SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

Form 10-Q

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

For the quarter ended: MARCH 31, 2001

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

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 / /

The registrant had 25,053,230 shares of Class A Common Stock and 5,869,457 shares of Class B Common Stock outstanding as of March 31, 2001.

ALBANY INTERNATIONAL CORP.

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Item 1. Financial Statements

ALBANY INTERNATIONAL CORP.
CONSOLIDATED STATEMENTS OF INCOME AND RETAINED EARNINGS
(unaudited)

(in thousands except per share data)

	Three Months Ended March 31, 2001	Three Months Ended March 31, 2000
Net sales	$ 208,538	$ 215,754
Cost of goods sold	121,413	128,434
Gross profit	87,125	87,320
Selling, technical, general and research expenses	56,404	59,277
Operating income	30,721	28,043
Interest expense, net	8,986	10,396
Other expense, net	1,196	455
Income before income taxes	20,539	17,192
Income taxes	8,216	7,393
Income before associated companies	12,323	9,799
Equity in earnings of associated companies	10	208
Net income before cumulative effect of a change in accounting principle	12,333	10,007
Cumulative effect of change in accounting principle, net of taxes	(1,129)	--
Net income	11,204	10,007
Retained earnings, beginning of period	314,639	276,554
Retained earnings, end of period	$ 325,843	$ 286,561
Earnings per share - basic:		
Net income before cumulative effect of a change in accounting principle	$ 0.40	$ 0.33
Cumulative effect of change in accounting principle	(0.04)	0.00
Net income	$ 0.36	$ 0.33
Earnings per share - diluted:		
Net income before cumulative effect of change in accounting principle	$ 0.40	$ 0.33
Cumulative effect of change in accounting principle	(0.04)	0.00
Net income	$ 0.36	$ 0.33
Average number of shares used in basic earnings per share computations	30,846	30,504
Average number of shares used in diluted earnings per share computations	30,973	30,504

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

ALBANY INTERNATIONAL CORP.
CONSOLIDATED BALANCE SHEETS
(in thousands)

	(unaudited) March 31, 2001	December 31, 2000
ASSETS		
Cash and cash equivalents	$ 3,445	$ 5,359
Accounts receivable, net	221,157	236,810
Inventories:		
Finished goods	117,267	119,619
Work in process	55,583	54,408
Raw material and supplies	40,548	42,846
	213,398	216,873
Deferred taxes	30,949	27,711
Prepaid expenses	11,912	7,534
Total current assets	480,861	494,287
Property, plant and equipment, net	368,886	387,658
Investments in associated companies	4,063	4,300
Intangibles	149,528	161,709
Deferred taxes	18,395	19,095
Other assets	43,936	45,203
Total assets	$ 1,065,669	$ 1,112,252
LIABILITIES AND SHAREHOLDERS' EQUITY		
Notes and loans payable	$ 40,665	$ 37,760
Accounts payable	39,863	47,005
Accrued liabilities	71,477	80,678
Current maturities of long-term debt	37,152	44,092
Income taxes payable and deferred	13,554	12,499
Total current liabilities	202,711	222,034
Long-term debt	385,386	398,087
Other noncurrent liabilities	142,351	129,741
Deferred taxes and other credits	33,843	37,473
Total liabilities	764,291	787,335
SHAREHOLDERS' EQUITY		
Preferred stock, par value $5.00 per share; authorized 2,000,000 shares; none issued	--	--
Class A Common Stock, par value $.001 per share; authorized 100,000,000 shares; issued 27,254,462 in 2001 and 27,138,064 in 2000	27	27
Class B Common Stock, par value $.001 per share; authorized 25,000,000 shares; issued and outstanding 5,869,457 in 2001 and 2000	6	6
Additional paid in capital	225,900	223,897
Retained earnings	325,843	314,639
Accumulated items of other comprehensive income:		
Translation adjustments	(193,412)	(165,691)
Derivative valuation adjustment	(9,025)	--
Pension liability adjustment	(2,223)	(2,223)
	347,116	370,655
Less treasury stock (Class A), at cost (2,201,232 shares in 2001 and 2000)	45,738	45,738
Total shareholders' equity	301,378	324,917
Total liabilities and shareholders' equity	$ 1,065,669	$ 1,112,252

