UNITED STATES
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 quarterly period ended: March 31, 2009

OR

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

For the transition period from _________ to _________

Commission file number: 1-10026

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 **o**

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes **x** No **o**

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company.

Large accelerated filer	**x**	Accelerated filer	**o**
Non-accelerated filer	**o**	Smaller reporting company	**o**

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

The registrant had 27,447,805 shares of Class A Common Stock and 3,236,098 shares of Class B Common Stock outstanding as of March 31, 2009.

ALBANY INTERNATIONAL CORP.

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ALBANY INTERNATIONAL CORP.
CONSOLIDATED STATEMENTS OF OPERATIONS
(in thousands, except per share data)
(unaudited)

	Three Months Ended March 31,	
	2009	2008
Net sales	$209,205	$273,208
Cost of goods sold	139,174	178,278
Gross profit	70,031	94,930
Selling, technical, general and research expenses	67,619	82,388
Restructuring and other, net	17,179	5,362
Operating (loss)/income	(14,767)	7,180
Interest expense, net	5,834	5,397
Other expense/(income), net	181	(315)
(Loss)/income from continuing operations before income taxes	(20,782)	2,098
Income tax (benefit)/expense	(1,605)	4,118
(Loss) before associated companies	(19,177)	(2,020)
Equity in income/(losses) of associated companies	280	(303)
(Loss) from continuing operations	(18,897)	(2,323)
Discontinued operations:		
Income from operations of discontinued business	-	260
Income tax expense	-	33
Income from discontinued operations	-	227
Net (loss)	($18,897)	($2,096)
(Loss) from continuing operations:		
Basic	($0.63)	($0.08)
Diluted	($0.63)	($0.08)
Income from discontinued operations:		
Basic	$0.00	$0.01
Diluted	$0.00	$0.01
Net (loss) per share:		
Basic	($0.63)	($0.07)
Diluted	($0.63)	($0.07)
Shares used in computing (losses) per share:		
Basic	30,046	29,612
Diluted	30,046	29,612
Dividends per share	$0.12	$0.11

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

ALBANY INTERNATIONAL CORP.
CONSOLIDATED BALANCE SHEETS
(in thousands, except share data)
(unaudited)

	March 31, 2009	December 31, 2008
ASSETS		
Cash and cash equivalents	$104,038	$106,571
Accounts receivable, net	174,658	204,157
Inventories	207,825	206,488
Income taxes receivable and deferred	25,092	26,319
Prepaid expenses and other current assets	12,320	11,341
Total current assets	523,933	554,876
Property, plant and equipment, net	525,994	536,576
Investments in associated companies	4,045	3,899
Intangibles	8,875	9,636
Goodwill	108,824	115,415
Deferred taxes	119,035	115,818
Cash surrender value of life insurance policies	48,444	47,425
Other assets	19,863	21,412
Total assets	$1,359,013	$1,405,057
LIABILITIES AND SHAREHOLDERS' EQUITY		
Notes and loans payable	$9,707	$12,597
Accounts payable	48,189	74,001
Accrued liabilities	122,613	116,361
Current maturities of long-term debt	10	13
Income taxes payable and deferred	4,885	7,205
Total current liabilities	185,404	210,177
Long-term debt	542,313	508,386
Other noncurrent liabilities	182,869	187,968
Deferred taxes and other credits	65,727	65,590
Total liabilities	976,313	972,121
Commitments and Contingencies	-	-
SHAREHOLDERS' EQUITY		
Preferred stock, par value $5.00 per share; authorized 2,000,000 shares; none issued	-	-
Class A Common Stock, par value $.001 per share; authorized 100,000,000 shares; issued 35,970,944 in 2009 and 35,245,482 in 2008	36	35
Class B Common Stock, par value $.001 per share; authorized 25,000,000 shares; issued and outstanding 3,236,098 in 2009 and 2008	3	3
Additional paid in capital	364,978	363,918
Retained earnings	407,297	429,804
Accumulated items of other comprehensive income:		
Translation adjustments	(62,986)	(34,196)
Pension and post retirement liability adjustments	(67,757)	(67,757)
	641,571	691,807
Less treasury stock (Class A), at cost 8,523,139 shares in 2009 and 2008	258,871	258,871
Total shareholders' equity	382,700	432,936
Total liabilities and shareholders' equity	$1,359,013	$1,405,057

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

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

	Three Months Ended March 31, 2009	2008
OPERATING ACTIVITIES		
Net (loss)	($18,897)	($2,096)
Adjustments to reconcile net (loss) to net cash (used in)/provided by operating activities:		
Equity in (earnings)/losses of associated companies	(280)	303
Depreciation	14,573	14,788
Amortization	2,880	1,182
Non cash interest expense	1,187	1,078
Gain on early retirement of debt	(2,822)	-
Provision for deferred income taxes, other credits and long-term liabilities	(4,635)	(2,755)
Provision for write-off of property, plant and equipment	1,076	485
Increase in cash surrender value of life insurance	(1,019)	(931)
Unrealized currency transaction gains	(3,635)	(2,272)
Stock option expense	42	42
Excess tax benefit of options exercised	-	(74)
Compensation and benefits paid or payable in Class A Common Stock	1,039	3,169
Changes in operating assets and liabilities, net of business acquisitions and divestitures:		
Accounts receivable	27,080	5,019
Inventories	(6,214)	(2,604)
Prepaid expenses and other current assets	(1,161)	(366)
Accounts payable	(24,450)	(4,064)
Accrued liabilities	9,096	(5,877)
Income taxes payable	(2,455)	3,069
Other, net	(2,373)	(679)
Net cash (used in)/provided by operating activities	(10,968)	7,417
INVESTING ACTIVITIES		
Purchases of property, plant and equipment	(14,933)	(31,649)
Purchased software	(1,933)	(3,903)
Net cash used in investing activities	(16,866)	(35,552)
FINANCING ACTIVITIES		
Proceeds from borrowings	40,083	28,596
Principal payments on debt	(3,585)	(2,857)
Early retirement of debt	(3,360)	-
Proceeds from options exercised	-	354
Excess tax benefit of options exercised	-	74
Dividends paid	(3,628)	(3,252)
Net cash provided by financing activities	29,510	22,915
Effect of exchange rate changes on cash flows	(4,209)	4,265
(Decrease) in cash and cash equivalents	(2,533)	(955)
Cash and cash equivalents at beginning of year	106,571	73,305
Cash and cash equivalents at end of period	$104,038	$72,350

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

1. Basis of Presentation

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. The preparation of financial statements for interim periods does not require all of the disclosures normally included in financial statements prepared in accordance with accounting principles generally accepted in the United States of America. Accordingly, certain information and footnote disclosures normally included in financial statements prepared in accordance with accounting principles generally accepted in the United States of America have been omitted. These consolidated financial statements should be read in conjunction with financial statements and notes thereto for the year ended December 31, 2008.

In the first quarter of 2009, the Company modified its business segment reporting by reclassifying global information systems expenses from each of the segments to unallocated expenses. Also during the quarter, the Company implemented Financial Accounting Standards Board Staff Position No. APB 14-1 (FSP 14-1). Prior year data has been modified to conform to the current year presentation. The Company has filed a Form 8-K with reclassified segment data and restated income statement and balance sheet items for quarterly periods in 2008, as well as annual data for 2006, 2007, and 2008.

2. Reportable Segment Data

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

(in thousands)	Three Months Ended March 31, 2009	2008
Net Sales		
Paper Machine Clothing	$139,074	$183,015
Albany Door Systems	34,326	45,132
Engineered Fabrics	21,570	28,110
Engineered Composites	9,085	11,088
PrimaLoft® Products	5,150	5,863
Consolidated total	$209,205	$273,208
Operating Income		
Paper Machine Clothing	$7,261	$22,539
Albany Door Systems	228	3,437
Engineered Fabrics	3,655	5,855
Engineered Composites	(2,508)	(1,818)
PrimaLoft® Products	1,089	1,112
Research expense	(5,610)	(5,871)
Unallocated expenses	(18,882)	(18,074)
Operating (loss)/income before reconciling items	($14,767)	$7,180
Reconciling items:		
Interest expense, net	5,834	5,397
Other expense/(income), net	181	(315)
(Loss)/income from continuing operations before income taxes	($20,782)	$2,098

In the third quarter of 2006, the Company announced the initial steps in its three-year restructuring and performance improvement plan. In addition to costs reported as restructuring in the Statement of Operations, the Company has incurred costs (referred to as performance improvement costs) that are related to terminations of employees or agreements, costs related to relocation of manufacturing equipment, and costs related to the implementation of a new enterprise resource planning system. The table below presents restructuring and performance improvement costs by reportable segment:

Three months ended March 31, 2009 (in thousands)	Restructuring	Performance improvement costs	Total
Paper Machine Clothing	$15,609	$5,921	$21,530
Albany Door Systems	148	407	555
Engineered Composites	-	620	620
PrimaLoft® Products	42	-	42
Unallocated expense	1,380	2,200	3,580
Consolidated total	$17,179	$9,148	$26,327

Three months ended March 31, 2008 (in thousands)	Restructuring	Performance improvement costs	Total
Paper Machine Clothing	$6,402	$4,007	$10,409
Albany Door Systems	-	135	135
Unallocated expense	(1,040)	3,948	2,908
Consolidated total	$5,362	$8,090	$13,452

There were no material changes in the total assets of the reportable segments during the three months ended March 31, 2009.

3. Pensions and Other Benefits

The Company sponsors defined benefit pension plans in various countries. The amount of contributions to the plans is based on several factors including the funding rules in each country. The Company expects to contribute approximately $13,000,000 to its pension plans in 2009, compared to $11,300,000 in 2008. The Company also provides certain medical, dental and life insurance benefits (“Other Postretirement Benefits”) for retired United States employees that meet program qualifications. The Company currently funds this plan as claims are paid.

