from 1975 to 1980, and prior to 1975 as Financial Controller of Albany International Pty. in Australia.

RAYMOND D. DUFRESNE joined the Registrant in 1973. He has served the Registrant as Vice President -- Treasurer since 1993, as Treasurer since 1985, as Business Analyst and Assistant Treasurer from 1978 to 1985 and Financial Manager of Albany International Industria e Comercio Ltda. in Brazil from 1975 to 1977.

WILLIAM H. DUTT joined the Registrant in 1958. He has served the Registrant since 1983 as Vice President -- Technical, and prior to 1983 he served in various technical, engineering, and research capacities including Director of Research and Development and Vice President -- Operations for Albany Felt.

HUGH A. MCGLINCHEY joined the Registrant in 1991. He has served the Registrant as Vice President -- Information Systems since 1993 and from 1991 to 1993 as Director -- Information Systems. Prior to 1991 he served as Director -- Corporate Information and Communications Systems for Avery Dennison Corporation.

JAMES W. SHERRER, SR. joined the Registrant in 1992. He has served the Registrant since 1993 as Vice President -- Administration and from 1992 to 1993 as Vice President. Prior to joining the Registrant, he held various technical and managerial positions with a company in the paper machine clothing business.

THOMAS H. HAGOORT joined the Registrant as General Counsel on January 1, 1991. From 1968 until December 31, 1990 he was a partner in Cleary, Gottlieb, Steen and Hamilton, an international law firm with headquarters in New York City, to which he became of counsel on January 1, 1991.

RAW MATERIALS AND INVENTORY

Primary raw materials for the Registrant's products are synthetic fibers, which are generally available from a number of suppliers. The Registrant, therefore, is not required to maintain inventories in excess of its current needs to assure availability. In addition, the Registrant manufactures monofilament, a basic raw material for all types of paper machine clothing, at its facility in Homer, New York, which supplies approximately 25% of its world-wide monofilament requirements. This manufacturing capability assists the Registrant in its negotiations with monofilament producers for the balance of its supply requirements, and enhances the ability of the Registrant to develop proprietary products.

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

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

ITEM 2. PROPERTIES

The Registrant's principal manufacturing facilities are located in the United States, Canada, Europe, Brazil, Mexico and Australia. The aggregate square footage of the Registrant's facilities in the United States and Canada is approximately 2,437,000, of which 2,327,000 square feet are owned and 110,000 square feet are leased. Most of the leased facilities in the United States are used for the warehousing of finished goods. The Registrant's facilities located outside the United States and Canada comprise approximately 2,715,200 square feet, of which 2,517,100 square feet are owned and 198,100 square feet are leased. The Registrant considers these facilities to be in good condition and suitable for their purpose. The capacity associated with these facilities is adequate to meet production levels required and anticipated through 1995. The Registrant's capital expenditures are expected to approximate $40 million during 1995 in order to meet anticipated sales growth.

The Registrant believes it has modern, efficient production equipment. In the last five years, it has spent $238 million on new plants and equipment or upgrading existing facilities, including the completion of new forming fabric plants in Sweden and Holland and new press fabric plants in Sweden and Finland.

ITEM 3. LEGAL PROCEEDINGS

There are no material pending legal proceedings, other than ordinary routine litigation incidental to the business.

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

There were no matters submitted during the fourth quarter of 1994 to a vote of security holders.

PART II

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

"Stock and Shareholders" and "Quarterly Financial Data" on page 23 of the Annual Report are incorporated herein by reference.

Restrictions on dividends and other distributions are described in Note 6, on pages 12 and 13 of the Annual Report. Such description is incorporated herein by reference.

ITEM 6. SELECTED FINANCIAL DATA

"Eleven Year Summary" on page 24 of the Annual Report is incorporated herein by reference.

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

"Review of Operations" on pages 20 to 22 of the Annual Report is incorporated herein by reference.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

The following consolidated financial statements of the Registrant and its subsidiaries, included on pages 6 to 19 in the Annual Report, are incorporated herein by reference:

Consolidated Statements of Income and Retained Earnings -- years ended December 31, 1994, 1993 and 1992

Consolidated Balance Sheets -- December 31, 1994 and 1993

Consolidated Statements of Cash Flows -- years ended December 31, 1994, 1993 and 1992

Notes to Consolidated Financial Statements

Report of Independent Accountants

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

None.

PART III

ITEM 10. DIRECTORS AND EXECUTIVE OFFICERS OF THE REGISTRANT

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

b) EXECUTIVE OFFICERS OF REGISTRANT. Information about the officers of the Registrant is set forth in Item 1 above.

ITEM 11. EXECUTIVE COMPENSATION

The information set forth in the sections of the Proxy Statement captioned "Executive Compensation", "Summary Compensation Table", "Option/SAR Grants in Last Fiscal Year", "Option/SAR Exercises during 1994 and Year-End Value", "Pension Plan Table", "Compensation and Stock Option Committee Report on Executive Compensation" and "Stock Performance Graph" is incorporated herein by reference.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

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

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

None.

PART IV

ITEM 14. EXHIBITS, FINANCIAL STATEMENTS SCHEDULE AND REPORTS ON FORM 8-K

a)(1) FINANCIAL STATEMENTS. The consolidated financial statements included in the Annual Report are incorporated by reference in Item 8.

a)(2) SCHEDULE. The following consolidated financial statements schedule for each of the three years in the period ended December 31, 1994 is included pursuant to Item 14(d):

Report of Independent Accountants on Financial Statements Schedule

Schedule VIII -- Valuation and qualifying accounts

a)(3)(b) No reports on Form 8-K were filed during the quarter ended December 31, 1994.

(3) EXHIBITS

3(a)	--	Certificate of Incorporation of Registrant. (4)
3(b)	--	Bylaws of Registrant. (1)
4(a)	--	Article IV of Certificate of Incorporation of Registrant (included in Exhibit 3(a)).
4(b)	--	Specimen Stock Certificate for Class A Common Stock. (1)
		MENASHA I
10(a)(i)	--	Bank Loan Agreement, dated as of September 11, 1981, among the Registrant, the City of Menasha, Wisconsin, and The Chase Manhattan Bank (National Association). (1)
10(a)(ii)	--	Loan Agreement, dated as of September 11, 1981, between the City of Menasha, Wisconsin, and the Registrant. (1)
10(a)(iii)	--	Guarantee, dated as of September 11, 1981, executed and delivered by the Registrant to The Chase Manhattan Bank (National Association). (1)
10(a)(iv)	--	Amendment Agreement, dated as of August 1, 1983, between the City of Menasha, Wisconsin, and the Registrant, relating to the Loan Agreement referred to as Exhibit 10(a)(ii). (1)
10(a)(v)	--	Amendment, dated as of August 1, 1983, relating to the Guarantee referred to as Exhibit 10(a)(iii), between the Registrant and The Chase Manhattan Bank (National Association). (1)
10(a)(vi)	--	Letter Agreement, dated January 27, 1986, among the Registrant, the City of Menasha, Wisconsin, and The Chase Manhattan Bank (National Association), further amending the Loan Agreement and the Guarantee referred to, respectively, as Exhibits 10(a)(ii) and 10(a)(iii). (1)
10(a)(vii)	--	Letter Agreement, dated June 19, 1987, among the Registrant, the City of Menasha, Wisconsin, and The Chase Manhattan Bank (National Association), further amending the Loan Agreement and the Guarantee referred to, respectively, as Exhibits 10(a)(ii) and 10(a)(iii). (1)
10(a)(viii)	--	Letter Agreement, dated July 10, 1987, among the Registrant, the City of Menasha, Wisconsin, and The Chase Manhattan Bank (National Association), further amending the Loan Agreement and the Guarantee referred to, respectively, as Exhibits 10(a)(ii) and 10(a)(iii). (1)
10(a)(ix)	--	Letter Agreement, dated December 7, 1987, among the Registrant, the City of Menasha, Wisconsin, and The Chase Manhattan Bank (National Association), further amending the Loan Agreement and the Guarantee referred to, respectively, as Exhibits 10(a)(ii) and 10(a)(iii). (2)
10(a)(x)	--	Letter Agreement, dated May 9, 1990, between the Registrant, the City of Menasha, Wisconsin, and The Chase Manhattan Bank (National Association), further amending the Loan Agreement and Guarantee referred to, respectively, as Exhibits 10(a)(ii) and 10(a)(iii). (8)
		PORTLAND I
10(b)(i)	--	Bank Loan Agreement, dated as of December 16, 1981, among the Registrant, The Industrial Development Board of the City of Portland, Tennessee, and The Chase Manhattan Bank (National Association). (1)
10(b)(ii)	--	Loan Agreement, dated as of December 16, 1981, between the Registrant and The Industrial Development Board of the City of Portland, Tennessee. (1)
10(b)(iii)	--	Guarantee, dated as of December 16, 1981, delivered by the Registrant to The Chase Manhattan Bank (National Association). (1)

10(b)(iv)	--	Amendment Agreement, dated as of August 1, 1983, between the Registrant and The Industrial Development Board of the City of Portland, Tennessee, relating to the Loan Agreement referred to as Exhibit 10(b)(ii). (1)
10(b)(v)	--	Amendment, dated as of August 1, 1983, between the Registrant and The Chase Manhattan Bank (National Association), relating to the Guarantee referred to as Exhibit 10(b)(iii). (1)
10(b)(vi)	--	Letter Agreement, dated January 27, 1986, among the Registrant, The Industrial Development Board of the City of Portland, Tennessee, and The Chase Manhattan Bank (National Association), further amending the Loan Agreement and the Guarantee referred to, respectively, as Exhibits 10(b)(ii) and 10(b)(iii). (1)
10(b)(vii)	--	Letter Agreement, dated June 19, 1987, among the Registrant, The Industrial Development Board of the City of Portland, Tennessee, and The Chase Manhattan Bank (National Association), further amending the Loan Agreement and the Guarantee referred to, respectively, as Exhibits 10(b)(ii) and 10(b)(iii). (1)
10(b)(viii)	--	Letter Agreement, dated July 10, 1987, among the Registrant, The Industrial Development Board of Portland, Tennessee, and The Chase Manhattan Bank (National Association), further amending the Loan Agreement and the Guarantee referred to, respectively, as Exhibits 10(b)(ii) and 10(b)(iii). (1)
10(b)(ix)	--	Letter Agreement, dated December 7, 1987, among the Registrant, The Industrial Development Board of Portland, Tennessee, and The Chase Manhattan Bank (National Association), further amending the Loan Agreement and the Guarantee referred to, respectively, as Exhibits 10(b)(ii) and 10(b)(iii). (2)
10(b)(x)	--	Letter Agreement, dated May 9, 1990, between the Registrant, The Industrial Development Board of the City of Portland, Tennessee, and The Chase Manhattan Bank (National Association), further amending the Loan Agreement and Guarantee referred to, respectively, as Exhibits 10(b)(ii) and 10(b)(iii). (8)
		PORTLAND II
10(c)(i)	--	Bank Loan Agreement, dated as of November 21, 1983, among the Registrant, The Industrial Development Board of the City of Portland, Tennessee, and Morgan Guaranty Trust Company of New York. (1)
10(c)(ii)	--	Loan Agreement, dated as of November 21, 1983, between the Registrant and the Industrial Development Board of the City of Portland, Tennessee. (1)
10(c)(iii)	--	Contingent Purchase Agreement, dated as of November 21, 1983, between the Registrant and Morgan Guaranty Trust Company of New York. (1)
10(c)(iv)	--	Letter Agreement, dated as of January 27, 1986, among the Registrant, The Industrial Development Board of the City of Portland, Tennessee, and Morgan Guaranty Trust Company of New York, amending the Contingent Purchase Agreement referred to as Exhibit 10(c)(iii). (1)
10(c)(v)	--	Letter Agreement, dated as of December 12, 1986, among the Registrant, The Industrial Development Board of the City of Portland, Tennessee, and Morgan Guaranty Trust Company of New York, further amending the Contingent Purchase Agreement referred to as Exhibit 10(c)(iii). (1)
10(c)(vi)	--	Letter Agreement, dated April 27, 1990, between the Registrant and Morgan Guaranty Trust Company of New York, further amending the Contingent Purchase Agreements referred to, respectively, as Exhibits 10(c)(iii) and 10(d)(iii). (8)
		MENASHA II
10(d)(i)	--	Bank Loan Agreement, dated as of November 5, 1984, among the Registrant, the City of Menasha, Wisconsin, and Morgan Guaranty Trust Company of New York. (1)