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

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

	Three Months Ended March 31, 2001	2000
OPERATING ACTIVITIES		
Net income	$ 11,204	$ 10,007
Adjustments to reconcile net cash provided by operating activities:		
Equity in earnings of associated companies	(10)	(208)
Depreciation and amortization	14,712	16,084
Provision for deferred income taxes, other credits and long-term liabilities	750	3,431
Increase in cash surrender value of life insurance, net of premiums paid	(686)	(628)
Unrealized currency transaction (gains)/losses	(824)	(312)
Loss on disposition of assets	12	109
Shares contributed to ESOP	1,933	1,580
Tax benefit of options exercised	5	
Changes in operating assets and liabilities:		
Accounts receivable	16,478	5,610
Inventories	3,476	(3,144)
Prepaid expenses	(4,379)	(2,001)
Accounts payable	(7,141)	(8,620)
Accrued liabilities	(5,623)	42
Income taxes payable	3,405	2,433
Other, net	1,498	253
Net cash provided by operating activities	34,810	24,636
INVESTING ACTIVITIES		
Purchases of property, plant and equipment	(5,882)	(7,673)
Purchased software	(117)	(251)
Proceeds from sale of assets	--	7,916
Net cash used in investing activities	(5,999)	(8)
FINANCING ACTIVITIES		
Proceeds from borrowings	17,830	13,000
Principal payments on debt	(34,192)	(15,054)
Proceeds from options exercised	65	
Net cash used in financing activities	(16,297)	(2,054)
Effect of exchange rate changes on cash flows	(14,428)	(3,768)
Increase in cash and cash equivalents	(1,914)	18,806
Cash and cash equivalents at beginning of year	5,359	7,025
Cash and cash equivalents at end of period	$ 3,445	$ 25,831

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

ALBANY INTERNATIONAL CORP.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. MANAGEMENT OPINION

In the opinion of management the accompanying unaudited consolidated financial statements contain all adjustments, consisting of only normal, recurring adjustments, necessary for a fair presentation of results for such periods. The results for any interim period are not necessarily indicative of results for the full year. Certain information and footnote disclosures normally included in financial statements prepared in accordance with generally accepted accounting principles have been omitted. These consolidated financial statements should be read in conjunction with financial statements and notes thereto for the year ended December 31, 2000.

2. ACCOUNTING FOR DERIVATIVES

The Financial Accounting Standards Board (FASB) issued, then subsequently amended, Statement of Financial Accounting Standards (SFAS) No. 133, "Accounting for Derivative Instruments and Hedging Activities", which the Company adopted effective January 1, 2001. SFAS 133 requires that all derivative instruments (including instruments embedded in other contracts) are recognized on the balance sheet at their fair value and changes in fair value are recognized immediately in earnings, unless the derivatives qualify as hedges in accordance with the Standard. The change in fair value for those derivatives that qualify as hedges are recorded in other comprehensive income.

The Company has a lease for manufacturing facilities that must be recorded under the provisions of SFAS 133 due to the lease payments being denominated in a nonfunctional currency. The Company has also entered into interest rate swap agreements that qualify as cash flow hedges in accordance with the Standard.

At January 1, 2001, the Company's financial statements were adjusted to record a cumulative effect of accounting for the lease described above in accordance with SFAS 133:

Adjustments to fair value of derivatives	$(1,882,000)
Income tax benefit	753,000
Cumulative effect of change in accounting principle	$(1,129,000)

The marking to market of interest rate swap agreements resulted in recording a noncurrent liability with an offset to the separate component of shareholders' equity labeled, "Derivative valuation adjustment", as follows:

Transition adjustments as of January 1, 2001	$(4,888,000)
Current period decline in fair value	(4,137,000)
Balance at March 31, 2001	$(9,025,000)

Gains or losses on forward exchange contracts that function as an economic hedge against currency fluctuation effects on future revenue streams are recorded in "Other expense, net".

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

All open positions on forward exchange contracts are valued at fair value using the estimated forward rate of a matching contract.

Gains or losses on futures contracts have been recorded in "Other expense, net". Open positions have been valued at fair value using quoted market rates.

3. OTHER EXPENSE, NET

Included in other expense, net for the three months ended March 31 are: currency transactions, $0.9 million income in 2001 and $0.4 million income in 2000; amortization of debt issuance costs and loan origination fees, $0.6 million in 2001 and 2000, $0.7 million expense in 2001 related to the SFAS 133 lease adjustment, and other miscellaneous expenses, none of which are significant in 2001 and 2000.

4. EARNINGS PER SHARE

Net income per share is computed using the weighted average number of shares of Class A and Class B Common Stock outstanding during the period. Diluted net income per share includes the effect of all potentially dilutive securities.