The components of net periodic benefit cost for the three months ended March 31, 2009 and 2008 are, as follows:

	Pension Plans		Other Postretirement Benefits	
(in thousands)	2009	2008	2009	2008
Service cost	$1,439	$2,167	$281	$509
Interest cost	4,669	6,453	955	1,550
Expected return on plan assets	(5,087)	(5,195)	-	-
Amortization:				
Transition obligation	23	-	-	-
Prior service cost/(credit)	26	194	(1,082)	(952)
Net actuarial loss	498	619	695	889
Curtailment loss/(gain)	-	226	-	(1,649)
Net periodic benefit costs	$1,568	$4,464	$849	$347

On December 17, 2008, the Company amended its United States defined benefit plan to freeze benefit accruals under the plan. As a result of the freeze, employees covered by the Pension Plus plan will receive, at retirement, benefits already accrued through February 28, 2009, but no new benefits will accrue after that date. Benefit accruals under the Company's Supplemental Executive Retirement Plan ("SERP") were similarly frozen. As a result of these changes, quarterly net periodic benefit cost related to the U.S. pension plan was a credit of $286,000 during Q1 2009 and is expected to be a credit of $984,000 during each of the remaining quarters of 2009.

4. Restructuring

The Company has ongoing restructuring activities related to the reduction of manufacturing capacity, reduction of administrative personnel, and curtailment of benefits under pension and postretirement plans. The actions are part of a three-year restructuring and performance improvement plan and have affected each of the Company's reportable segments. The actions taken to reduce manufacturing capacity are driven by the need to balance the Company's manufacturing capacity with anticipated demand.

The following table summarizes charges reported in the Statement of Operations under "Restructuring and other, net" for the first three months of 2009:

Three months ended March 31, 2009 (in thousands)	**Total restructuring costs incurred**	**Termination and other costs**	**Plant and equipment writedowns**
Paper Machine Clothing	$15,609	$15,321	$288
Albany Door Systems	148	148	-
PrimaLoft	42	42	-
Corporate and other unallocated	1,380	1,380	-
Total	$17,179	$16,891	$288

The Company expects that substantially all of its accruals for restructuring liabilities will be paid out within one year. The table below presents a year to date summary of changes in restructuring liabilities:

(in thousands)	**Restructuring charges accrued December 31, 2008**	**Restructuring accruals in 2009**	**Payments**	**Currency translation/other**	**Restructuring charges accrued March 31, 2009**
Termination costs	$21,284	$16,651	($7,976)	($328)	$29,631
Other restructuring costs	624	119	(387)	(19)	337
Total	$21,908	$16,770	($8,363)	($347)	$29,968

5. Other Expense/(Income), net

Other expense/(income), net consists of the following:

(in thousands)	Three Months Ended March 31, 2009	2008
Currency transactions	$1,463	($287)
Amortization of debt issuance costs and loan origination fees	883	545
Gain on early retirement of debt	(2,822)	-
License fee (income)	(155)	(225)
Other miscellaneous expense/(income)	812	(348)
Total	$181	($315)

6. Discontinued Operations

In July 2008, the Company closed on the sale of its Filtration Technologies business, the principal operations of which were in Gosford, Australia, and Zhangjiagang, China. At closing, the Company received approximately $45,000,000, which resulted in a pre-tax gain of $5,413,000.

In evaluating the financial statement presentation, the Company concluded that the business met the definition of a discontinued operation, as defined in Statement of Financial Accounting Standards No. 144, “Accounting for Impairment or Disposal of Long-Lived Assets” (FAS No. 144) and, accordingly, the results of operations of this business have been reclassified for all periods presented, and are reported separately as income from discontinued operations. In the first quarter of 2008, Income from discontinued operations was $227,000. As permitted by FAS No. 144, the consolidated statements of cash flows, up to the date of sale, were combined with cash flows from continuing operations.

7. Income Taxes

The following tables present components of income tax expense for the three month period ending March 31, 2009 and 2008:

(in thousands)	Three Months Ended March 31, 2009	2008
Income tax based on income from continuing operations before income taxes at estimated tax rates of 11% in 2009 and 10% in 2008	($2,697)	$213
Discrete tax expense/(benefit):		
Provision for/resolution of tax audits and contingencies	(9)	3,905
Re-purchase of convertible notes	1,101	-
Total income tax (benefit)/expense from continuing operations	($1,605)	$4,118

The Company is currently under audit in the U.S. and non-U.S. taxing jurisdictions.

In the Company's Annual Report on Form 10-K for the period ending December 31, 2008, it was disclosed that tax benefits of approximately $23,096,000 claimed in Germany were under challenge and that a reassessment notice in the amount of $47,007,000 had been issued by the Canadian Revenue Agency. There has been no change to the Company's view of its position with regard to either of these matters. As warranted, the Company will continue to assess its positions.

The Company records reserves for the outcome of these uncertainties in accordance with FASB Interpretation No. 48, "Accounting for Uncertainty in Income Taxes, an interpretation of FAS No. 109." It is reasonably possible that a change in the reserve for these uncertainties could occur in the next twelve months. However, it is not possible to estimate a range at this time.

8. Earnings Per Share

Earnings per share are computed using the weighted average number of shares of Class A Common Stock and Class B Common Stock outstanding during the period. Diluted earnings per share include 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, except market price data)	Three Months Ended March 31, 2009	2008
Net (loss)	($18,897)	($2,096)
Weighted average number of shares:		
Weighted average number of shares used in calculating basic earnings per share	30,046	29,612
Effect of dilutive stock-based compensation plans:		
Stock options	-	-
Long-term incentive plan	-	-
Weighted average number of shares used in calculating diluted earnings per share	30,046	29,612
Effect of stock-based compensation plans that were not included in the computation of diluted earnings per share because to do so would be antidilutive	146	356
Average market price of common stock used for calculation of dilutive shares	$9.46	$34.89
Net (loss) per share:		
Basic	($0.63)	($0.07)
Diluted	($0.63)	($0.07)

As of March 31, 2009 and 2008, there was no dilution resulting from the convertible debt instrument, purchased call option, and warrant that are described in Note 11.

The following table presents the number of shares issued and outstanding:

	Class A Shares	Class B Shares	Less: Treasury Shares	Net shares Outstanding
December 31, 2008	35,245,482	3,236,098	(8,523,139)	29,958,441
March 31, 2009	35,970,944	3,236,098	(8,523,139)	30,683,903

9. Inventories

Inventories consist of the following:

(in thousands)	March 31, 2009	December 31, 2008
Finished goods	$97,989	$97,090
Work in process	62,527	57,582
Raw material and supplies	47,309	51,816
Total inventories	$207,825	$206,488

Inventories are stated at the lower of cost or market and are valued at average cost, net of reserves. The Company records a provision for obsolete inventory based on the age and category of the inventories.

10. Goodwill and Other Intangible Assets

The Company accounts for goodwill and other intangible assets under the provisions of Statement of Financial Accounting Standards No. 142 (FAS No. 142), "Goodwill and Other Intangible Assets". FAS No. 142 requires that goodwill and intangible assets with indefinite useful lives no longer be amortized, but instead tested for impairment at least annually.

The Company performs the test for goodwill impairment during the second quarter of each year. As a result of the test performed in the second quarter of 2008, no impairment provision was required. Goodwill and other long-lived assets are reviewed for impairment whenever events, such as significant changes in the business climate, plant closures, changes in product offerings, or other circumstances indicate that the carrying amount may not be recoverable. As a result of a broad decline in equity markets and the Company's market capitalization, the Company performed an interim impairment test in the fourth quarter of 2008. The Company recorded impairment charges of $48,590,000 in the Eurasia reporting unit within the Paper Machine Clothing segment, $17,753,000 in the Engineered Fabrics reporting unit, and $5,962,000 in the Albany Engineered Composites reporting unit. Fair values of the reporting units and the related implied fair values of their respective goodwill were established using public company analysis and discounted cash flows.

The Company is continuing to amortize certain patents, trade names, customer contracts and technology assets that have finite lives. The changes in intangible assets and goodwill from January 1, 2009 to March 31, 2009, were as follows:

(in thousands)	Balance at January 1, 2009	Amortization	Currency translation	Balance at March 31, 2009
Amortized intangible assets:				
Patents	$1,420	($119)	($68)	$1,233
Trade names	1,164	(160)	(45)	959
Customer contracts	6,701	(359)	-	6,342
Technology	351	(10)	-	341
Total amortized intangible assets	$9,636	($648)	($113)	$8,875
Unamortized intangible assets:				
Goodwill	$115,415	$ -	($6,591)	$108,824

As of March 31, 2009, the balance of goodwill was $73,635,000 in the Paper Machine Clothing segment and $35,189,000 in the Albany Door segment.

Estimated amortization expense of intangibles for the years ending December 31, 2009 through 2013 is as follows:

Year	Annual amortization (in thousands)
2009	$2,700
2010	2,600
2011	1,400
2012	900
2013	900

11. Financial Instruments

Long-term debt consists of:

(in thousands)	March 31, 2009	December 31, 2008
Convertible notes issued in March 2006 with fixed interest rates of 2.25%, due in year 2026	$152,958	$158,019
Private placement with a fixed interest rate of 6.84%, due in years 2013 through 2017	150,000	150,000
April 2006 credit agreement with borrowings outstanding at an average interest rate of 2.96% in 2009 and 1.93% in 2008.	229,000	190,000
Various notes and mortgages relative to operations principally outside the United States, at an average rate of 4.90% in 2009 and 4.84% in 2008 due in varying amounts through 2021	10,365	10,380
Long term debt	$542,323	508,399
Less: current portion	(10)	(13)
Long term debt, net of current portion	$542,313	$508,386

The weighted average interest rate for all debt was 4.51% as of March 31, 2009 and 4.58% as of December 31, 2008.

In October 2005, the Company entered into a Note Agreement and Guaranty (“the Prudential Agreement”) with the Prudential Insurance Company of America, and certain other purchasers, in an aggregate principal amount of $150,000,000, with interest at 6.84% and a maturity date of October 25, 2017. There are mandatory prepayments of $50,000,000 on October 25, 2013 and October 25, 2015. At the noteholders’ election, certain prepayments may also be required in connection with certain asset dispositions or financings. The notes may not otherwise be prepaid without a premium, under certain market conditions. The Note Agreement contains customary terms, as well as affirmative covenants, negative covenants and events of default comparable to those in the Company’s current principal revolving credit facility. For disclosure purposes, the Company is required to measure the fair value of outstanding debt on a recurring basis. The fair value of the note agreement was approximately $136,957,000, which was measured using active market interest rates.

In December 2008, the Company and Prudential amended the agreement to increase the leverage ratio allowed under this agreement to 3.50 from 3.00, and the Company agreed to pay a higher rate of interest. The maximum interest rate is 1.50% over the 5.34% in the original agreement. The Company anticipates it will pay interest on this loan at the rate of 6.84% in 2009.