10(d)(ii)	--	Loan Agreement, dated as of November 5, 1984, between the Registrant and the City of Menasha, Wisconsin. (1)
10(d)(iii)	--	Contingent Purchase Agreement, dated as of November 5, 1984, between the Registrant and Morgan Guaranty Trust Company of New York. (1)
10(d)(iv)	--	Letter Agreement, dated as of January 27, 1986, among the Registrant, the City of Menasha, Wisconsin, and Morgan Guaranty Trust Company of New York, amending the Contingent Purchase Agreement referred to as Exhibit 10(d)(iii). (1)
10(d)(v)	--	Letter Agreement, dated as of December 12, 1986, among the Registrant, the City of Menasha, Wisconsin, and Morgan Guaranty Trust Company of New York, further amending the Contingent Purchase Agreement referred to as Exhibit 10(d)(iii). (1)
		PORTLAND III
10(e)(i)	--	Bank Loan Agreement, dated as of November 14, 1985, among the Registrant, The Industrial Development Board of the City of Portland, Tennessee, and Norstar Bank of Upstate NY. (1)
10(e)(ii)	--	Loan Agreement, dated as of November 14, 1985, between the Registrant and The Industrial Development Board of the City of Portland, Tennessee. (1)
10(e)(iii)	--	Contingent Purchase Agreement, dated as of November 14, 1985, between the Registrant and Norstar Bank of Upstate NY. (1)
10(e)(iv)	--	Letter Agreement, dated January 27, 1986, among the Registrant, The Industrial Development Board of the City of Portland, Tennessee, and Norstar Bank of Upstate NY, amending the Contingent Purchase Agreement referred to as Exhibit 10(e)(iii). (1)
10(e)(v)	--	Letter Agreement, dated December 12, 1986, among the Registrant, The Industrial Development Board of the City of Portland, Tennessee, and Norstar Bank of Upstate NY, further amending the Contingent Purchase Agreement referred to as Exhibit 10(e)(iii). (1)
10(e)(vi)	--	Letter Agreement, dated May 10, 1990, between the Registrant and Norstar Bank of Upstate NY, further amending the Contingent Purchase Agreement referred to as Exhibit 10(e)(iii). (8)
		EAST GREENBUSH
10(f)(i)	--	Installment Sale Agreement, dated as of July 1, 1987, between the Registrant and Rensselaer County Industrial Development Authority. (1)
10(f)(ii)	--	Letter of Credit Agreement, dated as of July 1, 1987, between the Registrant and Norstar Bank of Upstate NY. (1)
10(f)(iii)	--	Letter Agreement, undated, between the Registrant and Norstar Bank of Upstate NY, amending the Letter of Credit Agreement referred to as Exhibit 10(f)(ii). (2)
10(f)(iv)	--	Letter Agreement, dated May 10, 1990, between the Registrant and Norstar Bank of Upstate NY, further amending the Letter of Credit Agreement referred to as Exhibit 10(f)(ii). (8)
10(g)(i)	--	Loan Agreement, dated April 27, 1989, between the Registrant and New York State Urban Development Corporation. (6)
		D.I.A.L. LOAN
10(h)(i)	--	Loan Agreement, dated August 31, 1988, between the Registrant and The Chase Manhattan Bank (National Association). (5)
10(h)(ii)	--	Letter Agreement, dated as of February 1, 1991, between the Registrant and Harris Trust and Savings Bank, amending the Loan Agreement referred to as Exhibit 10(h)(i). (9)

MORGAN CREDIT AGREEMENT

10(i)(i)	--	Credit Agreement, dated as of July 16, 1992, among the Registrant, certain banks listed therein, and Morgan Guaranty Trust Company of New York, as Agent. (13)

INTEREST RATE CAP/SWAP AGREEMENTS

10(j)(i)	--	Interest Rate Swap agreements, dated August 29, 1990, between the Registrant and Security Pacific National Bank. (9)

EQUIPMENT LEASES

10(k)(i)	--	Equipment Lease Agreement, dated December 29, 1988, between Registrant and Fleet Credit Corporation. (6)
10(k)(ii)	--	Master Lease Agreement, dated August 17, 1987, between Registrant and BancBoston Leasing. (6)
10(k)(iii)	--	Master Lease of Personal Property, dated November 19, 1987, between Registrant and Security Pacific Equipment Leasing, Inc. (6)
10(k)(iv)	--	Master Lease of Personal Property No. 20910, dated August 31, 1989, between the Registrant and Security Pacific Equipment Leasing, Inc. (7)

PARENT GUARANTEES

10(l)(i)	--	Guarantee, dated June 15, 1989, delivered by Registrant to Bank of Montreal related to Albany International Canada, Inc. (6)
10(l)(ii)	--	Guarantee, dated August 10, 1989, delivered by Registrant to National Australia Bank Limited related to Albany International Pty Ltd. (6)
10(l)(iii)	--	Limited Guaranty, dated as of December 5, 1989, delivered by the Registrant to The First National Bank of Boston, guarantying certain repayment obligations of six subsidiaries of the Company. (9)
10(l)(iv)	--	Corporate Continuing Guaranty, dated August 8, 1990, delivered by the Registrant to Citicorp and/or Citibank, N.A., guarantying certain repayment obligations of seven subsidiaries of the Company. (9)
10(l)(v)	--	Corporate Continuing Guaranty, dated September 20, 1990, delivered by the Registrant to Citicorp and/or Citibank, N.A., guarantying certain repayment obligations of Albany International S.A. De C.V. (9)

STOCK OPTIONS

10(m)(i)	--	Form of Stock Option Agreement, dated as of August 1, 1983, between the Registrant and each of five employees, together with schedule showing the names of such employees and the material differences among the Stock Option Agreements with such employees. (1)
10(m)(ii)	--	Form of Amendment of Stock Option Agreement, dated as of July 1, 1987, between the Registrant and each of the five employees identified in the schedule referred to as Exhibit 10(m)(i). (1)
10(m)(iii)	--	1988 Stock Option Plan. (3)
10(m)(iv)	--	1992 Stock Option Plan (13)

EXECUTIVE COMPENSATION

10(n)	--	Pension Equalization Plan adopted April 16, 1986, naming two current executive officers and one former executive officer of Registrant as "Participants" thereunder. (1)
10(n)(i)	--	Supplemental Executive Retirement Plan. (15)

10(o)(i)	--	Form of Executive Deferred Compensation Plan adopted September 1, 1985, and Forms of Election Agreement. (1)
10(o)(ii)	--	Form of Directors' Deferred Compensation Plan adopted September 1, 1985, and Form of Election Agreement. (1)
10(o)(iii)	--	Executive Deferred Compensation Plan. (3)
10(o)(iv)	--	Directors' Deferred Compensation Plan. (3)

OTHER AGREEMENTS

10(p)	--	Joint venture agreement, dated as of June 29, 1990, between the Registrant and Lenzing A.G. (8)
10(q)	--	Merchandise Orders Purchase and Sale Agreement, dated as of January 28, 1991, among the Registrant, CXC Incorporated and Citicorp North America, Inc., as Agent. (10)
10(q)(i)	--	Amendment No. 1 to Merchandise Orders Purchase and Sale Agreement, dated as of April 26, 1991, among the Registrant, CXC Incorporated and Citicorp North America, Inc., as Agent, amending the Merchandise Orders Purchase and Sale Agreement referred to as Exhibit 10(q). (11)
10(r)	--	Assets Purchase Agreement, dated as of December 15, 1992, between the Registrant and Mount Vernon Mills, Inc. (13)
10(s)	--	Asset Purchase Agreement, dated as of June 30, 1993, by and among the Registrant, Albany International Canada Inc. and Albany International Ltd. and Thermo Fibertek Inc., Thermo Electron (Canada) Inc. and Winterburn Limited. (14)
10(t)	--	Stock Purchase Agreement, dated as of June 30, 1993 between the Registrant and Thermo Fibertek Inc. (14)
11	--	Statement re Computation of Per-Share Earnings.
13	--	Annual Report to Security Holders for the year ended December 31, 1994.
21	--	Subsidiaries of Registrant.
23	--	Consent of Coopers & Lybrand L.L.P.
24	--	Powers of Attorney. (12)
27	--	Financial Data Schedule.

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

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

(2) Previously filed as an Exhibit to the Company's Registration Statement on Form S-1, No. 33-20650, declared effective by the Securities and Exchange Commission on March 29, 1988, which previously-filed Exhibit is incorporated by reference herein.

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

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

(5) Previously filed as an Exhibit to the Registrant's Current Report on Form 8-K dated January 6, 1989, which previously-filed Exhibit is incorporated by reference herein.

(6) Previously filed as an Exhibit to the Registrant's Registration Statement on Form S-1, No. 33-30581, declared effective by the Securities and Exchange Commission on September 26, 1989, which previously-filed Exhibit is incorporated by reference herein.

(7) Previously filed as an Exhibit to the Registrant's Annual Report on Form 10-K for the fiscal year ended December 31, 1989, which previously-filed Exhibit is incorporated by reference herein.

(8) Previously filed as an Exhibit to the Registrant's Current Report on Form 8-K dated June 29, 1990, which previously-filed Exhibit is incorporated by reference herein.

(9) Previously filed as an Exhibit to the Registrant's Current Report on Form 8-K dated February 28, 1991, which previously-filed Exhibit is incorporated by reference herein.

(10) Previously filed as an Exhibit to the Registrant's Current Report on Form 8-K dated April 8, 1991, which previously-filed Exhibit is incorporated by reference herein.

(11) Previously filed as an Exhibit to the Registrant's Current Report on Form 8-K dated May 28, 1991, which previously-filed Exhibit is incorporated by reference herein.

(12) Previously filed as an Exhibit to the Registrant's Quarterly Report on Form 10Q dated November 8, 1991, which previously-filed Exhibit is incorporated by reference herein.

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

(14) Previously filed as an Exhibit to the Registrant's Current Report on Form 8-K dated July 21, 1993, which previously-filed Exhibit is incorporated by reference herein.

(15) Previously filed as an Exhibit to the Registrant's Current Report on Form 8-K dated June 30, 1994, which previously-filed Exhibit is incorporated by reference herein.

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

SIGNATURE	TITLE	DATE
* (J. Spencer Standish)	Chairman of the Board and Director	March 20, 1995
* (Francis L. McKone)	President and Director (Chief Executive Officer)	March 20, 1995
/s/ MICHAEL C. NAHL (Michael C. Nahl)	Senior Vice President and Chief Financial Officer (Principal Financial Officer)	March 20, 1995
* (Richard A. Carlstrom)	Vice President-Controller (Principal Accounting Officer)	March 20, 1995
* (Charles B. Buchanan)	Vice President, Secretary and Director	March 20, 1995
* (Paul Bancroft III)	Director	March 20, 1995
* (Thomas R. Beecher, Jr.,)	Director	March 20, 1995
* (Stanley I. Landgraf)	Director	March 20, 1995
* (Allan Stenshamn)	Director	March 20, 1995
* (Barbara P. Wright)	Director	March 20, 1995

*By /s/ MICHAEL C. NAHL

Michael C. Nahl
Attorney-in-fact

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized on the 20th day of March, 1995.

ALBANY INTERNATIONAL CORP.

by /s/ MICHAEL C. NAHL

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

SCHEDULE

REPORT OF INDEPENDENT ACCOUNTANTS
ON FINANCIAL STATEMENTS SCHEDULE

To The Shareholders and Board of Directors
Albany International Corp.

Our report on the consolidated financial statements of Albany International Corp. has been incorporated by reference in this form 10-K from page 6 of the 1994 Annual Report to Shareholders of Albany International Corp. In connection with our audits of such financial statements, we have also audited the related financial statements schedule listed in the index on page 8 of this Form 10-K.

In our opinion, the financial statements schedule referred to above, when considered in relation to the basic financial statements taken as a whole, present fairly, in all material respects, the information required to be included therein.

/s/ Coopers & Lybrand L.L.P.