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

(in thousands)	Three Months Ended March 31, 2001	2000
INCOME AVAILABLE TO COMMON STOCKHOLDERS:		
Income available to common stockholders	$11,204	$10,007
WEIGHTED AVERAGE NUMBER OF SHARES:		
Weighted average number of shares used in net income per share	30,846	30,504
Effect of dilutive securities:		
Stock options	127	--
Weighted average number of shares used in diluted net income per share	30,973	30,504

For the three months ended March 31, 2000, all options were excluded from the computation of diluted net income per share because the options' exercise price was greater than the average market price of the common shares for the period.

5. COMPREHENSIVE INCOME/(LOSS)

Total comprehensive income/(loss) consists of:

(in thousands)	Three Months Ended March 31, 2001	2000
Net income	$ 11,204	$ 10,007
Other comprehensive loss, before tax:		
Foreign currency translation adjustments	(27,721)	(18,552)
Swap transition adjustment as of January 1, 2001	(4,888)	--
Current period declines in fair values of swaps	(4,137)	--
Total comprehensive loss	$ (25,542)	$ (8,545)

6. OPERATING SEGMENT DATA

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

(in thousands)	Three Months Ended March 31, 2001	2000
NET SALES		
Engineered Fabrics	$ 175,642	$ 181,175
High Performance Doors	25,626	24,040
All other	7,270	10,539
Consolidated Total	$ 208,538	$ 215,754
OPERATING INCOME		
Engineered Fabrics	$ 44,053	$ 39,426
High Performance Doors	2,089	1,634
All other	749	1,736
Research expense	(5,620)	(5,089)
Unallocated expenses	(10,550)	(9,664)
Operating income before reconciling items	30,721	28,043
Reconciling items:		
Interest expense, net	(8,986)	(10,396)
Other expense, net	(1,196)	(455)
Consolidated income before income taxes	$ 20,539	$ 17,192

There has been no material change in the total assets of the reportable segments during the quarter ended March 31, 2001.

7. INCOME TAXES

The Company's effective tax rate for the three months ended March 31, 2001 and 2000 was 40% and 43% respectively.

8. SUPPLEMENTARY CASH FLOW INFORMATION

Interest paid for the three months ended March 31, 2001 and 2000 was $10.1 million and $9.3 million, respectively.

Taxes paid for the three months ended March 31, 2001 and 2000 were $3.9 million.

9. CONTINGENCIES

The Company is a defendant in a number of proceedings for injuries allegedly suffered as a result of exposure to asbestos-containing products formerly manufactured by the Company. It is the position of the Company that any exposure to asbestos from products manufactured by the Company would be insufficient to cause asbestos-related injury to any plaintiff. In 2001, the Company was named as defendant in additional proceedings. The Company believes all asbestos-related claims to be without merit. While there can be no assurance as to their outcome, based upon its current understanding of the policies of insurance available, its recent settlement experience, how settlement amounts have been allocated to such policies, the absence of any judgements against the Company, and the defenses available, the Company believes the ultimate resolution of the aforementioned proceedings is unlikely to have a material effect on its financial position, results of operations or cash flows.

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

FOR THE THREE MONTHS ENDED MARCH 31, 2001

The following discussion should be read in conjunction with the accompanying Consolidated Financial Statements and Notes thereto.

RESULTS OF OPERATIONS:

Net sales decreased to $208.5 million for the three months ended March 31, 2001 as compared to $215.8 million for the three months ended March 31, 2000. The effect of the stronger U.S. dollar as compared to the first quarter of 2000 was to decrease net sales by $11.1 million. Excluding the effects of the stronger U.S. dollar, 2001 net sales were up 1.8% as compared to 2000.

Geographically, net sales for the three months ended March 31, 2001, as compared to the same period in 2000, were 3.1% lower in the United States while Canadian trade sales increased 0.6%. Sales in Korea and China were higher in 2001, as compared to 2000. European sales increased in local currencies and were flat in U.S. dollars.

Gross profit was 41.8% of net sales for the three months ended March 31, 2001 as compared to 40.5% for the same period in 2000. Year to date variable costs as a percent of net sales decreased to 34.6% in 2001 from 34.7% for the same period in 2000. Excluding the effect of the stronger U.S. dollar, variable costs as a percent of net sales were 34.8% in 2001.

Selling, technical, general and research expenses, were down 4.8% for the three months ended March 31, 2001 as compared to the same period in 2000. Excluding the effects of changes in currency translation rates, selling, technical, general and research expenses were down 0.7% as compared to the first quarter of 2000.