In March 2006, the Company issued $180,000,000 principal amount of 2.25% convertible notes. The notes are convertible upon the occurrence of specified events and at any time on or after February 15, 2013, into cash up to the principal amount of notes converted and shares of the Company's Class A common stock with respect to the remainder, if any, of the Company's conversion obligation at a conversion rate of 22.5351 shares per $1,000 principal amount of notes (equivalent to a conversion price of $44.38 per share of Class A common stock). As of March 31, 2009, the fair value of the convertible notes was approximately $72,629,000, which was measured using quoted prices in active markets. The fair value of the convertible notes includes the reduction in fair value as a result of the purchase made in March 2009 as described below.

Holders may convert their notes at any time on or after February 15, 2013. Before February 15, 2013, a holder may convert notes during the five-business day period immediately after any period of five consecutive trading days in which the trading price per note for each of such five days was less than 103% of the product of the last reported sale price of the Company's Class A common stock and the conversion rate on such day. Additionally, holders may convert prior to February 15, 2013 if the Company elects to distribute to all or substantially all of its Class A shareholders (a) rights or warrants to purchase shares of Class A common stock for less than their trading value, or (b) assets, debt securities or rights to purchase securities, which distribution has a per-share value exceeding 15% of the current trading value of the Class A common stock.

Converting holders are entitled to receive, upon conversion of their notes, (1) an amount in cash equal to the lesser of the principal amount of the note and the note's conversion value, and (2) if the conversion value of the note exceeds the principal amount, shares of the Company's Class A common stock in respect of the excess conversion value. The conversion rate of the notes (subject to adjustment upon the occurrence of certain events) is 22.5351 shares per $1,000 principal amount of notes (equivalent to a conversion price of $44.38 per share of Class A common stock). The exact amount payable upon conversion would be determined in accordance with the terms of the indenture pursuant to which the notes were issued and will be based on a daily conversion value calculated on a proportionate basis by reference to the volume-weighted average price of the Company's Class A common stock for each day during a twenty-five day period relating to the conversion.

The notes are not redeemable before March 15, 2013. On or after March 15, 2013, the Company may, at its option, redeem for cash all or part of the notes for a price equal to 100% of the principal amount of the notes to be purchased, plus any accrued and unpaid interest, including any additional interest, up to but excluding the redemption date.

On each of March 15, 2013 and March 15, 2021, holders may require the Company to purchase all or a portion of their notes at a purchase price equal to 100% of the principal amount of the notes to be purchased, plus any accrued and unpaid interest, including any additional interest, to but excluding the purchase date. Holders also have the right to require the Company to repurchase notes upon the occurrence of certain fundamental events, including, without limitation, (1) a person or group, other than the Standish family, becoming beneficial owner of shares of common stock carrying more than 50% of the voting power of our common stock, (2) consummation of an exchange offer, tender offer or similar event whereby our Class A common stock is converted into cash, securities or other property, or any sale, lease or other transfer of all or substantially all of our consolidated assets, (3) approval by our stockholders of a plan or proposal of liquidation or dissolution, or (4) the delisting of our Class A common stock under certain circumstances.

In connection with the sale of the notes, the Company entered into hedge and warrant transactions with respect to its Class A common stock. These transactions are intended to reduce the potential dilution upon conversion of the notes by providing the Company with the option, subject to certain exceptions, to acquire shares in an amount equal to the number of shares which the Company would be required to deliver upon conversion of the notes. These transactions had the economic effect to the Company of increasing the conversion price of the Notes to $52.25 per share.

Pursuant to the hedge transactions, if the Company delivers notice to the counterparties of any conversion of the Notes on or prior to March 15, 2013, the counterparties are in the aggregate obligated to deliver to the Company the number of shares of Class A common stock that the Company is obligated to deliver to the holders of the notes with respect to such conversion, exclusive of any shares deliverable by the Company by reason of any additional (or "make whole") premium relating to the notes or by reason of any election by the Company to unilaterally increase the conversion rate. The note hedge and warrant transactions had a net cost of $14,700,000.

Pursuant to the warrant transactions, the Company sold a total of 4,123,986 warrants, each exercisable to buy a single share of Class A common stock at an initial strike price of $52.25 per share. The warrants are American-style warrants (exercisable at any time), and expire over a period of sixty trading days beginning on September 15, 2013. If the warrants are exercised when they expire, the Company may choose either net cash or net share settlement. If the warrants are exercised before they expire, they must be net share settled. If the Company elects to net cash settle the warrants, the Company will pay cash in an amount equal to, for each exercise of warrants, (i) the number of warrants exercised multiplied by (ii) the excess of the volume weighted average price of the Company's Class A common stock on the expiration date of such warrants (the "Settlement Price") over the strike price. Under net share settlement, the Company will deliver to the warrant holders a number of shares of the Company's Class A common stock equal to, for each exercise of warrants, (x) the amount payable upon net cash settlement divided by (y) the Settlement Price.

In March 2009, the Company entered into an agreement to exchange $7,074,000 principal amount of the Company's 2.25% Convertible Senior Notes due 2026 for cash plus an equivalent amount of the Company's 2.25% Senior Notes due 2026 (the "New Notes"). The Company simultaneously entered into another agreement to purchase the New Notes. The aggregate cost for these transactions was $3,360,000. The transaction resulted in a pre-tax gain on extinguishment of debt of $2,822,000.

In April 2009, the Company entered into an agreement to exchange $93,989,000 principal amount of the Company's 2.25% Convertible Senior Notes due 2026 for cash plus an equivalent amount of the Company's New Notes. The Company simultaneously entered into another agreement to purchase the New Notes. The aggregate cost for these transactions was $53,515,000. The transaction resulted in a pre-tax gain on extinguishment of debt of $36,631,000.

Financial Accounting Standards Board Staff Position No. APB 14-1 (FSP 14-1), requires that the liability and equity components of convertible debt instruments that may be settled in cash upon conversion (including partial cash settlement) be separately accounted for in a manner that reflects an issuer’s nonconvertible debt borrowing rate.

As of March 31, 2009, the carrying amounts of the debt and equity components of the Company's bifurcated convertible debt instrument were $152,958,000 and $34,056,000, respectively. The carrying values of the debt and equity components include reductions of $6,248,000 and $26,000, respectively, related to the Company's convertible note purchase in March 2009. The equity component is included in additional paid in capital in the equity section of the Company's balance sheet.

Adopting FSP 14-1 had the impact of increasing interest expense by approximately $4,500,000 per year or $1,120,000 per quarter. The additional interest is non-cash and represents the difference between the rate at the time of the offering (2.25%) and the Company's non-convertible debt borrowing rate (5.59%). The non-cash interest is amortized into interest expense and increases the book value of the notes until the time that the notes can be redeemed on March 15, 2013. The Company has concluded that the amortization period of 7 years is appropriate because March 15, 2013 is the earliest date that the convertible noteholders can require the Company to buy back the notes.

Including amortization of non-cash interest, the effective interest rate on the convertible notes for the first quarterly periods of 2009 and 2008 was 5.59%. Unamortized non-cash interest was $20,794,000 at March 31, 2009 with a remaining amortization period of approximately 4 years.

The following table details interest expense on convertible debt:

	Three months-ended March 31,	
(in thousands)	2009	2008
Contractual interest (2.25%)	$992	$999
Non-cash interest (3.34%)	1,187	1,078
Total (5.59%)	$2,179	$2,077

On April 14, 2006, the Company entered into a $460,000,000 five-year revolving credit agreement (the "Credit Agreement"), under which $229,000,000 was outstanding as of March 31, 2009. The applicable interest rate for borrowings under the agreement is LIBOR plus a spread, based on the Company's leverage ratio at the time of borrowing. The agreement includes covenants that could limit the Company's ability to purchase Common Stock, pay dividends, acquire other companies or dispose of its assets.

Reflecting, in each case, the effect of subsequent amendments to each agreement, the Company is required to maintain a leverage ratio of not greater than 3.50 to 1.00 under the Credit Agreement and under the Prudential Agreement. The Company is also required to maintain minimum interest coverage of 3.00 to 1.00 under each agreement. As of March 31, 2009, the Company's leverage ratio under the agreement was 2.82 to 1.00 and the interest coverage ratio was 6.42 to 1.00. The Company may purchase its Common Stock or pay dividends to the extent its leverage ratio remains at or below 3.50 to 1.00, and may make acquisitions for cash provided its leverage ratio would not exceed 3.50 to 1.00 after giving pro forma effect to the acquisition. The Company's ability to borrow additional amounts under the credit agreement is conditional upon the absence of any defaults, as well as the absence of any material adverse change. Based on the maximum leverage ratio and the Company's consolidated EBITDA (as defined in the agreement), and without modification to any other credit agreements as of March 31, 2009, the Company would have been able to borrow an additional $96,213,000 under its loan agreements.

Indebtedness under the Note and Guaranty agreement, the convertible notes, and the revolving credit agreement is ranked equally in right of payment to all unsecured senior debt of the Company.

As of March 31, 2009, the Company has issued letters of credit totaling $44,000,000 in respect of preliminary assessments for income tax contingencies.

Fair Value Measurements:

Financial Accounting Statement No. 157 issued by the Financial Accounting Standards Board establishes a hierarchy for inputs used in measuring fair value that maximizes the use of observable inputs and minimizes the use of unobservable inputs by requiring that the most observable inputs be used when available. The hierarchy is broken down into three general levels: Level 1 inputs are quoted prices in active markets for identical assets or liabilities; Level 2 inputs include data points that are observable such as quoted prices for similar assets or liabilities in active markets, quoted prices for identical assets or similar assets or liabilities in markets that are not active, and inputs (other than quoted prices) such as interest rates and yield curves that are observable for the asset and liability, either directly or indirectly; Level 3 inputs are unobservable data points for the asset or liability, and include situations in which there is little, if any, market activity for the asset or liability.

The following table presents the fair value hierarchy for the Company's financial assets and liabilities measured at fair value on a recurring basis as of March 31, 2009:

(in thousands)	Total Fair Value at March 31, 2009	Quoted prices in active markets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)
Assets:				
Cash equivalents	$3,578	$ 3,578	$ -	$ -
Available for sale securities	849	849	-	-
Liabilities:				
Foreign currency contracts	209	209	-	-

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

Available for sale securities represent shares of common stock that are traded in an active market exchange. The shares are measured at fair value using closing stock prices and are recorded in the Consolidated Balance Sheets as Other assets. Because the securities are classified as available for sale, any resulting gain or loss is recorded to the shareholders' equity section of the balance sheet, rather than to the statements of operations. When the security is sold or impaired, gains and losses are reported on the statement of operations. Investments are considered to be impaired when a decline in fair value is judged to be other-than-temporary.