Albany, New York
January 26, 1995

SCHEDULE VIII

ALBANY INTERNATIONAL CORP. AND SUBSIDIARIES

VALUATION AND QUALIFYING ACCOUNTS
(DOLLARS IN THOUSANDS)

COLUMN A	COLUMN B	COLUMN C	COLUMN D	COLUMN E
DESCRIPTION	BALANCE AT BEGINNING OF PERIOD	ADDITIONS CHARGED TO EXPENSE	DEDUCTIONS (A)	BALANCE AT END OF PERIOD
Allowance for doubtful accounts				
Year ended December 31:				
1994	$ 4,579	$ 597	$ 558	$ 4,618
1993	$ 4,800	$ 1,667	$ 1,888	$ 4,579
1992	$ 5,289	$ 1,320	$ 1,809	$ 4,800

(A) Includes accounts written off as uncollectible, recoveries and the effect of currency exchange rates.

EXHIBIT 11

SCHEDULE OF COMPUTATION OF PRIMARY
AND FULLY DILUTED
NET INCOME PER SHARE

ALBANY INTERNATIONAL CORP.

EXHIBIT 11

SCHEDULE OF COMPUTATION OF PRIMARY AND FULLY DILUTED
NET INCOME PER SHARE

(IN THOUSANDS, EXCEPT PER SHARE DATA)

PRIMARY EARNINGS PER SHARE:

FOR THE THREE MONTHS ENDED DECEMBER 31, 1994 (1)	FOR THE THREE MONTHS ENDED DECEMBER 31, 1993 (1)		FOR THE TWELVE MONTHS ENDED DECEMBER 31, 1994 (1)	FOR THE TWELVE MONTHS ENDED DECEMBER 31, 1993 (1)
30,033,929	29,882,469	Common stock outstanding at end of period............	30,033,929	29,882,469
		Adjustments to ending shares to arrive at weighted average for the period:		
(24,052)	(20,622)	Shares contributed to E.S.O.P. (2)...................	(78,940)	(70,461)
--	--	Shares issued under option (2)........................	(1,643)	--
--	(256,196)	Shares issued in public offering (2).................	--	(3,132,647)
30,009,877	29,605,652	Weighted average number of shares....................	29,953,346	26,679,361
$ 8,383	$ 6,396	Net income...	$ 23,952	$ 15,524
$ 0.28	$ 0.22	Net income per share (3).............................	$ 0.80	$ 0.58

(1) Includes Class A and Class B Common Stock

(2) Calculated as follows:
number of shares outstanding multiplied by the reciprocal of the number of days outstanding divided by the number of days in the period

Shares contributed to E.S.O.P.:

For the twelve months:

January 31, 1993	13,626 * (30/365)	1,120
February 28, 1993	13,572 * (58/365)	2,157
March 31 1993	12,074 * (89/365)	2,944
April 30, 1993	12,736 * (119/365)	4,152
May 31, 1993	11,770 * (150/365)	4,837
June 30, 1993	12,285 * (180/365)	6,058
July 31, 1993	10,209 * (211/365)	5,902
August 31, 1993	9,706 * (242/365)	6,435
September 30, 1993	10,993 * (272/365)	8,192
October 31, 1993	10,444 * (303/365)	8,670
November 30, 1993	10,347 * (333/365)	9,440
December 31, 1993	10,583 * (364/365)	10,554
		70,461
January 31, 1994	10,831 * (30/365)	890
February 28, 1994	11,120 * (58/365)	1,767
March 31, 1994	11,090 * (89/365)	2,704
April 12, 1994	56 * (101/365)	15
April 30, 1994	11,683 * (119/365)	3,809
May 31, 1994	11,882 * (150/365)	4,883
June 30, 1994	12,440 * (180/365)	6,135
July 31, 1994	12,977 * (211/365)	7,502
August 31, 1994	12,679 * (242/365)	8,406
September 30, 1994	13,090 * (272/365)	9,755
October 31, 1994	10,963 * (303/365)	9,101
November 14, 1994	39 * (317/365)	34
November 30, 1994	12,996 * (333/365)	11,857
December 31, 1994	12,114 * (364/365)	12,082
		78,940

For the three months:

October 31, 1993	10,444 * (30/92)	3,406
November 30, 1993	10,347 * (60/92)	6,748
December 31, 1993	10,583 * (91/92)	10,468
		20,622
October 31, 1994	10,963 * (30/92)	3,575
November 14, 1994	39 * (44/92)	19
November 30, 1994	12,996 * (60/92)	8,476
December 31, 1994	12,114 * (91/92)	11,982
		24,052

Shares issued under option:

For the twelve months:

March 22, 1994	7,500 * (80/365)	1,643

Shares offered:

For the twelve months:		
October 6, 1993	4,000,000 * (278/365)	3,046,575
November 5, 1993	102,000 * (308/365)	86,071
		3,132,647
For the three months:		
October 6, 1993	4,000,000 * (5/92)	217,391
November 5, 1993	102,000 * (35/92)	38,804
		256,196

- ------------------------
(3) Dilutive common stock equivalents are not material and therefore are not included in the calculation of primary earnings per common share.

Fully diluted earnings per share:

FOR THE THREE MONTHS ENDED DECEMBER 31, 1994 (1)	FOR THE THREE MONTHS ENDED DECEMBER 31, 1993 (1)		FOR THE TWELVE MONTHS ENDED DECEMBER 31, 1994 (1)	FOR THE TWELVE MONTHS ENDED DECEMBER 31, 1993 (1)
30,009,877	29,605,652	Weighted average number of shares....................	29,953,346	26,679,361
284,046	243,079	Incremental shares of unexercised options (4)........	284,046	243,079
5,712,450	5,712,450	Convertible shares of subord. debentures (5).........	5,712,450	--
36,006,373	35,561,181	Adjusted weighted average number of shares...........	35,949,842	26,922,440
$ 9,505	$ 7,589	Net income (including after-tax interest savings)....	$ 28,440	$ 15,524
$ 0.26	$ 0.21	Fully diluted net income per share...................	$ 0.79	$ 0.58

- ------------------------
(4) Incremental shares of exercisable options are calculated based on the higher of the average price of the Company's stock or the ending price for the respective period. The calculation includes all options whose exercise price is below the higher of the average or ending stock price.

(5) The subordinated debentures are convertible into 5,712,450 shares of the Company's Class A common stock. There were no conversions as of December 31, 1994. Upon any conversion, the Company would realize an after-tax interest expense savings based on 5.25% of the face value less the corresponding income tax deduction. The full amount of the shares and the interest savings will be included in the calculation only when they cause dilution to net income per share.

EXHIBIT 13

1994 ANNUAL REPORT

REPORT OF MANAGEMENT

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

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

The financial statements have been audited by Coopers & Lybrand, L.L.P., independent accountants. Their role is to express an opinion as to whether management's financial statements present fairly, in accordance with generally accepted accounting principles, the Company's financial condition and operating results. Their opinion is based on procedures which include reviewing and evaluating certain aspects of selected systems, procedures and internal accounting controls, and conducting such tests as they deem necessary.

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

/s/ J. Spencer Standish
J. Spencer Standish
CHAIRMAN OF THE BOARD

/s/ Francis L. McKone
Francis L. McKone
PRESIDENT AND CHIEF EXECUTIVE OFFICER

s/ Michael C. Nahl
Michael C. Nahl
SENIOR VICE PRESIDENT
AND CHIEF FINANCIAL OFFICER

REPORT OF INDEPENDENT ACCOUNTANTS

TO THE SHAREHOLDERS AND BOARD OF DIRECTORS
ALBANY INTERNATIONAL CORP.

We have audited the accompanying consolidated balance sheets of Albany International Corp. as of December 31, 1994 and 1993, and the related consolidated statements of income and retained earnings, and cash flows for each of the three years in the period ended December 31, 1994. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of Albany International Corp. as of December 31, 1994 and 1993, and the consolidated results of its operations and its cash flows for each of the three years in the period ended December 31, 1994 in conformity with generally accepted accounting principles.

As described in Notes 1 and 13 to the financial statements, in 1992, the Company changed its method of accounting for income taxes in accordance with Statement of Financial Accounting Standards No. 109 and postretirement benefits other than pensions in accordance with Statement of Financial Accounting Standards No. 106.

/s/ Coopers & Lybrand L.L.P.
Albany, New York
January 26, 1995

CONSOLIDATED STATEMENTS OF INCOME AND RETAINED EARNINGS
ALBANY INTERNATIONAL CORP.

FOR THE YEARS ENDED DECEMBER 31, (IN THOUSANDS EXCEPT PER SHARE DATA)	1994	1993	1992
STATEMENTS OF INCOME			
Net sales	$ 567,583	$ 546,120	$ 561,084
Cost of goods sold	338,868	344,609	367,516
Gross profit	228,715	201,511	193,568
Selling and general expenses	124,883	123,496	122,004
Technical and research expenses	40,888	38,968	41,386
Restructuring of operations and termination benefits	--	(1,863)	12,045
Operating income	62,944	40,910	18,133
Interest income	(317)	(365)	(1,073)
Interest expense	17,137	16,480	19,902
Other expense/(income), net	4,324	(630)	(3,218)
Income before income taxes	41,800	25,425	2,522
Income taxes	17,974	10,017	958
Income before minority interest	23,826	15,408	1,564
Loss applicable to minority interest	--	--	961
Equity in earnings of associated companies	126	116	160
Income before extraordinary item and cumulative effect of accounting changes	23,952	15,524	2,685
Extraordinary gain on early extinguishment of debt, net of tax of $624	--	--	1,019
Cumulative effect of accounting changes:			
Income taxes	--	--	20,142
Postretirement benefits, net of tax of $16,813	--	--	(27,431)
Net income/(loss)	23,952	15,524	(3,585)
RETAINED EARNINGS			
Retained earnings, beginning of period	126,276	120,113	132,648
Less dividends	10,488	9,361	8,950
Retained earnings, end of period	$ 139,740	$ 126,276	$ 120,113
PER COMMON SHARE:			
Income before extraordinary item and cumulative effect of accounting changes	$ 0.80	$ 0.58	$ 0.11
Extraordinary gain on early extinguishment of debt	--	--	0.04
Cumulative effect of accounting changes:			
Income taxes	--	--	0.79
Postretirement benefits	--	--	(1.08)
Net income/(loss)	$ 0.80	$ 0.58	$ (0.14)

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THE FINANCIAL STATEMENTS.

CONSOLIDATED BALANCE SHEETS
ALBANY INTERNATIONAL CORP.

AT DECEMBER 31, (IN THOUSANDS)	1994	1993
ASSETS		
Current assets:		
Cash and cash equivalents	$ 228	$ 1,381
Accounts receivable, less allowance for doubtful accounts ($4,618, 1994; $4,579, 1993)	154,140	120,416
Inventories		
Finished goods	78,501	72,763
Work in process	37,665	32,991
Raw material and supplies	26,364	18,539
Deferred taxes and prepaid expenses	17,278	18,050
Total current assets	314,176	264,140
Property, plant and equipment, at cost, net	320,719	302,829
Investments in associated companies	992	10,951
Intangibles	20,495	25,558
Deferred taxes	40,251	33,640
Other assets	24,753	18,302
Total assets	$ 721,386	$ 655,420
LIABILITIES		
Current liabilities:		
Notes and loans payable	$ 16,676	$ 8,560
Accounts payable	30,236	23,284
Accrued liabilities	53,750	55,288
Current maturities of long-term debt	1,044	2,917
Income taxes payable and deferred	11,071	7,881
Total current liabilities	112,777	97,930
Long-term debt	232,767	208,620
Other noncurrent liabilities	81,176	82,423
Deferred taxes and other credits	22,719	21,979
Total liabilities	449,439	410,952
SHAREHOLDERS' EQUITY		
Preferred stock, par value $5.00 per share; authorized 2,000,000 shares; none issued	--	--
Class A common stock, par value $.001 per share; authorized 100,000,000 shares; 24,564,033 issued in 1994 and 24,531,445 in 1993	25	25
Class B common stock, par value $.001 per share; authorized 25,000,000 shares; issued and outstanding 5,633,427 in 1994 and 5,658,515 in 1993	6	6
Additional paid in capital	170,539	170,112
Retained earnings	139,740	126,276
Translation adjustments	(36,408)	(45,758)
Pension adjustment	--	(1,856)
	273,902	248,805
Less treasury stock, at cost	1,955	4,337
Total shareholders' equity	271,947	244,468
Total liabilities and shareholders' equity	$ 721,386	$ 655,420

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THE FINANCIAL STATEMENTS.