Operating income as a percentage of net sales increased to 14.7% for the three months ended March 31, 2001 from 13.0% for the comparable period in 2000. The improvement is primarily attributable to completion, during 2000, of the $50 million cost reduction programs. Excluding the effect of the stronger U.S. dollar, operating income as a percentage of net sales was 15.0% in 2001.

Interest expense, net, decreased $1.4 million for the three months ended March 31, 2001 as compared to the same period in 2000. This decrease was due to less debt in 2001.

The tax rate for the first three months of 2001 was 40% as compared to 43% for the comparable period in 2000. The lower tax rate resulted from finalizing, during 2000, the amount of nondeductible expenses arising from 1999 acquisitions

Effective January 1, 2001, the Company adopted the provisions of Statement of Financial Accounting Standards No. 133, "Accounting for Derivative Instruments and Hedging Activities". The Company has a lease of manufacturing facilities in Italy that is impacted by this Standard. The cumulative after-tax effect of adopting this standard was a charge to earnings of $1.1 million.

LIQUIDITY AND CAPITAL RESOURCES:

Accounts receivable decreased $15.7 million since December 31, 2000. Excluding the effect of the stronger U.S. dollar, accounts receivable decreased $7.4 million. Inventories decreased $3.5 million during the three months ended March 31, 2001. Excluding the effect of the stronger U.S. dollar, inventories increased $2.8 million.

The Company's current debt structure, which is mostly floating-rate, currently provides approximately $165 million in committed and available unused debt capacity with financial institutions. Management believes that this debt capacity, in combination with informal commitments and expected free cash flows, should be sufficient to meet anticipated operating requirements and normal business opportunities which support corporate strategies.

Capital expenditures for the three months ended March 31, 2001 were $5.9 million as compared to $7.7 million for the same period last year. The Company anticipates that capital expenditures, including leases, will not exceed $40 million for the full year and will continue to finance these expenditures with cash from operations and existing credit facilities.

Free cash flow, defined as cash provided by operating activities, less capital expenditures and cash dividends, improved to $28.9 million for the three months ended March 31, 2001, compared to $17.0 million for the comparable period of 2000.

The Company improved its leverage ratio, as defined in its principal credit agreements, to 2.58 at March 31, 2001, compared to 2.68 at the end of 2000.

The Company is continuing its efforts to improve the tax efficiency of its global organization which may result in a lower tax rate for the full year than the 40% in the first quarter of 2001.

FORWARD-LOOKING STATEMENTS

This Form 10-Q contains "forward-looking statements" as defined in the Private Securities Litigation Reform Act of 1995. These statements include statements about such matters as annual cost savings, industry trends, debt capacity, capital expenditures, operating efficiency, tax rates and profitability. Actual future events and circumstances (including future performance, results and trends) could differ materially from those set forth in such statements due to various factors. These factors include even more competitive marketing conditions resulting from customer consolidations, possible softening of customer demand, unanticipated events or circumstances related to recently acquired businesses, the occurrence of unanticipated events or difficulties relating to divestiture, joint venture, operating, capital, global integration and other projects, changes in currency exchange rates, changes in general economic and competitive conditions, technological developments, and other risks and uncertainties, including those detailed in the Company's filings with the Securities and Exchange Commission.

Part II - Other Information

Item 1. Legal Proceedings

The Company is named as a defendant in a number of suits by plaintiffs claiming injury as a result of exposure to asbestos-containing products formerly manufactured by the Company. The Company's subsidiary, Brandon Drying Fabrics, Inc., is named as a defendant in most of these same proceedings.

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The Company was named as a defendant in two actions in state court in Louisiana, seeking damages from the Company and approximately fifty other defendants (including primary suppliers of asbestos, asbestos abatement and removal companies, paper machine builders, pump manufacturers, insulation and building materials suppliers, boiler manufacturers and other suppliers of products alleged to have contained asbestos) for injuries allegedly suffered by approximately 2,000 employees at two paper mills in Bogalusa and St. Francisville, Louisiana, due to exposure to asbestos. Liberty Mutual, the underwriter of insurance coverage applicable to these claims, defended these matters on the Company's behalf, subject to a standard reservation of any rights under the applicable policies.

The information identified during the discovery process suggests that the Company's production of asbestos-containing paper machine clothing products was limited to certain dryer fabrics marketed to paper mills during the period from 1967 to 1976. Other companies that manufactured asbestos-containing dryer fabrics prior to or during this period are also named as defendants in most of these proceedings. It is the position of the Company and the other paper machine clothing defendants that there was insufficient exposure to asbestos from any paper machine clothing products to cause asbestos-related injury in any plaintiff. Furthermore, asbestos contained in the Company's products was encapsulated in a resin-coated yarn woven into the interior of the fabric, further reducing the likelihood of fiber release.