Foreign currency contracts consist of foreign exchange forward contracts that are valued using market-based inputs obtained from independent pricing sources. The contracts are measured using market foreign exchange prices and are recorded in the Consolidated Balance Sheets as Accounts receivable. 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 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 risk by evaluating the creditworthiness 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.

Financial Accounting Statement No. 161 issued by the Financial Accounting Standards Board requires enhanced disclosures about derivative instruments, amending and expanding the disclosure requirements of Financial Accounting Statement No. 133 (FAS No. 133), to provide users of financial statements with enhanced understanding of (i) how and why an entity uses derivative instruments, (ii) how derivative instruments and related hedged items are accounted for under FAS No. 133 and its related interpretations, and (iii) how derivative instruments and related hedged items affect an entity's financial position, results of operations, and cash flows.

The Company operates in many geographic regions of the world, and more than half of the Company's business is in countries outside the United States. A substantial portion of the Company's sales is denominated in euros or other foreign currencies. As a result, changes in the relative values of U.S. dollars, euros and such other currencies impact reported net sales and operating income. If the value of the euro or other currencies were to decline relative to the U.S. dollar, the Company's reported net sales and operating income could decline. In some locations, the profitability of transactions is affected by the fact that sales are denominated in a currency different from the currency in which the costs to manufacture and distribute the products are denominated. These sales are typically denominated in U.S. dollars while the manufacturing costs are based mainly on currencies that have in the past strengthened, and may in the future strengthen, against the U.S. dollar. As a result, the Company enters into foreign currency contracts from time to time, which are generally less than 12 months in duration, in order to mitigate volatility in the Company's earnings that can be caused by changes in currency exchange rates. There were no foreign currency forward contracts designated as hedging instruments at March 31, 2009.

The following table presents foreign currency forward contract information as of March 31, 2009:

(in thousands)

Buy currency:	*Sell currency:*	**Contract Amount**	**Fair Value**	**Receivable/ (Payable)**
Mexican peso	U.S. dollar	$12,208	$12,913	$705
Australian dollar	U.S. dollar	3,912	4,140	228
South Korean won	U.S. dollar	3,000	3,178	178
Swedish krona	Euro	49,876	48,556	(1,320)
Total		$68,996	$68,787	($209)

12. Contingencies

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

Albany was defending against 16,818 claims as of May 1, 2009. This compares with 17,854 such claims as of February 6, 2009, 18,385 claims as of October 27, 2008, 18,462 claims as of July 25, 2008, 18,529 claims as of May 2, 2008, 18,789 claims as of February 1, 2008, 18,791 claims as of October 19, 2007, 18,813 claims as of July 27, 2007, 19,120 claims as of April 27, 2007, 19,388 claims as of February 16, 2007, 19,416 claims as of December 31, 2006, 24,451 claims as of December 31, 2005, 29,411 claims as of December 31, 2004, 28,838 claims as of December 31, 2003, 22,593 claims as of December 31, 2002, 7,347 claims as of December 31, 2001, 1,997 claims as of December 31, 2000, and 2,276 claims as of December 31, 1999. These suits allege a variety of lung and other diseases based on alleged exposure to products previously manufactured by Albany. The following table sets forth the number of claims filed, the number of claims settled, dismissed or otherwise resolved, and the aggregate settlement amount during the periods presented:

Year ended December 31,	*Opening Number of claims*	*Claims Dismissed, Settled or Resolved*	*New Claims*	*Closing Number of Claims*	*Amounts Paid (thousands) to Settle or Resolve ($$)*
2005	*29,411*	*6,257*	*1,297*	*24,451*	*504*
2006	*24,451*	*6,841*	*1,806*	*19,416*	*3,879*
2007	*19,416*	*808*	*190*	*18,798*	*15*
2008	*18,798*	*523*	*110*	*18,385*	*52*
2009 to date	*18,385*	*1591*	*24*	*16,818*	*3*

Albany anticipates that additional claims will be filed against it and related companies in the future, but is unable to predict the number and timing of such future claims. These suits typically involve claims against from twenty to more than two hundred defendants, and the complaints usually fail to identify the plaintiffs' work history or the nature of the plaintiffs' alleged exposure to Albany's products. Pleadings and discovery responses in those cases in which work histories have been provided indicate claimants with paper mill exposure in approximately 10% of the total claims filed against Albany, and only a portion of those claimants have alleged time spent in a paper mill to which Albany is believed to have supplied asbestos-containing products.

As of May 1, 2009, approximately 11,504 of the claims pending against Albany were pending in Mississippi. Of these, approximately 10,946 are in federal court, at the multidistrict litigation panel ("MDL"), either through removal or original jurisdiction. (In addition to the 10,946 Mississippi claims pending against the Company at the MDL, there are approximately 888 claims pending against the Company at the MDL removed from various United States District Courts in other states.)

On May 31, 2007 the MDL issued an administrative order that required each MDL plaintiff to provide detailed information regarding, among other things, the alleged asbestos-related medical diagnoses. The order did not require exposure information with this initial filing. The deadline for submission of such filings was December

1, 2007, but the process continued for several months thereafter with defense counsel monitoring filing obligations and reviewing the submissions for compliance. On December 23, 2008, the MDL issued another administrative order providing a mechanism whereby defendants could seek dismissals against plaintiffs who failed to comply with the prior administrative order. The deadline for such motions was originally set as January 31, 2009, but was amended when the court began scheduling hearings based upon the original jurisdiction of the underlying claim. Filing deadlines were set as 30 days prior to the hearing dates, which have been scheduled through May, 2009. The Company has begun to see dismissals as a result of this procedure, but cannot yet currently predict how many dismissals will ultimately be granted.

With respect to claims where plaintiffs have complied with the original administrative order, the MDL will at some point begin conducting settlement conferences, at which time the plaintiffs will be required to submit short position statements setting forth exposure information. The Company does not expect the MDL to begin the process of scheduling the settlement conference for several months. Consequently, the Company believes that the effects of the administrative orders will not be fully known or realized for some time.

Based on past experience, communications from certain plaintiffs' counsel, and the advice of the Company's Mississippi counsel, the Company expects the percentage of Mississippi claimants able to demonstrate time spent in a paper mill to which Albany supplied asbestos-containing products during a period in which Albany's asbestos-containing products were in use to be considerably lower than the total number of claims still pending. However, due to the still large number of inactive claims pending in the MDL and the lack of alleged exposure information, the Company does not believe a meaningful estimate can be made regarding the range of possible loss with respect to these remaining claims.

As of May 1, 2009, the remaining 5,314 claims pending against Albany were pending in states other than Mississippi. Pleadings and discovery responses in those cases in which work histories have been provided indicate claimants with paper mill exposure in approximately 25% of total claims reported, and only a portion of those claimants have alleged time spent in a paper mill to which Albany is believed to have supplied asbestos-containing products. For these reasons, the Company expects the percentage of these remaining claimants able to demonstrate time spent in a paper mill to which Albany supplied asbestos-containing products during a period in which Albany's asbestos-containing products were in use to be considerably lower than the total number of pending claims. In addition, over half of these remaining non-Mississippi claims have not provided any disease information. Detailed exposure and disease information sufficient meaningfully to estimate a range of possible loss of a particular claim is typically not available until late in the discovery process, and often not until a trial date is imminent and a settlement demand has been received. For these reasons, the Company does not believe a meaningful estimate can be made regarding the range of possible loss with respect to these remaining claims.

It is the position of Albany and the other paper machine clothing defendants that there was insufficient exposure to asbestos from any paper machine clothing products to cause asbestos-related injury to any plaintiff. Furthermore, asbestos contained in Albany's synthetic products was encapsulated in a resin-coated yarn woven into the interior of the fabric, further reducing the likelihood of fiber release. While the Company believes it has meritorious defenses to these claims, it has settled certain of these cases for amounts it considers reasonable given the facts and circumstances of each case. The Company's insurer, Liberty Mutual, has defended each case and funded settlements under a standard reservation of rights. As of May 1, 2009, the Company had resolved, by means of settlement or dismissal, 23,637 claims. The total cost of resolving all claims was $6,761,000. Of this amount, $6,716,000, or 99%, was paid by the Company's insurance carrier. The Company has approximately $130 million in confirmed insurance coverage that should be available with respect to current and future asbestos claims, as well as additional insurance coverage that it should be able to access.

Brandon Drying Fabrics, Inc.

Brandon Drying Fabrics, Inc. ("Brandon"), a subsidiary of Geschmay Corp., which is a subsidiary of the Company, is also a separate defendant in many of the asbestos cases in which Albany is named as a defendant. Brandon was defending against 8,604 claims as of May 1, 2009. This compares with 8,607 such claims as of February 6, 2009, 8,664 such claims as of October 27, 2008, 8,672 claims as of July 25, 2008, 8,689 claims as of May 2, 2008, 8,741 claims as of February 1, 2008 and October 19, 2007, 9,023 claims as of July 27, 2007, 9,089 claims as of April 27, 2007, 9,189 claims as of February 16, 2007, 9,114 claims as of December 31, 2006, 9,566 claims as of December 31, 2005, 9,985 claims as of December 31, 2004, 10,242 claims as of December 31, 2003, 11,802 claims as of December 31, 2002, 8,759 claims as of December 31, 2001, 3,598 claims as of December 31, 2000, and 1,887 claims as of December 31, 1999. The following table sets forth the number of claims filed, the number of claims settled, dismissed or otherwise resolved, and the aggregate settlement amount during the periods presented:

Year ended December 31,	*Opening Number of claims*	*Claims Dismissed, Settled or Resolved*	*New Claims*	*Closing Number of Claims*	*Amounts Paid (thousands) to Settle or Resolve ($$)*
2005	*9,985*	*642*	*223*	*9,566*	*0*
2006	*9,566*	*1182*	*730*	*9,114*	*0*
2007	*9,114*	*462*	*88*	*8,740*	*0*
2008	*8,740*	*86*	*10*	*8,664*	*0*
2009 to date	*8,664*	*61*	*1*	*8,604*	*0*