CONSOLIDATED STATEMENTS OF CASH FLOWS
ALBANY INTERNATIONAL CORP.

FOR THE YEARS ENDED DECEMBER 31, (IN THOUSANDS)	1994	1993	1992
OPERATING ACTIVITIES			
Net income/(loss)	$ 23,952	$ 15,524	($ 3,585)
Adjustments to reconcile net cash provided by operating activities:			
Equity in earnings of associated companies	(126)	(116)	(160)
Distributions received from associated companies	42	407	517
Loss applicable to minority interest	--	--	(961)
Depreciation and amortization	38,649	41,969	45,523
Accretion of convertible subordinated debentures	1,519	1,419	959
Provision for deferred income taxes, other credits and long-term liabilities	(2,395)	(8,455)	(5,733)
Increase in cash surrender value of life insurance, net of premiums paid	(468)	(452)	(1,027)
Unrealized currency transaction gains	(1,271)	(998)	(6,534)
Loss/(gain) on disposition of assets	1,280	(6,967)	124
Tax benefit of options exercised	12	--	--
Treasury shares contributed to ESOP	2,671	2,344	2,563
FAS No. 109 asset revaluation	--	--	(8,498)
Gain on early extinguishment of debt	--	--	(1,019)
Cumulative effect of accounting changes	--	--	7,289
Debt issuance costs	--	--	(2,955)
Changes in operating assets and liabilities:			
Accounts receivable	(30,021)	3,272	3,785
Inventories	(15,046)	(815)	14,963
Prepaid expenses	586	470	(677)
Accounts payable	6,527	212	(7,995)
Accrued liabilities	(5,054)	(6,715)	2,459
Income taxes payable	2,124	4,587	1,897
Other, net	140	(507)	2,870
Net cash provided by operating activities	23,121	45,179	43,805
INVESTING ACTIVITIES			
Purchases of property, plant and equipment	(36,322)	(30,940)	(20,219)
Purchased software	(2,053)	--	--
Proceeds from sale of assets	1,855	27,750	1,456
Acquisitions, net of cash acquired	526	(55,356)	(2,428)
Premiums paid for life insurance	(1,196)	(1,198)	(1,206)
Net cash used in investing activities	(37,190)	(59,744)	(22,397)
FINANCING ACTIVITIES			
Proceeds from borrowings	51,484	65,205	48,618
Principal payments on debt	(23,490)	(107,090)	(177,044)
Proceeds from options exercised	126	--	--
Proceeds from issuance of convertible subordinated debentures	--	--	131,385
Proceeds from sale of common stock	--	68,690	--
Minority investment in limited partnership	--	--	900
Dividends paid	(10,474)	(8,990)	(8,937)
Interest rate protection agreements	--	--	109
Net cash provided/(used) by financing activities	17,646	17,815	(4,969)
Effect of exchange rate changes on cash	(4,730)	(5,874)	(17,502)
Decrease in cash and cash equivalents	(1,153)	(2,624)	(1,063)
Cash and cash equivalents at beginning of year	1,381	4,005	5,068
Cash and cash equivalents at end of year	$ 228	$ 1,381	$ 4,005

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THE FINANCIAL STATEMENTS.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. ACCOUNTING POLICIES

BASIS OF CONSOLIDATION

The consolidated financial statements include the accounts of Albany International Corp. and its subsidiaries after elimination of intercompany transactions. The Company has a 50% interest in a partnership in South Africa. The consolidated financial statements include the Company's original investment in the South African company, plus its share of undistributed earnings, in the account "Investments in associated companies." The Company had 40% equity interests in companies in Mexico, Brazil and Argentina until the first quarter of 1994 when it exchanged its 40% equity interests in Brazil and Argentina for the remaining 60% equity interest in Mexico.

REVENUE RECOGNITION

The Company records sales when products are shipped to customers pursuant to orders or contracts. Sales terms are in accordance with industry practice in markets served. The Company limits the concentration of credit risk in receivables from the paper manufacturing industry by closely monitoring credit and collection policies. The allowance for doubtful accounts is adequate to absorb estimated losses.

TRANSLATION OF FINANCIAL STATEMENTS

Assets and liabilities of non-U.S. operations are translated at year-end rates of exchange, and the income statements are translated at the average rates of exchange for the year. Gains or losses resulting from translating non-U.S. currency financial statements are accumulated in a separate component of shareholders' equity.

For operations in countries that are considered to have highly inflationary economies, gains and losses from translation and transactions are determined using a combination of current and historical rates and are included in net income.

Gains or losses resulting from currency transactions denominated in a currency other than the entity's local currency, forward exchange contracts which are not designated as hedges for accounting purposes and futures contracts are generally included in income. Changes in value of forward exchange contracts which are effective as hedges for accounting purposes are generally reported in shareholders' equity in the caption "Translation adjustments."

RESEARCH EXPENSE

Research expense, which is charged to operations as incurred, was $18,388,000 in 1994, $17,605,000 in 1993, and $18,474,000 in 1992.

CASH AND CASH EQUIVALENTS

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

INVENTORIES

Inventories are stated at the lower of cost or market. The cost of United States inventories is based on the last-in, first-out (LIFO) method; all other inventories are valued at average cost.

PROPERTY, PLANT AND EQUIPMENT

Depreciation is recorded using the straight-line method over the estimated useful lives of the assets for financial reporting purposes; accelerated methods are used for income tax purposes.

Significant additions or improvements extending assets' useful lives are capitalized; normal maintenance and repair costs are expensed as incurred.

The cost of fully depreciated assets remaining in use are included in the respective asset and accumulated depreciation accounts. When items are sold or retired, related gains or losses are included in net income.

INTANGIBLES AND OTHER ASSETS

The excess purchase price over fair values assigned to assets acquired is amortized on a straight-line basis over either 25 or 40 years.

Patents, at cost, are amortized on a straight-line basis over 8 years.

Computer software, at cost, is amortized on a straight-line basis over 5 years and is included in "Other assets."

INCOME TAXES

The Company implemented Financial Accounting Standard No. 109, "Accounting for Income Taxes," in 1992. The Standard requires the use of the asset and liability method of accounting for income taxes. Under the asset and liability method, deferred income taxes are recognized for the tax consequences of "temporary differences" by applying enacted statutory tax rates applicable for future years to differences between financial statement and tax bases of existing assets and liabilities. Under FAS No. 109, the effect of tax rate changes on deferred taxes is recognized in the income tax provision in the period that includes the enactment date. Under the previous method, deferred taxes were recognized using the tax rate applicable to the year of the calculation and were not adjusted for subsequent changes in tax rates.

It is the Company's policy to accrue appropriate U.S. and non-U.S. income taxes on earnings of subsidiary companies which are intended to be remitted to the parent company in the near future.
The provision for taxes is reduced by investment and other tax credits in the years such credits become available.

PENSION PLANS

Substantially all employees are covered under either Company or government sponsored pension plans. For principal Company sponsored plans, pension plan costs are based on actuarial determinations. The plans are generally trusteed or insured and accrued amounts are funded as required in accordance with governing laws and regulations.

EARNINGS PER SHARE

Earnings per share of common stock are computed based on the weighted average number of shares of common stock outstanding during each year. Dilutive common stock equivalents are not material and therefore are not included in the computation of primary earnings per common share. The convertible subordinated debentures, issued in March 1992, are not common stock equivalents and will not affect primary earnings per share. The weighted average number of common shares outstanding during 1994, 1993 and 1992 was 29,953,346, 26,679,361 and 25,558,541, respectively.

2. INVENTORIES

The cost of inventories valued under the LIFO method is $67,251,000 at December 31, 1994 and $64,042,000 at December 31, 1993. Had the Company's inventory been valued at average cost (which approximates replacement cost), inventories would have been $5,771,000 higher in 1994 and $5,894,000 higher in 1993.

3. PROPERTY, PLANT AND EQUIPMENT

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

(IN THOUSANDS)	1994	1993
Land	$ 22,467	$ 18,149
Buildings	147,439	132,380
Machinery and equipment	386,034	340,656
	555,940	491,185
Accumulated depreciation	235,221	188,356
	$ 320,719	$ 302,829

Construction in progress approximated $3,339,000 in 1994 and $6,465,000 in 1993.

Depreciation expense was $37,554,000 in 1994, $41,286,000 in 1993, and $44,837,000 in 1992.

Expenditures for maintenance and repairs are charged to income as incurred and amounted to $14,400,000 in 1994, $15,138,000 in 1993, and $14,535,000 in 1992.

Capital expenditures were $36,322,000 in 1994, $30,940,000 in 1993, and $20,219,000 in 1992. At the end of 1994, the Company was committed to $20,635,000 of future expenditures for new equipment.

4. INTANGIBLES

The components of intangibles are summarized below:

(IN THOUSANDS)	1994	1993
Excess purchase price over fair value	$ 29,049	$ 28,054
Patents	10,329	10,105
Accumulated amortization	(18,883)	(18,200)

Deferred unrecognized pension cost (see Note 12)	--	5,599
	$ 20,495	$ 25,558

Amortization expense was $683,000 in 1994 and 1993, and $686,000 in 1992.

5. ACCRUED LIABILITIES

Accrued liabilities consist of:

(IN THOUSANDS)	1994	1993
Salaries and wages	$ 14,853	$ 12,831
Employee benefits	13,895	13,671
Pre-receivable sale	--	6,559
Returns and allowances	2,744	2,094
Interest	3,325	2,896
Restructuring costs	2,852	3,915
Other	16,081	13,322
	$ 53,750	$ 55,288

6. FINANCIAL INSTRUMENTS

Notes and loans payable at December 31, 1994 and 1993 were short-term debt instruments with banks, denominated in local currencies with a weighted average interest rate of 6.7% in 1994 and 5.7% in 1993.

Long-term debt at December 31, 1994 and 1993, principally to banks and bondholders, exclusive of amounts due within one year, consists of:

(IN THOUSANDS)	1994	1993
$150 million 5.25% convertible subordinated debentures due 2002, yielding 7.0%.	$ 135,338	$ 133,819
$125 million credit agreement which terminates in 1997 with LIBOR borrowings outstanding at an average interest of 4.85% in 1994 and 3.96% in 1993.	50,000	19,000
Various notes, mortgages and debentures relative to operations principally outside the United States, at an average interest of 6.11% in 1994 and 6.62% in 1993, due in varying amounts through 2003.	30,287	38,016
Industrial revenue financings at an average interest of 5.43% in 1994 and 5.06% in 1993, due in varying amounts through 2015.	17,142	17,785
	$ 232,767	$ 208,620

Principal payments due on long-term debt are: 1995, $1,044,000; 1996, $6,651,000; 1997, $52,740,000; 1998, $10,368,000, 1999, $11,577,000.

Interest paid was $16,708,000 in 1994, $16,634,000 in 1993, and $18,943,000 in 1992.

The Company's credit agreement provides that the Company may borrow up to $125,000,000 until July 16, 1997 at which time the banks' commitment to lend is terminated. The terms of the credit agreement include a facility fee. The maximum interest rate margin over LIBOR or Certificates of Deposit is determined by the Company's cash flow to debt ratio. New borrowings under the revolving credit facility are conditional on the absence of material adverse changes in the business, financial position, results of operations and prospects of the Company and its consolidated subsidiaries taken as a whole. In the event of nonperformance by any bank on its commitment to extend credit, the Company could not borrow the full amount of the facility. However, the Company does not anticipate nonperformance by any bank.

The credit agreement contains various covenants which include limits on: the disposition of assets, minimum consolidated tangible net worth, interest coverage and cash flow to debt ratios, cash dividends, or certain restricted investments unless the required consolidated tangible net worth, as defined, is maintained. At December 31, 1994, $20,941,000 was available for the payment of cash dividends.

Under the credit agreement and formal and informal agreements with other financial institutions, the Company could have borrowed an additional $161,000,000 at December 31, 1994.

During March 1992, the Company sold original issue discount 5.25% convertible subordinated debentures due 2002 which, if held to maturity, will yield 7.0% to the original purchaser. The proceeds to the Company, net of original issue discount and expenses, were $128,430,000. The original issue discount will be amortized over the term of the debentures. The debentures are convertible into 5,712,450 shares of Class A common stock. After March 15, 1996, the Company may call the debentures, in whole or in part, at a redemption price of 91.545% in 1996; 92.723% in 1997; 93.985% in 1998; 95.338% in 1999; 96.786% in 2000 and 98.338% in 2001.