Discovery by both plaintiffs and defendants in the Bogalusa proceeding was essentially completed in late 1998. The first trial commenced in January 1999. (All claims relating to this first trial against the Company were settled prior to that time.) A unanimous jury verdict in favor of the remaining defendants (including two dryer fabric producers) was returned in early March 1999.

All remaining claims against Albany International Corp. pending in each of the Bogalusa and St. Francisville proceedings (approximately 2,000 plaintiffs in the aggregate) were settled during 2000. All settlement amounts were funded by Liberty Mutual.

The Company currently remains a defendant in a number of asbestos proceedings involving an aggregate of approximately 4,500 claimants.

One proceeding, in Jefferson County, Mississippi, accounts for 1,400 claimants. Based upon preliminary work histories provided by counsel, it appears that as many as half of these plaintiffs were never employed in paper mills. Of the remaining cases, a large number do not provide sufficient employment histories to determine whether the claimants would have ever had any contact with any asbestos-containing dryer fabrics sold by the Company.

A second proceeding, in Jones County, Mississippi, accounts for another approximately 2,100 claimants. Based on preliminary histories, it appears that as many as three-quarters of these plaintiffs were never employed in paper mills. Such histories also do not indicate how many of the remaining claimants would have had contact with the Company's products.

Mount Vernon

In some of these proceedings, the Company is named both as a direct defendant and as the "successor in interest" to Mount Vernon Mills. The Company acquired certain assets from Mount Vernon Mills in 1993. These proceedings allege injury caused by asbestos-containing products alleged to have been sold by Mount Vernon Mills many years prior to this acquisition. Mount Vernon Mills, Inc. is contractually obligated to indemnify the Company against any liability arising out of such products. The Company denies any liability for products sold by Mount Vernon Mills prior to the acquisition of the Mount Vernon assets, and has successfully moved for dismissal in several proceedings before the first trial. Similar motions will be filed in other proceedings.

Brandon Drying Fabrics, Inc.

Brandon Drying Fabrics, Inc., a subsidiary of Geschmay Corp., is also a party to most of the above asbestos proceedings (including the Bogalusa and St. Francisville proceedings). The Company acquired Geschmay Corp., formerly known as Wangner Systems Corporation, in 1999.

Brandon Drying Fabrics, Inc. was created in 1978 in connection with the purchase of certain assets from Abney Mills, a South Carolina textile manufacturing entity. Brandon Sales, Inc. was a wholly-owned subsidiary of Abney and its assets were among those purchased from Abney Mills. After the purchase, Brandon Drying Fabrics, Inc. manufactured drying fabrics under its own name, none of which contained asbestos. It is believed that Abney Mills ceased production of asbestos-containing products prior to the 1978 purchase. Affidavits obtained from former Abney Mills employees confirm that belief.

Under the terms of the Assets Purchase Agreement between Brandon Drying Fabrics, Inc. and Abney Mills, Abney Mills agreed to indemnify, defend and hold harmless from any actions or claims on account of products manufactured by Abney Mills and its related corporations prior to the date of the sale whether or not the product was sold subsequent to the date of the sale. It appears that Abney Mills has since been dissolved. Nevertheless, a representative of this dissolved entity has been notified of the pendency of these actions and demand has been made that it assume the defense of these actions.

The Company believes all asbestos-related claims against it are without merit. While there can be no assurance as to their outcome, based upon its current understanding of the policies of insurance available, its recent settlement experience, how settlement amounts have been allocated to such policies, the absence of any judgments against Albany or Brandon, and the defenses available, the Company currently does not anticipate any material liability relating to resolution of the aforementioned pending proceedings in excess of existing insurance coverage limits. Consequently, the Company does not believe, based upon currently available information, that the ultimate resolution of the aforementioned proceedings will have a material adverse effect on the financial position, results of operations, or cash flows of the Company. While the

Company anticipates that additional claims may be filed, it cannot control or predict the number or timing of future claims. The Company and Brandon intend vigorously to defend themselves against any such claims.

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

Item 6. Exhibits and Reports on Form 8-K

No reports on Form 8-K were filed during the quarter ended March 31, 2001.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

ALBANY INTERNATIONAL CORP.
(Registrant)

Date: May 10, 2001

by /s/ Michael C. Nahl

Michael C. Nahl
Sr. Vice President and
Chief Financial Officer