The Company acquired Geschmay Corp., formerly known as Wangner Systems Corporation, in 1999. Brandon is a wholly-owned subsidiary of Geschmay Corp. In 1978, Brandon acquired certain assets from Abney Mills ("Abney"), a South Carolina textile manufacturer. Among the assets acquired by Brandon from Abney were assets of Abney's wholly-owned subsidiary, Brandon Sales, Inc. which had sold, among other things, dryer fabrics containing asbestos made by its parent, Abney. It is believed that Abney ceased production of asbestos-containing fabrics prior to the 1978 transaction. Although Brandon manufactured and sold dryer fabrics under its own name subsequent to the asset purchase, none of such fabrics contained asbestos. Under the terms of the Assets Purchase Agreement between Brandon and Abney, Abney agreed to indemnify, defend, and hold Brandon harmless from any actions or claims on account of products manufactured by Abney and its related corporations prior to the date of the sale, whether or not the product was sold subsequent to the date of the sale. It appears that Abney has since been dissolved. Nevertheless, a representative of Abney has been notified of the pendency of these actions and demand has been made that it assume the defense of these actions. Because Brandon did not manufacture asbestos-containing products, and because it does not believe that it was the legal successor to, or otherwise responsible for obligations of Abney with respect to products manufactured by Abney, it believes it has strong defenses to the claims that have been asserted against it. In some instances, plaintiffs have voluntarily dismissed claims against it, while in others it has entered into what it considers to be reasonable settlements. As of May 1, 2009, Brandon has resolved, by means of settlement or dismissal, 8,972 claims for a total of $152,499. Brandon's insurance carriers initially agreed to pay 88.2% of the total indemnification and defense costs related to these proceedings, subject to the standard reservation of rights. The remaining 11.8% of the costs had been borne directly by Brandon. During 2004, Brandon's insurance carriers agreed to cover 100% of indemnification and defense costs, subject to policy limits and the standard reservation of rights, and to reimburse Brandon for all indemnity and defense costs paid directly by Brandon related to these proceedings.

As of May 1, 2009, 6,821 (or approximately 79%) of the claims pending against Brandon were pending in Mississippi. For the same reasons set forth above with respect to Albany's Mississippi and other claims, as well as the fact that no amounts have been paid to resolve any Brandon claims since 2001, the Company does not believe a meaningful estimate can be made regarding the range of possible loss with respect to these remaining claims.

Mount Vernon

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

While the Company does not believe, based on currently available information and for the reasons stated above, that a meaningful estimate of a range of possible loss can be made with respect to such claims, based on its understanding of the insurance policies available, how settlement amounts have been allocated to various policies, its settlement experience, the absence of any judgments against the Company or Brandon, the ratio of paper mill claims to total claims filed, and the defenses available, the Company currently does not anticipate any material liability relating to the resolution of the aforementioned pending proceedings in excess of existing insurance limits. Consequently, the Company currently does not anticipate, based on currently available information, that the ultimate resolution of the aforementioned proceedings will have a material adverse effect on the financial position, results of operations or cash flows of the Company. Although the Company cannot predict the number and timing of future claims, based on the foregoing factors and the trends in claims against it to date, the Company does not anticipate that additional claims likely to be filed against it in the future will have a material adverse effect on its financial position, results of operations, or cash flows. The Company is aware that litigation is inherently uncertain, especially when the outcome is dependent primarily on determinations of factual matters to be made by juries. The Company is also aware that numerous other defendants in asbestos cases, as well as others who claim to have knowledge and expertise on the subject, have found it difficult to anticipate the outcome of asbestos litigation, the volume of future asbestos claims, and the anticipated settlement values of those claims. For these reasons, there can be no assurance that the foregoing conclusions will not change.

13. Changes in Stockholders' Equity

The following table summarizes changes in Stockholders' Equity:

(in thousands)	Class A Common Stock	Class B Common Stock	Additional paid in capital	Retained earnings	Accumulated items of other comprehensive income	Treasury stock	Total Shareholders' Equity
December 31, 2008	$35	$3	$363,918	$429,804	($101,953)	($258,871)	$432,936
Net (loss)	-	-	-	(18,897)	-	-	(18,897)
Shares contributed to ESOP	1	-	1,036	-	-	-	1,037
Dividends declared	-	-	-	(3,610)	-	-	(3,610)
Stock option expense	-	-	42	-	-	-	42
Compensation and benefits paid or payable in Class A Common Stock	-	-	8	-	-	-	8
Convertible notes purchase in March 2009	-	-	(26)	-	-	-	(26)
Cumulative translation adjustment/other	-	-	-	-	(28,790)	-	(28,790)
March 31, 2009	$36	$3	$364,978	$407,297	($130,743)	($258,871)	$382,700

14. Comprehensive Income

Comprehensive income consists of the following:

(in thousands)	Three Months Ended March 31, 2009	2008
Net (loss)	($18,897)	($2,096)
Other comprehensive (loss)/income, before tax:		
Foreign currency translation adjustments	(28,790)	36,333
Amortization of pension liability adjustment	-	371
Pension and postretirement liability adjustments	-	(4,742)
Derivative valuation adjustment	-	(9,893)
Income taxes related to items of other comprehensive (loss)/income:		
Amortization of pension liability adjustment	-	(145)
Pension and postretirement liability adjustments	-	1,822
Derivative valuation adjustment	-	3,874
Other comprehensive (loss)/income, net of tax	(28,790)	27,620
Comprehensive (loss)/income	($47,687)	$25,524

15. Recent Accounting Pronouncements

In December 2007, the FASB issued FAS No. 160 “Noncontrolling Interests in Consolidated Financial Statements – an amendment to ARB No. 51”. FAS No. 160 establishes accounting and reporting standards that require the ownership interest in subsidiaries held by parties other than the parent be clearly identified and presented in the consolidated balance sheets within equity, but separate from the parent’s equity; the amount of consolidated net income attributable to the parent and the noncontrolling interest be clearly identified and presented on the face of the consolidated statement of earnings; and changes in a parent’s ownership interest while the parent retains its controlling financial interest in its subsidiary be accounted for consistently. This statement is effective for fiscal years beginning on or after December 15, 2008. The Company’s adoption of this Standard on January 1, 2009 did not have a material effect on its financial statements.

In December 2007, the FASB issued FAS No. 141 (revised 2007), “Business Combinations” (FAS No. 141(R)) which replaces FAS No.141, “ Business Combinations”. FAS No. 141 (R) retains the underlying concepts of FAS No. 141 in that all business combinations are still required to be accounted for at fair value under the acquisition method of accounting but FAS No. 141 (R) changed the method of applying the acquisition method in a number of significant aspects. FAS No. 141(R) is effective on a prospective basis for all business combinations for which the acquisition date is on or after the beginning of the first annual period subsequent to December 15, 2008, with the exception of the accounting for valuation allowances on deferred taxes and acquired tax contingencies. FAS No. 141(R) amends FAS 109 such that adjustments made to valuation allowances on deferred taxes and acquired tax contingencies associated with acquisitions that closed prior to the effective date of FAS No. 141(R) would also apply the provisions of FAS No. 141(R). The Company’s adoption of this Standard on January 1, 2009 did not have a material effect on its financial statements.

In December 2007, the EITF issued Issue No. 07-1, “Accounting for Collaborative Arrangements.” This Issue is effective for financial statements issued for fiscal years beginning after December 15, 2008, and interim periods within those fiscal years, and shall be applied retrospectively to all prior periods presented for all collaborative arrangements existing as of the effective date. This Issue requires that transactions with third parties (i.e., revenue generated and costs incurred by the partners) should be reported in the appropriate line item in each company’s financial statement pursuant to the guidance in EITF Issue No. 99-19, “Reporting Revenue Gross as a Principal versus Net as an Agent.” This Issue also includes enhanced disclosure requirements regarding the nature and purpose of the arrangement, rights and obligations under the arrangement, accounting policy, amount and income statement classification of collaboration transactions between the parties. The Company’s adoption of this Standard on January 1, 2009 did not have a material effect on its financial statements.

In March 2008, the FASB issued FAS No. 161, “Disclosures about Derivative Instruments and Hedging Activities.” The Standard requires enhanced disclosures about derivative instruments and is effective for fiscal periods beginning after November 15, 2008. The Company’s adoption of this Standard on January 1, 2009 did not have a material effect on its financial statements.

In May 2008, the FASB issued FAS No. 162, “The Hierarchy of Generally Accepted Accounting Principles” (FAS No. 162). FAS No. 162 identifies the sources of accounting principles and the framework for selecting principles to be used in the preparation of financial statements of nongovernmental entities that are presented in conformity with generally accepted accounting principles in the United States. The FASB does not expect that FAS No. 162 will result in a change in current practice. However, transition provisions have been provided in the unusual circumstance that the application of the provisions of FAS No. 162 results in a change in practice. FAS No. 162 is effective 60 days following the SEC’s approval of the Public Company Accounting Oversight Board amendments to AU Section 411, “The Meaning of Present Fairly in Conformity With Generally

Accepted Accounting Principles.” The Company’s adoption of this Standard on January 1, 2009 did not have a material effect on its financial statements.

In April 2008, the FASB issued FASB Staff Position No. FAS 142-3, “Determination of the Useful Life of Intangible Assets” (FSP 142-3). FSP 142-3 amends the factors that should be considered in developing renewal or extension assumptions used to determine the useful life of a recognized intangible asset under FASB Statement No. 142, “Goodwill and Other Intangible Assets” and requires enhanced disclosures relating to: (a) the entity’s accounting policy on the treatment of costs incurred to renew or extend the term of a recognized intangible asset; (b) in the period of acquisition or renewal, the weighted-average period prior to the next renewal or extension (both explicit and implicit), by major intangible asset class and (c) for an entity that capitalizes renewal or extension costs, the total amount of costs incurred in the period to renew or extend the term of a recognized intangible asset for each period for which a statement of financial position is presented, by major intangible asset class. The Company’s adoption of this Standard on January 1, 2009 did not have a material effect on its financial statements.