The Company has swap agreements wherein on a notional amount of

$250,000,000 the Company will pay a periodic floating rate based upon an index of yields of high-grade, tax-exempt bond issues published by Kenny Information Systems. The counterparty is obligated to make payments to the Company calculated at an average of 70% of LIBOR. As of December 31, 1994 and 1993, the average blended rates payable on the long-term swap agreements were 4.14% and 2.49%, respectively, and the blended rates receivable were 4.21% and 2.48%, respectively. The swap agreements expire during 2000. The practical effect of these swaps is to partially hedge the potential effect of higher tax rates after August 1990. The Company values these contracts at market (approximately $586,000) by estimating the cost of entering into one or more inverse swap transactions on such date that would neutralize the original transactions. The cost is estimated by obtaining the market swap rate for fixed-rate contracts of similar duration. The change in the valuation is reflected in "Other expense/(income), net" and was not significant in 1994, 1993, and 1992.

At December 31, 1994, the Company had various forward exchange contracts, maturing during 1995. For each closed position, a sale contract of a particular currency was matched with a purchase contract for the same currency at the same amount, counterparty and settlement date. Open positions were valued at fair value using the estimated forward exchange rate of a matching contract as of December 31, 1994. The foreign currency positions, both open and closed, as of December 31, 1994, by major currency, are:

Currency	Buy Contracts or Fair Value	Sell Contracts or Fair Value
(IN THOUSANDS)		
Australian Dollar	$25,101	$25,000
Brazilian Real	24,663	22,000
Dutch Guilder	66,376	65,679
French Franc	25,869	25,660
German Mark	29,210	29,000
Swedish Krona	73,845	73,270
Total	$245,064	$240,609

The primary purpose of these contracts was to provide an economic hedge against currency fluctuation effects on future revenue streams. Forward exchange contracts that are designated hedges are typically entered into at currency amounts that approximate the net assets of the related foreign operation and any intercompany loan balance in that foreign currency. Periodically, the Company also enters into futures contracts primarily to hedge in the short-term against interest rate fluctuations. At December 31, 1994 and 1993, the Company was not a party to any such contracts. The "Interest rate protection agreements" component of "Other expense/(income), net" includes losses on futures contracts, based on fair value, of $917,000, $222,000 and $128,000 in 1994, 1993 and 1992, respectively (see Note 9).

All financial instruments are held for purposes other than trading. For all positions there is risk from the possible inability of the counterparties (major financial institutions) to meet the terms of the contracts and the risk of unfavorable changes in interest and currency rates which may reduce the benefit of the contracts. However, for most closed forward exchange contracts, both the purchase and sale sides of the Company's exposures are with the same financial institution. The Company seeks to control off balance sheet risk by evaluating the credit worthiness of counterparties and by monitoring the currency exchange and interest rate markets, hedging risks in compliance with internal guidelines and reviewing all principal economic hedging contracts with designated directors of the Company.

The Company has an agreement under which it may sell to a financial institution up to $40,000,000 of the Company's right to receive certain payments for goods ordered from the Company. At December 31, 1994, there were no amounts sold under this agreement as compared to $11,965,000 in 1993. At December 31, 1993 this transaction had the effect of reducing accounts receivable $5,406,000, reducing long-term debt $11,965,000 and increasing accrued liabilities $6,559,000.

During the fourth quarter of 1992, the Company elected an early payment of a $3,000,000 tax exempt financing for $1,357,000 which resulted in a pretax extraordinary gain of $1,643,000.

At December 31, 1994 the estimated fair value of the Company's long-term debt excluding current maturities approximates $226,399,000. The estimate is based on the quoted market price for the 5.25% convertible subordinated debentures, the present value of future cash flows of fixed rate debt based upon changes in the general level of interest rates, and on the assumption that carrying value approximates fair value for variable rate debt.

7. LEASES

Total rental expense amounted to $15,527,000, $21,488,000, and $19,675,000 for 1994, 1993, and 1992, respectively. Principal leases are for machinery and equipment, vehicles and real property. Certain leases contain renewal and purchase option provisions at fair market values. There were no significant capital leases.

Future rental payments required under operating leases that have initial or remaining noncancelable lease terms in excess of one year as of December 31, 1994 are: 1995, $12,578,000; 1996, $9,860,000; 1997, $7,692,000; 1998, $4,921,000; 1999 $4,162,000; and thereafter, $1,672,000.

8. SHAREHOLDERS' EQUITY

The Company has two classes of Common Stock, Class A Common Stock, par value $.001 and Class B Common Stock, par value $.001 which have equal liquidation rights. Each share of the Company's Class A Common Stock is entitled to one vote on all matters submitted to shareholders and each share of Class B Common Stock is entitled to ten votes. Class A and Class B Common Stock will receive equal dividends as the Board of Directors may determine from time to time. The Class B Common Stock is convertible into an equal number of shares of Class A Common Stock at any time. At December 31, 1994, 15,338,377 shares of Class A Common Stock were reserved for the conversion of Class B Common Stock, the exercise of stock options and the conversion of 5.25% convertible subordinated debentures.

The Board of Directors authorized the purchase of up to an aggregate of 2,000,000 shares of the Company's Class A Common Stock in the open market. The Company has purchased 703,200 shares of its Class A Common Stock since 1990 and may purchase up to 1,296,800 more shares without further advance public announcement. The Board authorized the payment of dividends totalling $.35 per common share per year during 1994, 1993, and 1992.

Changes in shareholders' equity for 1994, 1993 and 1992 are as follows:

	Class A Common Stock		Class B Common Stock		Additional Paid in	Treasury Stock (Class A)	
(IN THOUSANDS)	Shares	Amount	Shares	Amount	Capital	Shares	Amount
Balance: January 1, 1992	20,429	$20	5,659	$6	$101,418	602	$9,235
Shares contributed to ESOP	--	--	--	--	(23)	(157)	(2,586)
Balance: December 31, 1992	20,429	$20	5,659	$6	$101,395	445	$6,649
Shares contributed to ESOP	--	--	--	--	32	(138)	(2,312)
Public offering	4,102	4	--	--	68,685	--	--
Other	--	1	--	--	--	--	--
Balance: December 31, 1993	24,531	$25	5,659	$6	$170,112	307	$4,337
Shares contributed to ESOP	--	--	--	--	289	(143)	(2,382)
Conversion of Class B shares to Class A shares	26	--	(26)	--	--	--	--
Options exercised	7	--	--	--	138	--	--
Balance: December 31, 1994	24,564	$25	5,633	$6	$170,539	164	$1,955

9. OTHER EXPENSE/(INCOME), NET

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

(IN THOUSANDS)	1994	1993	1992
Currency transactions	$ 2,590	$ (5,515)	$ (7,782)
Interest rate protection agreements	63	442	373
Pre-receivable sales	(214)	2,348	2,674
Amortization of debt issuance costs and loan origination fees	804	804	721
Other	1,081	1,291	796
	$ 4,324	$ (630)	$ (3,218)

10. INCOME TAXES

The Company elected to adopt FAS No. 109, "Accounting for Income Taxes", as of January 1, 1992. In accordance with the provisions of the Standard, prior years' financial statements have not been restated, and accordingly, the Company has reported a cumulative effect of change in accounting principle. This cumulative effect increased 1992 income by $20,142,000 or $.79 per share. In addition to the cumulative effect, the adoption of FAS No. 109 reduced 1992 pretax income by $1,638,000, which was offset by a corresponding tax benefit.

Income taxes currently payable are provided on taxable income at the statutory rate applicable to such income.

The components of income taxes are:

(IN THOUSANDS)	1994	1993	1992
Current:			
U.S.	$ 15,868	$ 11,437	$ 5,707
Non-U.S.	5,835	8,699	8,909
	21,703	20,136	14,616
Deferred:			
U.S.	(6,432)	(5,230)	(2,134)
Non-U.S.	2,703	(4,889)	(11,524)
	(3,729)	(10,119)	(13,658)
	$ 17,974	$ 10,017	$ 958

U.S. income before income taxes was $18,097,000 in 1994, $31,405,000 in 1993, and $15,042,000 in 1992.

Taxes paid, net of refunds, were $19,639,000 in 1994, $3,657,000 in 1993, and $6,900,000 in 1992.

A comparison of the federal statutory rate to the Company's effective rate is as follows:

	1994	1993	1992
U.S. statutory rate	35.0%	35.0%	34.0%
State taxes	2.4	6.8	12.2
Non-U.S. tax rates, repatriation of earnings, and other net charges associated with prior years	5.9	(1.4)	(22.6)
Minority interest	--	--	10.8
Other	(.3)	(1.0)	3.6
Effective tax rate	43.0%	39.4%	38.0%

The significant components of deferred income tax benefit attributed to income from operations for the years ended December 31, 1994, 1993, and 1992 are as follows:

(IN THOUSANDS)	1994	1993	1992
Deferred tax benefit	$ (6,603)	$ (10,518)	$ (18,766)
Adjustments to deferred tax assets and liabilities for enacted changes in tax laws and rates	(1,584)	(1,983)	1,880
Utilization of operating loss carryforwards	4,458	2,382	3,228
	$ (3,729)	$ (10,119)	$ (13,658)

Investment tax credits and other credits utilized for financial reporting purposes were not material.
Undistributed earnings of subsidiaries outside the United States for which no provision for U.S. taxes has been made amounted to approximately $70,257,000 at December 31, 1994. In the event earnings of foreign subsidiaries are remitted, foreign tax credits may be available to offset U.S. taxes.

The tax effects of temporary differences that give rise to significant portions of the deferred tax assets and liabilities at December 31, 1994 and 1993 are presented below:

	U.S.		Non-U.S.	
(IN THOUSANDS)	1994	1993	1994	1993
Accounts receivable, principally due to allowance for doubtful accounts	$ 273	$ 176	$ (521)	$ 97
Inventories, principally due to additional costs inventoried for tax purposes, pursuant to the Tax Reform Act of 1986	4,491	3,278	2	485
Tax loss carryforwards	--	--	3,851	5,054
Other	3,491	2,146	975	1,543
Total current deferred tax				

assets	8,255	5,600	4,307	7,179
Sale lease back transaction	1,537	1,867	--	--
Deferred compensation	4,707	4,221	--	--
Tax loss carryforwards	--	--	21,645	18,737
Plant, equipment and depreciation	(3,814)	(8,024)	(150)	(162)
Postretirement benefits other than pensions	19,927	19,086	--	--
Other	(2,951)	(1,520)	(650)	(565)
Total noncurrent deferred tax assets	19,406	15,630	20,845	18,010
Total deferred tax assets	$ 27,661	$ 21,230	$ 25,152	$ 25,189
Total current deferred tax liabilities	--	--	$ 1,685	$ 693
Plant, equipment and depreciation	--	--	19,425	17,203
Other	--	--	(811)	(209)
Total noncurrent deferred tax liabilities	--	--	18,614	16,994
Total deferred tax liabilities	--	--	$ 20,299	$ 17,687

In the U.S., the Company has had a substantial tax liability for each of the past three years and expects to pay taxes in the future at this or greater levels. Substantially all of the non-U.S. net deferred tax asset relates to tax loss carryforwards of which approximately 15% is expected to be used in 1995 and the remainder of the noncurrent loss carryforward has no expiration. The Company has restructured its operations to reduce or eliminate losses and has reorganized in certain countries to ensure that losses will be offset against the profits of companies with long-term earnings histories. Accordingly, the Company expects to realize the benefit of its U.S. and non-U.S. deferred tax assets in the future.