In May 2008, the FASB issued FASB Staff Position No. APB 14-1, “Accounting for Convertible Debt Instruments That May Be Settled in Cash upon Conversion (Including Partial Cash Settlement)” (FSP APB 14-1). This staff position applies to convertible debt instruments that, by their stated terms, may be settled in cash (or other assets) upon conversion, including partial cash settlement, unless the embedded conversion option is required to be separately accounted for as a derivative under FAS No. 133, “Accounting for Derivative Instruments and Hedging Activities.” FSP APB 14-1 requires the issuer to separately account for the liability and equity components of convertible debt instruments in a manner that reflects the issuer’s nonconvertible debt borrowing rate on the instrument’s issuance date when interest cost is recognized. The Company’s adoption of FSP APB 14-1 on January 1, 2009 resulted in additional non-cash charges to interest expense of approximately $1,187,000 in the first quarter of 2009. Additionally, as of January 1, 2009, long-term debt decreased and equity increased by approximately $21,981,000 as a result of adopting this Staff Position.

In December 2008, the FASB issued FASB Staff Position (FSP) No.132 (R)-1, “Employers’ Disclosures about Pensions and Other Postretirement Benefits” (FSP 132R-1). FSP 132R-1 requires enhanced disclosures about the plan assets of a Company’s defined benefit pension and other postretirement plans. The enhanced disclosures required by this FSP are intended to provide users of financial statements with a greater understanding of: (1) how investment allocation decisions are made, including the factors that are pertinent to an understanding of investment policies and strategies; (2) the major categories of plan assets; (3) the inputs and valuation techniques used to measure the fair value of plan assets; (4) the effect of fair value measurements using significant unobservable inputs (Level 3) on changes in plan assets for the period; and (5) significant concentrations of risk within plan assets. FSP No. FAS 132(R)-1 is effective for financial statements issued for fiscal years ending after December 15, 2009. It is expected that the adoption of FSP No. FAS 132(R)-1 will not have a material effect on the Company’s financial statements.

In April 2009, the FASB issued FSP No. FAS 157-4, “Determining Fair Value When the Volume and Level of Activity for the Asset or the Liability Have Significantly Decreased and Identifying Transactions That Are Not Orderly”. FSP No. FAS 157-4 amends SFAS No. 157 to provide additional guidance on (i) estimating fair value when the volume and level of activity for an asset or liability have significantly decreased in relation to normal market activity for the asset or liability, and (ii) circumstances that may indicate that a transaction is not orderly. FSP No. FAS 157-4 also requires additional disclosures about fair value measurements in interim and annual reporting periods. FSP No. FAS 157-4 is effective for interim and annual reporting periods ending after June 15, 2009. It is expected that the adoption of FSP No. FAS 157-4 will not have a material effect on the Company’s financial statements.

In April 2009, the FASB issued FSP No. FAS 115-2 and FAS 124-2, "Recognition and Presentation of Other-Than-Temporary Impairments" ("FSP No. FAS 115-2"). FSP No. FAS 115-2 provides additional guidance on the timing of impairment recognition and greater clarity about the credit and noncredit components of impaired debt securities that are not expected to be sold. FSP No. FAS 115-2 also requires additional disclosures about impairments in interim and annual reporting periods. FSP No. FAS 115-2 is effective for interim and annual reporting periods ending after June 15, 2009. It is expected that the adoption of FSP No. FAS 115-2 4 will not have a material effect on the Company's financial statements.

In April 2009, the FASB issued FSP No. FAS 107-1 and APB 28-1, "Interim Disclosures about Fair Value of Financial Instruments". FSP No. FAS 107-1 and APB 28-1 amends SFAS No. 107, Disclosures about Fair Value of Financial Instruments, to require disclosures about fair value of financial instruments in interim as well as in annual financial statements. This FSP also amends Accounting Principles Board ("APB") Opinion No. 28, Interim Financial Reporting, to require those disclosures in all interim financial statements. FSP No. FAS 107-1 and APB 28-1 is effective for interim reporting periods ending after June 15, 2009. It is expected that the adoption of FSP No. FAS 107-1 and APB 28-1 will not have a material effect on the Company's financial statements.

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

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

Overview

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

The Paper Machine Clothing segment includes fabrics and belts used in the manufacture of paper and paperboard (PMC or paper machine clothing). The Company designs, manufactures, and markets paper machine clothing for each section of the paper machine. It manufactures and sells more paper machine clothing worldwide than any other company. PMC consists of large permeable and non-permeable 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. PMC products are consumable products of technologically sophisticated design that utilize polymeric materials in a complex structure. The design and material composition of PMC can have a considerable effect on the quality of paper products produced and the efficiency of the paper machines on which it is used. Principal products in the PMC segment include forming, pressing and dryer fabrics, and process belts. A forming fabric assists in sheet formation and conveys the very dilute sheet through the section. Press fabrics are designed to carry the sheet through the presses, where water pressed from the sheet is carried through the press nip in the fabric. In the dryer section, dryer fabrics manage air movement and hold the sheet against heated cylinders to enhance drying. Process belts are used in the press section to increase dryness and enhance sheet properties, as well as in other sections of the machine to improve runnability and enhance sheet qualities. The Company's customers in the PMC segment are paper industry companies, some of which operate in multiple regions of the world. The Company's products, manufacturing processes and distribution channels for PMC are substantially the same in each region of the world in which it operates.

Albany Door Systems (ADS) designs, manufactures, sells, and services high-speed, high-performance industrial doors worldwide, for a wide range of interior, exterior, and machine protection industrial applications. Already a high performance door leader, ADS further expanded its market position in North America with the second-quarter 2007 acquisition of the assets and business of R-Bac Industries, the fastest-growing high-performance door company in North America, whose product lines were complementary to Albany's. The business segment also derives revenue from aftermarket sales and service.

The Company's other reportable segments are emerging businesses that apply the Company's core competencies in advanced textiles and materials to other industries, including specialty materials and composite structures for aircraft and other applications (Albany Engineered Composites); a variety of products similar to PMC for application in the corrugators, pulp, nonwovens, building products, tannery and textile industries (Albany Engineered Fabrics); and insulation for outdoor clothing, gloves, footwear, sleeping bags and home furnishings (PrimaLoft® Products). No class of similar products or services within these segments accounted for 10% or more of the Company's consolidated net sales in any of the past three years.

Trends

The Company’s primary segment, Paper Machine Clothing, accounted for approximately 67% of consolidated revenues during 2008. Paper machine clothing is purchased primarily by manufacturers of paper and paperboard. According to data published by RISI, Inc., world paper and paperboard production volumes grew at an annual rate of approximately 2.6% between 1999 and 2008. However, recent economic changes have led to uncertainty about paper and paperboard production volumes in the near term.

The paper and paperboard industry has been characterized by an evolving but essentially stable manufacturing technology based on the wet-forming papermaking process. This process, of which paper machine clothing is an integral element, requires a very large capital investment. Consequently, management does not believe that a commercially feasible substitute technology to paper machine clothing is likely to be developed and incorporated into the paper production process by paper manufacturers in the foreseeable future. For this reason, management expects that demand for paper machine clothing will continue into the foreseeable future.

The world paper and paperboard industry tends to be cyclical, with periods of healthy paper prices followed by increases in new capacity, which then leads to increased production and higher inventories of paper and paperboard, followed by a period of price competition and reduced profitability among the Company’s customers. Although sales of paper machine clothing do not tend to be as cyclical, the Company may experience somewhat greater demand during periods of increased production and somewhat reduced demand during periods of lesser production.

The world paper and paperboard industry has experienced a significant period of consolidation and rationalization since 2000. During this period, a number of older, less efficient machines in areas where significant established capacity existed were closed or were the subject of planned closure announcements, while at the same time a number of newer, faster and more efficient machines began production or plans for the installation of such newer machines were announced in areas of growing demand for paper and paperboard (such as Asia and South America). Management anticipates that this trend is likely to continue in the near term.

At the same time, technological advances in paper machine clothing, while contributing to the papermaking efficiency of customers, have lengthened the useful life of many of the Company’s products and reduced the number of pieces required to produce the same volume of paper. As the Company introduces new value creating products and services, it is often able to charge higher prices or increase market share in certain areas as a result of these improvements. However, increased prices and share have not always been sufficient to offset completely a decrease in the number of fabrics sold.

The factors described above result in a steady decline in the number of pieces of paper machine clothing, while the average fabric size is increasing. The net effect of these trends in recent years was that the specific volume of paper machine clothing consumption (measured in kilograms or square meters) had been increasing at a rate of approximately 1% per year. In the most recent quarter, however, the global recession contributed to a reduction of 24% in the Company’s PMC sales, compared to the same period in 2008. Although there is evidence that the decline in sales has reached the bottom in some regions and some product lines, the Company is unable to determine whether overall consumption of PMC will increase or decrease in the short term.

During 2006, the Company reported that price competition in Western Europe had an adverse impact on the Company’s operating results in this segment. In the third and fourth quarters of 2006, and in the first two quarters of 2007, sales of paper machine clothing to customers in Western Europe were significantly lower than the same quarter of the previous year. This also contributed to reduced operating income within this segment, as well as overall operating income, during those quarters.

The Company's response to that pricing disruption was to initiate a deliberate, intensive three-year process of restructuring and performance improvement initiatives. In PMC, the Company's strategy for the past two years has been to offset the impacts of the maturation of the North American and Western European markets by (a) growing volume in these mature markets, (b) growing with the emerging markets in Asia and South America, and (c) reducing costs significantly through a company-wide, three-year restructuring and process-improvement program.

During this process of adjusting its manufacturing footprint to align with these regional markets, the Company has incurred restructuring charges. Specific charges reported have been incurred in connection with the reduction of PMC manufacturing capacity in the United States, Canada, Germany, Finland and Australia, and Doors segment manufacturing in Sweden. The Company has also incurred costs for idle capacity and equipment relocation that are related to the shutdown of these plants, and underutilized costs related to the new PMC plant in China. Expenses related to these items are included in "Cost of Goods Sold". In addition, the Company also incurred restructuring charges related to the centralization of PMC administrative functions in Europe, and reorganization of the Company's research and development function that has improved the Company's ability to bring value-added products to market faster.

In addition to these restructuring and restructuring-related activities, management has launched significant cost reduction and performance improvement initiatives. In 2006, the Company announced a plan to migrate its global enterprise resource planning system to SAP, and began a strategic procurement initiative designed to establish a world-class supply chain organization and processes that would lead to significant cost savings. Expenses incurred in connection with these actions are included in Selling Technical, General and Research (STG&R) expenses. These expenses were not allocated to the reportable segments because they are Corporate-wide initiatives.

The Company expects its three-year plan of restructuring and performance improvement initiatives to come to a conclusion by the end of 2009.

The Albany Door Systems segment derives most of its revenue from the sale of high-performance doors, particularly to customers in Europe. The purchase of these doors is normally a capital expenditure item for customers and, as such, market opportunities tend to fluctuate with industrial capital spending. If economic conditions weaken, customers may reduce levels of capital expenditures, which could have a negative effect on sales and earnings in the Albany Door Systems segment. The Company's response to this trend includes expansion of its aftermarket business which tends to be less sensitive to economic changes than sales of new doors. The large amount of revenue derived from sales and manufacturing outside the United States could cause the reported financial results for the Albany Door Systems segment to be more sensitive than the other segments of the Company to changes in currency rates. Orders for new doors began to drop off at the end of the year and into January, and the Company is preparing for a substantial decline in product sales, which will only be partially offset by aftermarket sales. Accordingly, the Company has been taking steps, across the business, to accelerate structural changes that permanently reduce costs.

The Engineered Fabrics segment derives its revenue from various industries that use fabrics and belts for industrial applications other than the manufacture of paper and paperboard. Approximately 40% of revenue in this segment is derived from sales to the nonwovens industry, which includes the manufacture of diapers, personal care and household wipes, and fiberglass-reinforced roofing shingles. Approximately 30% of segment revenue is derived from sales to markets that are adjacent to the paper industry, and 20% of revenue is derived from the building products market. Segment sales in the European and Pacific regions combined are almost at the same level as sales within the Americas. Sales in the fourth quarter of 2008 were 13% lower than the same quarter of 2007, and management expects the top line weakness to continue into 2009, reflecting the effects of the global recession.

The Engineered Composites segment (AEC) serves primarily the aerospace industry, with custom-designed composite and advanced composite parts for static and dynamic applications. AEC has experienced significant growth in net sales during the last few years, due both to the introduction of new products as well as growth in demand and application for previously existing products. The global recession is forcing many of AEC's customers to sharply curtail production, which is putting more pressure on AEC's top line.

The PrimaLoft® Products segment includes sales of insulation for outdoor clothing, gloves, footwear, sleeping bags, and home furnishings. The segment has manufacturing and sales operations in the United States, Europe, and Asia. The economic weakness in retail markets is likely to have a negative effect on 2009 sales in this segment.

Foreign Currency

Albany International operates in many geographic regions of the world and has more than half of its business in countries outside the United States. A substantial portion of the Company's sales are denominated in euros or other currencies. In some locations, the profitability of transactions is affected by the fact that sales are denominated in a currency different from the currency in which the costs to manufacture and distribute the products are denominated. As a result, changes in the relative values of U.S. dollars, euros and other currencies affect revenues and profits as the results are translated into U.S. dollars in the consolidated financial statements.

From time to time, the Company enters into foreign currency or other derivative contracts in order to enhance cash flows or to mitigate volatility in the financial statements that can be caused by changes in currency exchange rates.

Review of Operations

Total Company – three months ended March 31, 2009

In the first quarter of 2009, the Company modified its business segment reporting by reclassifying global information systems expenses from each of the segments to unallocated expenses. Also during the quarter, the Company implemented Financial Accounting Standards Board Staff Position No. APB 14-1 (FSP 14-1). Prior year data has been modified to conform to the current year presentation. The Company has filed a Form 8-K with reclassified segment data and restated income statement and balance sheet items for quarterly periods in 2008, as well as annual data for 2006, 2007, and 2008.

Net sales were $209.2 million, a decrease of 23.4 percent compared to the first quarter of 2008. Excluding the effect of changes in currency translation rates, net sales decreased 15.4 percent, as shown below:

Table 1

(in thousands)	2009	2008	Percent Change	Impact of Changes in Currency Translation Rates	Percent Change excluding Currency Rate Effect
Paper Machine Clothing	$139,074	$183,015	-24.0%	($13,049)	-16.9%
Albany Door Systems	34,326	45,132	-23.9	(5,758)	-11.2
Engineered Fabrics	21,570	28,110	-23.3	(2,894)	-13.0
Engineered Composites	9,085	11,088	-18.1	-	-18.1
PrimaLoft® Products	5,150	5,863	-12.2	(131)	- 9.9
Total	$209,205	$273,208	-23.4%	($21,832)	-15.4%

Gross profit was 33.5 percent of net sales in the first quarter of 2009, compared to 34.7 percent in the same period of 2008. Cost-reduction initiatives helped to offset the effects on margin of having lower sales. As described in the paragraphs that follow Table 3, costs associated with idle-capacity and performance-improvement initiatives were $7.0 million in Q1 2009 and $3.0 million in Q1 2008.

Selling, technical, general, and research (STG&R) expenses were 32.3 percent of net sales in the first quarter of 2009, compared to 30.2 percent in the first quarter of 2008. The increase as a percentage of sales in 2009 is principally due to the significant decrease in sales. STG&R expenses were $67.6 million in the first quarter of 2009, in comparison to $82.4 million in the first quarter of 2008. First-quarter STG&R expenses include costs related to performance-improvement initiatives totaling $2.2 million in 2009 and $5.1 million in 2008. These expenses principally relate to costs associated with the SAP implementation. Revaluation of nonfunctional currency assets and liabilities resulted in a gain of $1.9 million in Q1 2009, compared to a loss of $0.7 million in Q1 2008. The decrease in the Company's share price had the effect of reducing incentive compensation by approximately $1.5 million, in comparison to Q1 2008. Changes in currency translation rates had the effect of decreasing STG&R expenses by $7.9 million in comparison to Q1 2008.

Operating income/loss was a loss of $14.8 million in the first quarter of 2009, compared to income of $7.2 million for the same period of 2008. The following table presents segment operating income:

Table 2

(in thousands)	Operating Income/(loss) Three Months ended March 31, 2009	2008
Paper Machine Clothing	$7,261	$22,539
Albany Door Systems	228	3,437
Engineered Fabrics	3,655	5,855
Engineered Composites	(2,508)	(1,818)
PrimaLoft® Products	1,089	1,112
Research expenses	(5,610)	(5,871)
Unallocated expenses	(18,882)	(18,074)
Total	($14,767)	$7,180

First-quarter segment operating income included the following expenses associated with restructuring and performance-improvement initiatives:

Table 3

	Q1 2009			
(in thousands)	Restructuring and Other, Net	Idle-capacity Costs	Performance-improvement Initiatives	Total
Paper Machine Clothing	$15,609	$3,079	$2,842	$21,530
Albany Door Systems	148	-	407	555
Engineered Composites	-	-	620	620
PrimaLoft® Products	42	-	-	42
Unallocated expenses	1,380	-	2,200	3,580
Total	$17,179	$3,079	$6,069	$26,327

Table 4

	Q1 2008			
(in thousands)	Restructuring and Other, Net	Idle-capacity Costs	Performance-improvement Initiatives	Total
Paper Machine Clothing	$6,401	$684	$3,324	$10,409
Albany Door Systems	-	-	135	135
Engineered Composites	-	-	-	-
PrimaLoft® Products	-	-	-	-
Unallocated expenses	(1,040)	-	3,948	2,908
Total	$5,361	$684	$7,407	$13,452

Q1 2009 restructuring costs totaled $17.2 million and related principally to the restructuring of PMC operations in North America and Europe.

Q1 2009 idle-capacity costs of $3.1 million were related to previously announced restructuring of paper machine clothing (PMC) plants in the U.S. and Europe. The Company expects idle-capacity costs to continue at least through the next two quarters.

Q1 2009 other performance-improvement costs totaled $6.1 million, of which $3.9 million was reported in cost of goods sold, and $2.2 million was reported in STG&R expenses. Items reported in cost of goods sold include $2.0 million for equipment relocation and $1.9 million related to underutilized capacity at the new plant in Hangzhou, China. Included in underutilized expense and idle-capacity costs was $0.9 million of depreciation expense. Performance-improvement costs reported as STG&R expenses were related to the implementation of SAP.

Q1 2008 costs for restructuring and performance-improvement initiatives amounted to $13.5 million, of which $5.4 million was reported as restructuring, $3.0 million was included in cost of goods sold, and $5.1 million was included in STG&R expenses.

Research expense decreased $0.3 million due to reductions from restructuring and performance improvement activities. Unallocated expenses increased by $0.8 million due to higher global information systems and restructuring and performance improvement costs offset by lower Corporate expenses. Global information systems costs were higher primarily due to costs related to maintaining two ERP systems while the Company completes its implementation of SAP. Lower Corporate expense reflects adjustments to compensation accruals resulting from a decrease in the Company's stock price.

Interest expense increased to $5.8 million for the first quarter of 2009, compared with $5.4 million for 2008. The increase is due to slightly higher average levels of debt outstanding during 2009.

Other income/expense, net was expense of $0.2 million in Q1 2009, including the $2.8 million ($0.06 per share) gain on extinguishment of debt, which was offset by losses totaling $1.5 million related to revaluation of nonfunctional currency intercompany loans, $0.9 million of debt financing costs, and other items. Other income/expense, net for Q1 2008 was income of $0.3 million, and included gains of $0.3 million for revaluation of intercompany loans, debt financing costs of $0.5 million, and other items.

First-quarter 2009 income tax benefit/expense includes a discrete tax charge of $1.1 million related to the gain on extinguishment of debt. First-quarter 2008 income tax expense includes discrete tax adjustments that decreased net income by $3.9 million ($0.13 per share).

Net loss per share was $0.63, after reductions of $0.78 from net restructuring charges, related idle-capacity costs, and costs related to continuing performance-improvement initiatives. A gain on extinguishment of debt increased earnings by $0.06 per share. Net loss per share for Q1 2008 was $0.07, after reductions of $0.36 from net restructuring charges, related idle-capacity costs, and costs related to performance-improvement initiatives and $0.13 for income tax adjustments.

Paper Machine Clothing (PMC)

This segment includes Paper Machine Clothing and Process Belts used in the manufacture of paper and paperboard products.

Q1 2009 global net sales decreased 24.0 percent compared to the first quarter of 2008. Compared to the first quarter of 2008, trade sales declined 12.8 percent in the Americas, 25.8 percent in Europe (in euros), and 36.1 percent in Asia. The declines were primarily due to lower volume.

Cost savings resulting from plant closings, related reductions in employee expense, and other performance-improvement initiatives continued to help offset lower sales. Despite the sharp decline in sales, Q1 2009 gross profit was 37.4 percent of net sales, unchanged from Q1 2008. The gross profit percentage in Q1 2009 includes $5.9 million of costs associated with performance-improvement initiatives, as compared to $3.0 million in Q1 2008.