11. BUSINESS SEGMENT AND GEOGRAPHIC DATA

The Company operates primarily in one industry segment which includes developing, manufacturing, marketing and servicing custom designed engineered fabrics and related products used in the manufacture of paper and paperboard.
The following table shows data by geographic area and includes restructuring of operations and termination benefits in 1993 and 1992 and the gain related to the sale of the Engineered Systems Division in 1993:

(IN THOUSANDS)	1994	1993	1992
UNITED STATES			
Net sales	$ 239,755	$ 240,853	$ 220,792
Operating income	31,400	38,668	15,251
Assets	255,198	231,892	183,567
CANADA			
Net sales	$ 57,459	$ 58,015	$ 64,766
Operating income	7,333	5,506	8,021
Assets	59,280	55,714	59,650
EUROPE			
Net sales	$ 191,883	$ 177,688	$ 210,137
Operating income/ (loss)	15,233	(7,881)	(10,767)
Assets	283,499	251,722	286,791
REST OF WORLD			
Net sales	$ 78,486	$ 69,564	$ 65,389
Operating income	8,978	4,617	5,628
Assets	107,472	85,715	81,368

Sales among geographic areas and export sales are not significant. Operating income includes an allocation of corporate expenses because such costs are incurred principally for the benefit of operating companies. Assets exclude intercompany accounts, assets related to corporate activities, and investments in associated companies. The associated companies are primarily engaged in the same industry segment as the Company

12. PENSION PLANS AND OTHER RETIREMENT BENEFITS

The Company has a noncontributory pension plan covering U.S. employees and both contributory and noncontributory pension plans covering non-U.S. employees. Employees are covered primarily by plans which provide pension benefits that are based on the employee's service and average compensation during the three to five years before retirement or termination of employment.

The following table sets forth the Plans' funded status and amounts recognized in the Company's balance sheet. Amounts are shown at September 30, for U.S. pension plans. Amounts for non-U.S. plans are projected to December 31 from the most recent valuation.

	Plans in Which Assets Exceed Accumulated Benefits		Plans in Which Accumulated Benefits Exceed Assets	
(IN THOUSANDS)	1994	1993	1994	1993
Actuarial present value of benefit obligations:				
Vested	$ (88,180)	$ (18,933)	$ (9,419)	$ (79,602)
Accumulated	(93,576)	(20,675)	(10,973)	(85,972)
Projected	(112,125)	(27,390)	(14,487)	(102,241)
Plan assets at fair value, primarily listed stocks and bonds	100,369	27,301	--	64,854
Projected benefit obligation in excess of plan assets	(11,756)	(89)	(14,487)	(37,387)
Unrecognized net loss	17,377	1,348	2,472	25,950
Prior service cost not yet recognized in net periodic				

pension cost	7,585	931	--	5,599
Remaining unrecognized net (asset) obligation	(7,626)	(680)	315	(8,063)
Recognized unaccrued pension expense	--	--	--	(8,213)
Accrued pension asset (liability)	$ 5,580	$ 1,510	$ (11,700)	$ (22,114)

The expected long-term rate of return for U.S. plans was 10% for 1994, 1993, and 1992. The weighted average discount rate was 9.5% for 1994, 7.8% for 1993, and 8.65% for 1992. The rate of increase in future compensation levels for salaried and hourly employees was 5.9% and 6.0%, respectively in 1994, 4.4% and 4.5%, respectively in 1993, and 5.8% and 6.0%, respectively in 1992.

The weighted average expected long-term rate of return for non-U.S. plans was 7.4% for 1994, 8.0% for 1993, and 8.2% for 1992. The weighted average discount rate was 8.5% for 1994, 7.3% for 1993, and 8.7% for 1992. The weighted average rate increase in future compensation levels was 5.7% for 1994, 4.8% for 1993 and 5.8% for 1992.

The Company was required to accrue an additional minimum liability in 1993 for those plans for which accumulated plan benefits exceeded plan assets. The liability at December 31, 1993 of $7,455,000 was offset by an asset amounting to $5,599,000 (included in intangibles) and a direct charge to equity of $1,856,000. No additional minimum liability was required to be accrued for 1994.

The vested benefit obligation has been determined based upon the actuarial present value of the vested benefits to which an employee is currently entitled, based on the employee's expected date of separation or retirement.

Net pension cost included the following components:

(IN THOUSANDS)	1994	1993	1992
Service cost	$ 4,276	$ 4,311	$ 4,007
Interest cost on projected benefit obligation	9,709	9,780	9,717
Actual return on assets	(7,197)	(9,341)	(7,905)
Net amortization and deferral	(1,837)	1,158	(54)
Net periodic pension cost	$ 4,951	$ 5,908	$ 5,765

Annual pension cost charged to operating expense for all Company plans was $8,529,000 for 1994, $7,840,000 for 1993, and $7,690,000 for 1992.

13. POSTRETIREMENT BENEFITS OTHER THAN PENSIONS

In addition to providing pension benefits, the Company provides certain medical, dental and life insurance benefits for its retired United States employees. Substantially all of the Company's U.S. employees may become eligible for these benefits, which are subject to change, if they reach normal retirement age while working for the Company. Retirees share in the cost of these benefits. The Company's non-U.S. operations do not offer such benefits to retirees.

In accordance with Financial Accounting Standard No. 106, "Employers' Accounting for Postretirement Benefits Other Than Pensions", the Company accrues the cost of providing postretirement benefits during the active service period of the employees. During the fourth quarter of 1992, the Company elected to adopt this standard effective January 1, 1992 and recognize the accumulated liability, measured as of January 1, 1992. This resulted in a charge of $27,431,000, net of tax of $16,813,000 and a reduction of 1992 operating income by $2,798,000. The Company currently funds the plan as claims are paid.

The following table reflects the status of the postretirement benefit plan:

(IN THOUSANDS)	1994	1993
Accumulated postretirement benefit obligation:		
Retirees	$ 22,890	$ 29,632
Fully eligible active plan participants	3,131	3,531
Other active participants	9,740	14,835
	35,761	47,998
Unrecognized gain	15,586	1,192
Accrued postretirement cost	$ 51,347	$ 49,190

Net periodic postretirement benefit cost included the following:

(IN THOUSANDS)	1994	1993	1992
Service cost of benefits earned	$ 935	$ 804	$ 969
Interest cost on accumulated postretirement benefit obligation	3,163	3,475	3,749
Amortization of			

unrecognized net gain	(141)	(96)	--
Net periodic postretirement benefit cost	$ 3,957	$ 4,183	$ 4,718

For measuring the expected postretirement benefit obligation, an annual rate of increase in the per capita claims cost of 8% is assumed for 1994. This rate is assumed to decrease gradually to 5.5% by 1999 and remain at that level thereafter.

The weighted average discount rate used in determining the accumulated postretirement benefit obligation was 9.5% for 1994 and 7.8% for 1993.

A one percentage point increase in the health care cost trend rate would result in a $4,653,000 increase in the accumulated postretirement benefit obligation as of December 31, 1994 and an increase of $559,000 in the aggregate service and interest cost components of the net periodic postretirement benefit cost for 1994.

14. TRANSLATION ADJUSTMENTS

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

(IN THOUSANDS)	1994	1993	1992
Change in cumulative translation adjustments	$ (9,350)	$ 21,860	$ 43,578
Other noncurrent liabilities	(2,117)	2,531	4,442
Deferred taxes	(51)	(101)	4,095
Long-term debt	(459)	1,038	1,540
Investment in associated companies	(278)	(198)	457
Net fixed assets	17,046	(19,408)	(37,351)
Other assets	(61)	152	741
Effect of exchange rate changes	$ 4,730	$ 5,874	$ 17,502

Shareholders' equity was affected by translation as follows: (increase)/decrease from translation of non-U.S. financial statements of $(1,853,000), $9,577,000, and $14,382,000; from remeasurement of loans of $(11,023,000), $9,518,000, and $23,205,000 in 1994, 1993, and 1992, respectively; and by losses on designated economic hedges, net of tax, of $3,526,000, $2,765,000 and $5,991,000 in 1994, 1993 and 1992, respectively.

In 1994 and 1993, net translation (gains)/losses included in operations in Brazil and Mexico were $(532,000) and $1,316,000, respectively, and were included in cost of goods sold. Net translation losses related to operations in Brazil and Mexico in 1992 were $10,455,000 with amounts included in net sales of $8,489,000 and in cost of goods sold of $1,966,000.

15. STOCK OPTIONS AND INCENTIVE PLANS

During 1988 and during 1992, the shareholders approved stock option plans which each provide for granting of up to 2,000,000 shares of Class A Common Stock to key employees. Options are generally exercisable in five cumulative annual amounts beginning 12 months after date of grant. Option exercise prices are not less than the market value of the shares on the date of grant. Unexercised options terminate ten years after date of grant for the 1988 Plan and up to twenty years for the 1992 Plan. Prices per share for shares under option at December 31, 1994 range from $15.00 to $18.75. In 1994, options were exercised at a price of $16.75. Activity with respect to these plans is as follows:

	1994	1993	1992
Shares under option at January 1	2,417,850	2,087,500	1,977,500
Options granted	244,500	380,250	110,000
Options cancelled	24,450	49,900	--
Options exercised	7,500	--	--
Shares under option at December 31	2,630,400	2,417,850	2,087,500
Options exercisable at December 31	1,837,700	1,601,400	1,129,500
Shares available	1,362,100	1,582,150	1,912,500

The Company's deferred compensation plan provides that a portion of certain employees' salaries are deferred in exchange for aggregate annual payments for fifteen years certain upon their retirement, disability or death. These commitments have been funded with life insurance contracts on the plan participants. These contracts have a face value equal to the aggregate payments due upon retirement, disability or death. The Company's expense, net of the increase in cash surrender value, was $1,211,000 in 1994,

$1,002,000 in 1993, and $432,000 in 1992. The increase in cash value net of premiums was $468,000 in 1994, $452,000 in 1993, and $1,027,000 in 1992.

The Company maintains a voluntary savings plan covering substantially all employees in the United States. The Plan, known as "Prosperity Plus", is a 401(k) plan under the U.S. Internal Revenue Code. Employees may contribute from 3% to 15% of their regular wages which under Section 401(k) are tax deferred. The Company matches 50% of each dollar contributed by employees up to 10% of their wages in the form of Class A Common Stock which is contributed to an Employee Stock Ownership Plan. The investment of employee contributions to the plan is self directed. The cost of the plan amounted to $2,771,000 in 1994, $2,400,000 in 1993, and $2,371,000 in 1992.

In 1994, the Company adopted a profit-sharing plan covering substantially all employees in the United States. At the beginning of each year, the Board of Directors will approve a formula, based on forecast financial results, that will determine the amount of the profit-sharing contribution for that year. The profit-sharing contributions will only be made to current active participants in Prosperity Plus in the form of cash or the Company's Class A Common Stock. The expense recorded for this plan in 1994 was $1,161,000.

16. ACQUISITION, DIVESTITURES, RESTRUCTURING AND RECLASSIFICATIONS

In January 1993, the Company completed an acquisition for cash of approximately $51,000,000 and a lease obligation with a capital equivalent value of $4,500,000 for inventory, land, buildings and machinery and equipment of the Mount Vernon Group. In the second quarter of 1993, the Company exercised its option to purchase the leased facility for $4,500,000. The purchase was financed with the Company's existing credit agreement. Mount Vernon is engaged in the same industry as the Company. The acquisition has been accounted for as a purchase and, accordingly, the Company has included Mount Vernon's results of operations in its financial statements as of January 1, 1993. Mount Vernon's 1992 net sales and pretax income approximated $30,000,000 and $3,000,000, respectively.

Effective January 1993, the Company's joint venture with an Austrian company, in which the Company was the general partner, was terminated at no cost to the partners. Albany International will continue to develop, manufacture and market current product lines which include properties such as thermal stability, non-flammability, non-melting and low generation of smoke and toxic gasses at high temperatures which have potential applications in aircraft, automotive and other industries.
During the second quarter of 1993, the Company recorded certain accruals related to Worker's Compensation (approximately $1,800,000) and past service costs of unfunded supplemental pensions (approximately $500,000). In the Consolidated Statements of Income and Retained Earnings, these amounts were reclassified from "Restructuring of operations and termination benefits" to "Selling and general expenses."

As part of the Company's previously announced program to restructure operations in order to focus on the core paper machine clothing industry, the Company completed on June 30, 1993 the sale of its Engineered Systems Division (AES) for $27,400,000. AES had net sales of $37,900,000 and a pre-tax operating loss of $1,100,000 for the year ended December 31, 1992. The Company realized an $8,900,000 gain on the sale. At the same time, the Company recorded restructuring charges which included $2,200,000 for asset write offs, $2,500,000 for lease obligations related to an unoccupied facility and $2,300,000 for termination costs related to downsizing certain operations. The asset write offs will be finalized in 1995, termination costs will continue until 1996 and lease obligation payments will continue until 1999.

During 1992, the Company charged earnings $12,045,000 related to restructurings, primarily in Europe, which included plant closings in Norway and Germany and other workforce reductions. Substantially all of the 1992 provision was utilized at December 31, 1994.

The components of accrued restructuring costs consist of:

(IN THOUSANDS)	1994	1993	1992
Termination costs	$ 1,490	$ 2,329	$ 3,776
Asset write offs	1,087	1,358	2,093
Equipment relocation costs	--	--	2,606
Lease obligations	1,873	2,500	--
Other	--	12	105
	$ 4,450	$ 6,199	$ 8,580

The decrease in accrued balances are the result of actual payments for terminations or incurred expenses and the disposal of written down equipment.

FINANCIAL REVIEW

REVIEW OF OPERATIONS

- --1994 VS. 1993

Net sales increased $21.5 million or 3.9% as compared with 1993. Net sales were increased by $4.2 million from the effect of a weaker U.S. dollar as compared to 1993 and were decreased by $20.5 million resulting from the divestiture of the Company's equipment division (AES) in mid-1993. Excluding these factors, 1994 net sales increased 7.2% over 1993.

Net sales in the United States were comparable to the prior year's sales. Selective price concessions for customers entering into Continuous Supply agreements for the Company's products tended to reduce selling prices and had a slight negative impact on sales. Management believes that Continuous Supply agreements are part of an effort by paper manufacturers to reduce the number of suppliers of paper machine clothing and that this will be beneficial to the Company in the long term. Canadian sales approximated prior year's sales and increased significantly during the last six months of 1994 reflecting improved economic and paper industry operating conditions.

European sales increased 8.0% in 1994 as compared to 1993 reversing a three year decline which began in 1991. Sales growth rates in the Nordic region and Continental Europe were strongest in the second half of 1994 and with strong order backlogs gradual improvement can be expected well into 1995. Sales in the Rest of World segment increased 12.8% as compared to 1993.

The Company continues to gain market share in Forming Fabrics and Dryer Fabrics and retain its Press Fabrics market share. There were no significant price increases in 1994, except for new products and upgrades. In December 1994, price increases of 5% for the United States and 6% for Canada were announced commencing in January 1995. In addition, price increases were announced in selective European markets and Mexico.

Gross profit continued to improve and was 43.7% of net sales for the three months ended December 31, 1994 as compared to 39.2% for the same period in 1993 increasing the full year result to 40.3% for 1994 as compared to 36.9% for 1993. Variable costs as a percent of net sales decreased to 32.4% in 1994 from 34.0% in 1993 due mainly to plant closings and workforce reductions, principally in Europe, and the divestiture of AES in June 1993. In addition, the Company's Total Quality Assurance program has resulted in improved product quality and efficiencies, both of which have contributed to lower costs.

Selling, technical, general and research expenses increased 2.0% in 1994 as compared to 1993. Excluding the effect of translation of non-U.S. currencies into U.S. dollars and the sale of AES, these expenses would have increased 6.2%. The Company has not reduced its sales and service efforts as there is increasing customer demand for service. Management anticipates that this demand will continue to increase as customers reduce the number of suppliers.

Operating income as a percent of net sales increased to 11.1% as compared to 7.5% in 1993. Management is continuing to review capacity requirements with the intention of further reducing costs and streamlining operations and anticipates that operating income as a percent of net sales should continue to improve during 1995. Furthermore, since the Company is operating below capacity, increased sales should result in higher margins. The capacity expansion and upgrades over the last several years, along with the restructuring program, should position the Company to capitalize on future opportunities for sales and earnings growth as world economies and markets continue to improve.

The decrease in other expense/(income), net, as compared to 1993, was due to currency transactions which resulted in $8.1 million less income in 1994 and no pre-receivable sales in 1994 which resulted in $2.6 million less expense in 1994. Currency transaction income results from economic hedges which can have either a positive or negative effect on other expense/(income), net in any particular quarter. The specific hedges in place are changed from time to time depending on market conditions and cash flow forecasts of various non-U.S. operations and are intended to offset the effects of translation on operating income (see Notes 6 and 9 of Notes to Consolidated Financial Statements).

The Company's 1994 effective tax rate was 43.0% as compared to 39.4% for the comparable period in 1993. The rate increase is due principally to the accrual of net charges associated with prior years resulting from both U.S. and non-U.S. examinations. Management anticipates that the 1995 effective tax rate will be approximately 40%.

During February 1994, the Company exchanged its 40% equity interests in Brazil and Argentina for the remaining 60% interest in Mexico. The transaction was accounted for as a purchase, and accordingly, the Company has included the results of operations in its financial statements as of January 1, 1994. Reported results of Mexico were not significant. The Company's only remaining equity interest is a 50% partnership in South Africa. (See Note 1 of Notes to Consolidated Financial Statements).

- --1993 VS. 1992

Net sales decreased $15.0 million or 2.7% as compared with 1992. Factors affecting sales levels included the acquisition of the Mount Vernon Group in January 1993, market share gains and product upgrades which increased sales. These increases were more than offset by the divestiture of the Engineered Systems Division (AES) in June 1993 and the effect of the stronger U.S. dollar which decreased 1993 net sales by $34.3 million as compared to 1992. Excluding the dollar effect, 1993 net sales increased 3.5% over 1992. There were no significant price increases during 1993.

Net sales in the United States increased 9.1% due to the acquisition of Mount Vernon and to the continuing economic recovery which began in the latter part of 1992. Canadian sales decreased 10.4% reflecting the condition of the Canadian paper industry and the divestiture of AES. Lower European sales reflected the recessionary environment in most of Continental Europe. Nordic region sales comparisons were adversely affected by major devaluations in Sweden and Finland during the fourth quarter of 1992. Sales in the rest of world segment increased approximately 6%.

Gross profit continued to improve and was 39.2% of net sales for the three months ended December 31, 1993 bringing the full year result to 36.9% for 1993 as compared to 34.5% for 1992. Variable costs as a percent of net sales decreased to 34.0% in 1993 from 34.7% in 1992. The improvement reflects a reduction of the hourly workforce of 371 people (10.0%) since December 1992, principally in Europe. Reported 1993 results include a benefit, of approximately $5.0 million, from the previously announced plant closings in Norway and Germany which took place during the second quarter of 1993.

Selling, technical, general and research expenses decreased 2.0% in 1993 as compared to 1992. Excluding the effect of translation of non-U.S. currencies into U.S. dollars due to the stronger U.S. dollar, the acquisition of Mount Vernon and the sale of AES, these expenses would have increased 3.1%.

As part of the Company's program to restructure operations in order to focus on the core paper machine clothing industry, the Company completed the sale of AES to Thermo Fibertek Inc. and a Thermo Fibertek licensee on June 30, 1993 (see Note 16 of Notes to Consolidated Financial Statements). AES had net sales of $37.9 million and a pre-tax operating loss of $1.1 million for the year ended December 31, 1992. The proceeds of the transactions, $27.4 million, were used to repay floating rate long term indebtedness. The Company realized an $8.9 million gain on the sale of AES. At the same time, restructuring charges, which included a $2.2 million write down of assets, a $2.5 million lease obligation for unoccupied facilities and a $2.3 million accrual for termination costs related to downsizing operations, were recorded.

During the second quarter of 1993, the Company recorded certain accruals related to worker's compensation ($1.8 million) and past service costs of unfunded supplemental pensions ($.5 million). Previously, the Company accounted for these costs on a cash basis. Adverse experience in worker's compensation claims led the Company to conclude that the method was no longer appropriate and accordingly an accrual was made. The accrual for unfunded pensions was based on the Company's reassessment of the life expectancy of participants.

Operating income as a percentage of net sales increased to 7.5% in 1993 as compared to 3.2% in 1992.

Interest expense, net decreased in 1993 as compared to 1992 as the average interest rate on all bank debt was approximately 57 basis points lower in 1993.

The decrease in other (income)/expense, net was due primarily to currency transactions which resulted in income of $5.5 million in 1993 as compared to $7.8 million in 1992.

Effective January 1993, the Company's joint venture with an Austrian company, in which the Company was the general partner, was terminated at no cost to the partners. Albany International will continue to develop, manufacture and market current product lines which include properties such as thermal stability, non-flammability, non-melting and low generation of smoke and toxic gasses at high temperatures which have potential applications in aircraft, automotive and other industries. Losses related to this venture were reduced in 1993 as the operation was downsized.

The decrease in equity earnings of associated companies is due to reduced earnings from the Company's interests in Argentina. At June 30, 1993, the Company wrote off the remaining equity in its 40% owned joint venture in Argentina as it was experiencing financial difficulties due to economic conditions in Argentina and the impact of imports on the Argentine paper industry. The charge, included in "Equity in earnings of associated companies", was $.4 million.

INTERNATIONAL ACTIVITIES

The Company conducts more than half of its business in countries outside of the United States. As a result, the Company experiences transaction and translation gains and losses because of currency fluctuations. The Company periodically enters into foreign currency contracts to hedge this exposure (see Notes 6, 9 and 14 of Notes to Consolidated Financial Statements). The Company believes that the risks associated with its operations and locations outside the United States are not other than those normally associated with operations in such locations. In countries in which the Company operates that have experienced high inflation rates, the Company frequently reprices its products. This practice has enabled the Company to quickly pass on to its customers most of the increased costs due to local inflation. Although government imposed price freezes have occasionally occurred in some of the Company's markets, including the United States, neither controls nor high inflation rates have had a long-term material adverse impact on the Company's operating results.

The profitability in the Company's geographic regions in 1994 as compared to 1993 increased in Canada, Europe and Rest of World and decreased in the United States (see Note 11 of Notes to Consolidated Financial Statements). Total operating income increased 53.9% as compared to 1993. Operating income/(loss) as a percent of net sales, after excluding restructuring of operations and termination benefits, for the United States was 13.1% in 1994, 10.8% in 1993 and 7.8 % in 1992; for Canada was 12.8% in 1994, 10.5% in 1993 and 13.2% in 1992; for Europe was 7.9% in 1994, (.1%) in 1993 and (.7%) in 1992 and for Rest of World was 12.0% in 1994, 10.1% in 1993 and 9.0% in 1992. The increase in all geographic regions in 1994, after excluding restructuring, were due to higher sales and lower costs.

LIQUIDITY AND CAPITAL RESOURCES

At December 31, 1994 the Company's order backlog was $446.0 million, an increase of $39.0 million from the prior year-end.

The weakening U.S. dollar during 1994 and the purchase of the remaining Mexican equity interest (discussed above) increased accounts receivable by $8.3 million and increased inventories by $6.4 million. In addition, no accounts receivable were sold at December 31, 1994 as compared to $5.4 million in 1993. Increased sales and longer collection periods accounted for the balance of the increase in accounts receivable.

During 1994, the Company implemented Continuous Supply programs with a number of paper manufacturers. These relationships require the Company to carry inventory rather than the customer and provide just in time sourcing to the customers mill. This has resulted in increased inventories and may result in additional increases in the near term but should result in more predictable requirements and lower inventory levels and increased sales in the longer term.

Cash flow provided from operating activities was $23.1 million in 1994 compared with $45.2 million in 1993 and $43.8 million in 1992. Capital expenditures were $36.3 million for 1994, $30.9 million for 1993 and $20.2 million for 1992. Capital expenditures in 1995 are expected to be about $40.0 million, excluding acquisitions and new ventures. The Company will continue to finance these expenditures with cash from operations and existing credit facilities.

Total debt increased $30.4 million during 1994 due principally to the increases in inventories and accounts receivable. Management does not anticipate any significant reductions in working capital requirements until the second quarter of 1995.

The Company has an agreement under which it may sell to a financial institution up to $40.0 million of the Company's right to receive certain payments for goods ordered from the Company. At December 31, 1994, there were no amounts sold under this agreement as compared to $12.0 million at December 31, 1993. At December 31, 1993, this transaction reduced long-term debt by $12.0 million, reduced accounts receivable by $5.4 million and increased accrued liabilities by $6.6 million.

Cash dividends of $.0875 per share were paid in each of the four quarters of 1994.

In 1992, the Company reported a charge of $12.0 million for restructuring of certain operations, including plant closings in Norway and Germany and other workforce reductions. During the second quarter of 1993 the Company recorded certain costs related to restructuring of operations which totaled $7.0 million. (See Note 16 of Notes to Consolidated Financial Statements). Actual restructuring costs have approximated management's original estimates. Substantially all of the 1992 provision has been utilized. The 1993 provision for asset write offs will be utilized in 1995, termination payments will continue until 1996 and lease obligation payments will continue until 1999.

Management will continue restructuring operations, where possible, to further increase efficiencies and to improve service to customers. The Company intends to focus on its core paper machine clothing business and will consider acquiring other paper machine clothing companies where such acquisitions support corporate strategies to enhance value to customers and shareholders.

QUARTERLY FINANCIAL DATA (unaudited)

(IN MILLIONS EXCEPT PER SHARE DATA)	1ST	2ND	3RD	4TH
1994				
Net sales	$ 131.4	$ 139.6	$ 145.2	$ 151.4
Gross profit	50.2	54.5	57.8	66.2
Net income	3.7	5.9	6.0	8.4
Net income per share(1)	.12	.20	.20	.28
Dividends per share	.0875	.0875	.0875	.0875
Class A Common Stock Prices:				
High	21.25	20.375	19.50	20.00
Low	18.00	17.75	16.125	16.25
1993				
Net sales	$ 137.1	$ 149.6	$ 125.6	$ 133.8
Gross profit	47.5	54.8	46.8	52.4
Net income	.1	4.6	4.4	6.4
Net income per share	.01	.17	.18	.22
Dividends per share	.0875	.0875	.0875	.0875
Class A Common Stock prices:				
High	16.625	17.875	19.00	19.25
Low	14.25	15.50	16.50	17.50
1992				
Net sales	$ 138.0	$ 139.5	$ 142.6	$ 141.0
Gross profit	44.8	46.4	48.2	54.2
Net (loss)/income	(7.3)	(.5)	2.3	1.9
Net (loss)/income per share	(.29)	(.02)	.09	.08
Dividends per share	.0875	.0875	.0875	.0875
Class A Common Stock prices:				
High	21.25	19.00	15.25	15.63
Low	15.75	14.50	13.75	11.25

(1) In the fourth quarter, fully diluted earnings per share were $.26.

STOCK AND SHAREHOLDERS

The Company's Class A Common Stock is traded principally on the New York Stock Exchange. At December 31, 1994 there were approximately 5,200 shareholders.

INVESTOR INFORMATION

TRANSFER AGENT, DIVIDEND DISTRIBUTION AGENT AND REGISTRAR

Harris Trust and Savings Bank
Post Office Box 755
111 West Monroe Street
Chicago, Illinois 60690

NOTICE OF ANNUAL MEETING

The Annual Meeting of the Company's shareholders will be held on Thursday, May 18, 1995 at the Company's Headquarters, 1373 Broadway, Albany, New York at 4:00 p.m.

STOCK LISTING

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

FORM 10-K AND OTHER INFORMATION

The Company's Annual Report to the Securities and Exchange Commission on Form 10-K will be available in April. You may obtain a copy of the 10-K without charge. This report and other information concerning the Company is available by contacting the Investor Relations Department.

DIVIDEND REINVESTMENT PLAN

Stockholders have a convenient opportunity for automatic reinvestment of cash dividends and voluntary cash investments in the Company's stock through the Dividend Reinvestment Plan. Participating shareholders pay no service charges or brokerage commissions; all fees and commissions on shares purchased under the Plan will be paid by the Company.

Shareholders interested in participating in the Plan should contact:

Harris Trust and Savings Bank
Dividend Reinvestment
Post Office Box A-3309
Chicago, Illinois 60690-9939

or

Investor Relations Dept.
Albany International Corp.
P.O. Box 1907
Albany, New York 12201-1907

ELEVEN YEAR SUMMARY
ALBANY INTERNATIONAL CORP.

(IN THOUSANDS, EXCEPT AMOUNTS PER SHARE)

	1994	1993	1992	1991	1990
SUMMARY OF OPERATIONS					
Net sales	$567,583	$546,120	$561,084	$557,218	$556,104
Cost of goods sold	338,868	344,609	367,516	360,251	359,997
Operating income (1),(2)	62,944	40,910	18,133	43,421	30,361
Interest expense, net	16,820	16,115	18,829	20,090	18,450
Income before income taxes	41,800	25,425	2,522	18,685	13,121
Income taxes	17,974	10,017	958	10,219	6,858
Income before minority interest	23,826	15,408	1,564	8,466	6,263
Net income/(loss) (3),(4)	23,952	15,524	(3,585)	10,311	7,649
Per share (5)	0.80	0.58	(0.14)	0.41	0.30
Average number of shares outstanding	29,953	26,679	25,559	25,415	25,312
Capital expenditures	36,322	30,940	20,219	40,067	110,729
Dividends declared	10,488	9,361	8,950	8,903	7,518
Per Class A common share	0.3500	0.3500	0.3500	0.3500	0.3500
Per Class B common share	0.3500	0.3500	0.3500	0.3500	0.1313
FINANCIAL POSITION					
Current assets	$314,176	$264,140	$249,669	$253,924	$272,696
Current liabilities	112,777	97,930	109,477	103,031	104,299
Current ratio	2.8	2.7	2.3	2.5	2.6
Property, plant and equipment, net	320,719	302,829	308,618	362,456	365,558
Total assets	721,386	655,420	645,992	674,713	703,286
Long-term debt	232,767	208,620	239,732	250,423	262,042
Shareholders' equity (6)	271,947	244,468	190,700	244,427	242,683
Per share	9.05	8.18	7.44	9.59	9.57
Total capital (7)	522,434	464,565	453,498	548,436	572,656
Total debt to total capital	47.9%	47.4%	57.9%	48.4%	49.5%
Return on shareholders' equity	8.8%	6.4%	(1.9)%	4.2%	3.2%
NUMBER OF EMPLOYEES	5,404	5,286	5,678	5,726	6,144

(IN THOUSANDS, EXCEPT AMOUNTS PER SHARE)

	1989	1988	1987	1986	1985	1984
SUMMARY OF OPERATIONS						
Net sales	$505,474	$461,246	$402,203	$336,393	$301,830	$266,597
Cost of goods sold	300,007	267,782	237,708	198,569	174,972	152,591
Operating income (1),(2)	66,907	73,347	62,920	53,060	55,041	41,799
Interest expense, net	19,857	16,637	14,908	16,625	20,705	23,692
Income before income taxes	75,552	52,925	46,495	32,575	25,764	19,746
Income taxes	33,171	18,809	21,875	19,427	16,352	13,396
Income before minority interest	42,381	34,116	24,620	13,148	9,412	6,350
Net income/(loss) (3),(4)	44,492	36,258	25,245	14,717	11,365	8,316
Per share (5)	1.75	1.46	1.15	0.59	0.45	0.33
Average number of shares outstanding	25,408	24,779	21,992	24,947	25,094	25,094
Capital expenditures	82,252	58,601	40,216	23,712	24,213	18,718
Dividends declared	5,775	4,674	1,082	--	--	--
Per Class A common share	0.3125	0.2625	0.0625	--	--	--
Per Class B common share	--	--	--	--	--	--
FINANCIAL POSITION						
Current assets	$242,518	$206,729	$177,421	$150,264	$130,734	$117,045
Current liabilities	98,885	84,880	86,691	69,529	54,374	45,658
Current ratio	2.4	2.4	2.0	2.2	2.4	2.6
Property, plant and equipment, net	260,907	214,807	182,232	152,669	140,866	124,636
Total assets	566,342	477,237	417,722	359,727	325,999	296,174
Long-term debt	145,493	157,833	130,745	173,041	159,809	174,182
Shareholders' equity (6)	238,584	178,248	146,036	67,135	65,662	50,393
Per share	9.26	7.10	6.01	3.06	2.62	2.01
Total capital (7)	450,866	391,410	319,027	271,426	251,571	230,830
Total debt to total capital	38.9%	48.3%	47.7%	70.4%	70.0%	76.5%
Return on shareholders' equity	21.3%	22.4%	23.7%	22.2%	19.6%	16.9%
NUMBER OF EMPLOYEES	6,090	5,659	5,244	5,122	5,017	4,318

(1) The Company adopted Financial Accounting Standard No. 87 "Employers' Accounting for Pensions", with respect to its U.S. retirement plans in December 1986 retroactive to January 1, 1986. The adoption of FAS 87 reduced pension cost for 1986 by $2,541,000. In 1989 the Company adopted the Standard for non-U.S. plans which reduced pension cost by $1,077,000.

(2) Included in 1990 is a charge to income of $8,500,000 for an early retirement window and terminations which were part of a world wide cost containment program.

(3) Included in 1987 is a charge to income for the difference between the amount accrued under Incentive Stock Unit (ISU) agreements and the appraised value of the 1,534,256 Class B Common shares which were issued to

the holders of the ISU's. The amount of this charge was $2,195,000.

(4) In January 1989, the Company sold its property and facilities in Halmstad, Sweden for approximately $51,000,000 in cash and notes with a resulting net gain of approximately $23,000,000.

(5) In 1987, fully diluted earnings per share were $1.11.

(6) During 1987 the shareholders approved two new classes of common stock, Class A and Class B and the conversion of each outstanding share of Common Stock into 16 shares of the new Class B Common Stock. The above financial data has been restated as if the recapitalization had occurred January 1, 1984. All references to net income per share and numbers of shares outstanding have been adjusted to give retroactive effect to the recapitalization.

(7) 1991 and prior includes all debt, deferred taxes and other credits and shareholders' equity. Following the adoption of Financial Accounting Standard No. 109 in 1992, Total capital includes all debt and shareholders' equity.

EXHIBIT 21

SUBSIDIARIES OF REGISTRANT

SUBSIDIARIES OF REGISTRANT

	PERCENT DIRECT OWNERSHIP	PERCENT INDIRECT OWNERSHIP	JURISDICTION
Albany International Pty., Ltd.	100		Australia
Albany International Feltros e Telas Industriais Ltda	100		Brazil
Albany International Canada Inc	100		Canada
Albany Fennofelt Oy AB		100	Finland
Albany International Holding S.A	100		France
Albany International S.A		100	France
Martel Catala S.A		100	France
Toiles Franck S.A		100	France
Nomafa S.A.R.L		100	France
Nomafa Betriebsschutzeinrichtungen GmbH		100	Germany
Nordiskafilt GmbH		100	Germany
Albany International GmbH Ahlen		100	Germany
Albany International GmbH Goppingen		100	Germany
Albany International Nederland B.V	100		Netherlands
Nomafa B.V		100	Netherlands
Albany International B.V		100	Netherlands
Nordiskafilt Kabushiki Kaisha		100	Japan
Albany International S.A. de C.V	100		Mexico
Wangner De Mexico, S.A. de C.V	100		Mexico
Albany Nordiskafilt AS		100	Norway
Albany Nordiskafilt AB	100		Sweden
Nordiska Maskinfilt Aktiebolag		100	Sweden
Nordiskafilt Aktiebolag		100	Sweden
Dewa Consulting AB		100	Sweden
Nomafa Aktiebolag	100		Sweden
Albany Wallbergs AB	100		Sweden
Nordiska Industrie Produkte AG	100		Switzerland
Albany International AG	100		Switzerland
Albany International Ltd	100		United Kingdom
Albany International Research Co	100		United States

EXHIBIT 23

CONSENT OF INDEPENDENT ACCOUNTANTS

CONSENT OF INDEPENDENT ACCOUNTANTS

We consent to the incorporation by reference in the Registration Statements of Albany International Corp. on Form S-8 (File Nos. 33-23163, 33-28028 and 33-33048) of our report dated January 26, 1995, on our audits of the consolidated financial statements and financial statements schedule of Albany International Corp. as of December 31, 1994 and 1993, and for the years ended December 31, 1994, 1993, and 1992, which report is incorporated in this Annual Report on Form 10-K.

/s/ Coopers & Lybrand L.L.P.

Albany, New York
March 20, 1995

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THIS SCHEDULE CONTAINS SUMMARY FINANCIAL INFORMATION EXTRACTED FROM ALBANY INTERNATIONAL'S CONSOLIDATED FINANCIAL STATEMENTS AS OF AND FOR THE YEAR ENDED DECEMBER 31, 1994 AND IS QUALIFIED IN ITS ENTIRETY BY REFERENCE TO SUCH FINANCIAL STATEMENTS.

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YEAR
DEC-31-1994
DEC-31-1994
228
0
158,758
4,618
142,530
314,176
555,940
235,221
721,386
112,777
232,767
31
0
0
271,916
721,386
567,583
567,583
338,868
504,042
4,324
597
16,820
41,800
17,974
23,826
0
0
0
23,952
.80
.80