Albany Door Systems (ADS)

This segment includes products, parts, and service sales of High Performance Doors to a variety of industrial customers.

Compared to the first quarter of 2008, net sales in Europe in euros were down 12.3 percent; net sales in North America decreased 16.0 percent and net sales in Asia decreased 33.5 percent. Although aftermarket sales declined, most of the overall decrease was due to a decline in product sales.

First-quarter gross profit as a percentage of net sales was 29.1 percent for 2009 and 32.7 percent for 2008. First-quarter operating income decreased to $0.2 million from $3.4 million in 2008, principally due to lower sales and a $0.4 million increase in costs related to restructuring and performance improvement initiatives.

Albany Engineered Composites (AEC)

This segment includes sales of specialty materials and composite structures for aircraft and other applications.

Net sales decreased from $11.1 million in Q1 2008 to $9.1 million in Q1 2009, a decreased of 18.1 percent. Q1 2008 net sales included $3.1 million of sales to Eclipse Aviation.

First-quarter gross profit as a percentage of net sales was (17.3) percent for 2009 and (4.4) percent for 2008. First-quarter operating income decreased to a loss of $2.5 million from a loss of $1.8 million in 2008, principally due to lower sales and a $0.6 million increase in costs related to restructuring and performance improvement initiatives.

Albany Engineered Fabrics (EF)

This segment includes sales of a variety of products similar to PMC for application in the corrugator, pulp, nonwovens, building products, tannery, and textile industries.

Net sales compared to the first quarter of 2008 decreased 23.3 percent. The decrease occurred in each product line of the segment. Net sales compared to Q4 2008 were flat with improvements in nonwovens offsetting declines in other product lines.

First-quarter gross profit as a percentage of net sales was 36.6 percent for 2009 and 39.9 percent for 2008. First-quarter operating income decreased to $3.7 million from $5.9 million in 2008, principally due to lower sales. Operating income in Q1 2009 returned to a level comparable to Q2 and Q3 2008 due to lower costs resulting from headcount reductions and improved cost of quality.

PrimaLoft® Products

This segment includes sales of insulation for outdoor clothing, gloves, footwear, sleeping bags, and home furnishings.

Net sales decreased 12.2 percent compared to the same period last year. First-quarter gross profit as a percentage of net sales was 48.1 percent for 2009 and 47.2 percent for 2008. Operating income in Q1 2009 was $1.1 million, which is flat as compared to Q1 2008. The negative impact on operating income from the decline in sales was offset by improvements in gross profit margin due to cost reduction initiatives.

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 5, 11, and 12 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.

Liquidity and Capital Resources

The Company finances its business activities primarily with cash generated from operations and borrowings, primarily under its 2.25% convertible notes issued in March 2006, 6.84% long-term indebtedness to Prudential Capital Group issued in October 2005, and its revolving credit agreement as described in Notes to Consolidated Financial Statements. Company subsidiaries outside of the United States may also maintain working capital lines with local banks, but borrowings under such local facilities tend not to be significant.

Net cash (used in)/provided by operating activities was ($11.0) million in the first quarter of 2009, compared to $7.4 million for the same period of 2008. The decrease in 2009 reflects lower net income.

Capital spending during the first quarter of 2009 was $14.9 million and the Company is on track with its estimate for 2009 capital spending of $50 million, of which $30 million is a carryover from 2008. Depreciation and amortization were $14.6 million and $2.9 million, respectively, for the first quarter of 2009 and are estimated to total $68 million and $7 million for depreciation and amortization, respectively, for 2009.

Earnings before interest, taxes, depreciation, and amortization (EBITDA) were $2.8 million in the first quarter of 2009, and included expenses related to restructuring and performance-improvement initiatives totaling $25.4 million, and a gain of $2.8 million related to extinguishment of debt. Q1 2008 EBITDA was $23.5 million and included expenses related to restructuring and performance-improvement initiatives totaling $13.5 million.

The Company currently expects that its tax rate for the remainder of 2009 will be approximately 11 percent, before any discrete items. However, there is no assurance that this estimate will not change in future periods.

Under “Trends”, management discussed certain recent trends in its paper machine clothing segment that have had a negative impact on demand for the Company’s products within that segment, as well as its strategy for addressing these trends. Management also discussed pricing competition within this segment and the negative effect of such competition on segment sales and earnings. If these trends continue or intensify, and if management’s strategy for addressing them should prove inadequate, the Company’s operating cash flow could be adversely affected. In any event, although historical cash flows may not, for all of these reasons, necessarily be indicative of future cash flows, the Company expects to continue to be able to generate substantial cash from sales of its products and services in future periods.

In October 2005, the Company entered into a Note Agreement and Guaranty (“the Prudential Agreement”) with the Prudential Insurance Company of America, and certain other purchasers, in an aggregate principal amount of $150,000,000, with interest at 6.84% and a maturity date of October 25, 2017. There are mandatory prepayments of $50,000,000 on October 25, 2013 and October 25, 2015. At the noteholders’ election, certain prepayments may also be required in connection with certain asset dispositions or financings. The notes may not otherwise be prepaid without a premium, under certain market conditions. The Note Agreement contains customary terms, as well as affirmative covenants, negative covenants and events of default comparable to those in the Company’s current principal revolving credit facility. For disclosure purposes, the Company is required to measure the fair value of outstanding debt on a recurring basis. The fair value of the note agreement was approximately $136,957,000, which was measured using active market interest rates.

In December 2008, the Company and Prudential amended the agreement to increase the leverage ratio allowed under this agreement to 3.50 from 3.00, and the Company agreed to pay a higher rate of interest. The maximum interest rate is 1.50% over the 5.34% in the original agreement. The Company anticipates it will pay interest on this loan at the rate of 6.84% in 2009.

In March 2006, the Company issued $180,000,000 principal amount of 2.25% convertible notes. The notes are convertible upon the occurrence of specified events and at any time on or after February 15, 2013, into cash up to the principal amount of notes converted and shares of the Company’s Class A common stock with respect to the remainder, if any, of the Company’s conversion obligation at a conversion rate of 22.5351 shares per $1,000 principal amount of notes (equivalent to a conversion price of $44.38 per share of Class A common stock). As of March 31, 2009, the fair value of the convertible notes was approximately $72,629,000, which was measured using quoted prices in active markets.

Holders may convert their notes at any time on or after February 15, 2013. Before February 15, 2013, a holder may convert notes during the five-business day period immediately after any period of five consecutive trading days in which the trading price per note for each of such five days was less than 103% of the product of the last reported sale price of the Company’s Class A common stock and the conversion rate on such day. Additionally, holders may convert prior to February 15, 2013 if the Company elects to distribute to all or substantially all of its Class A shareholders (a) rights or warrants to purchase shares of Class A common stock for less than their trading value, or (b) assets, debt securities or rights to purchase securities, which distribution has a per-share value exceeding 15% of the current trading value of the Class A common stock.

Converting holders are entitled to receive, upon conversion of their notes, (1) an amount in cash equal to the lesser of the principal amount of the note and the note’s conversion value, and (2) if the conversion value of the note exceeds the principal amount, shares of the Company’s Class A common stock in respect of the excess conversion value. The conversion rate of the notes (subject to adjustment upon the occurrence of certain events) is 22.5351 shares per $1,000 principal amount of notes (equivalent to a conversion price of $44.38 per share of Class A common stock). The exact amount payable upon conversion would be determined in accordance with the terms of the indenture pursuant to which the notes were issued and will be based on a daily conversion value calculated on a proportionate basis by reference to the volume-weighted average price of the Company’s Class A common stock for each day during a twenty-five day period relating to the conversion.

In May 2008, the Financial Accounting Standards Board issued Staff Position No. APB 14-1, Accounting for Convertible Debt Instruments that May be Settled in Cash Upon Conversion (“FSP APB 14-1”). FSP APB 14-1 requires that the liability and equity components of convertible debt instruments that may be settled in cash upon conversion (including partial cash settlement) be separately accounted for in a manner that reflects an issuer’s nonconvertible debt borrowing rate.

The Company’s adoption of FSP APB 14-1 on January 1, 2009 had the initial impact of reducing Long-term debt by $34.1 million and increasing Additional paid-in capital by the same amount. That adjustment reflects the difference between the book value of the convertible notes and the present value of those notes had they been issued at the Company’s non-convertible debt borrowing rate. The adoption also had the impact of increasing interest expense by approximately $4.5 million per year or $1.12 million per quarter. The interest is non-cash and represents the difference between the rate at the time of the offering (2.25%) and the

Company's non-convertible debt borrowing rate (5.59%). The additional interest is amortized into interest expense and increases the book value of the notes until the time that the notes can be redeemed on March 15, 2013. The Company has concluded that the amortization period of 7 years is appropriate because March 15, 2013 is the earliest date that the convertible noteholders can require the Company to buy back the notes.

As of March 31, 2009, the carrying amounts of the debt and equity components of the Company's bifurcated convertible debt instrument were $153.0 million and $34.1 million, respectively. The carrying values of the debt and equity components include reductions of $6.2 million and $0.03 million, respectively, related to the Company's convertible note purchase in March 2009. The equity component is included in Additional paid-in capital in the equity section of the Company's balance sheet.

Including amortization of non-cash interest, the effective interest rate for the first quarterly periods of 2009 and 2008 was 5.59%. Unamortized non-cash interest was $20,794,000 at March 31, 2009 with a remaining amortization period of approximately 4 years.

The following table details interest expense on convertible debt:

	Three months-ended March 31,	
(in thousands)	2009	2008
Contractual interest (2.25%)	$992	$999
Non-cash interest (3.34%)	1,187	1,078
Total (5.59%)	$2,179	$2,077

In March 2009, the Company entered into an agreement to exchange $7,074,000 principal amount of the Company's 2.25% Convertible Senior Notes due 2026 for cash plus an equivalent amount of the Company's 2.25% Senior Notes due 2026 (the "New Notes"). The Company simultaneously entered into another agreement to purchase the New Notes. The aggregate cost for these transactions was $3,360,000. The transaction resulted in a pre-tax gain on extinguishment of debt of $2,822,000.

In April 2009, the Company entered into an agreement to exchange $93,989,000 principal amount of the Company's 2.25% Convertible Senior Notes due 2026 for cash plus an equivalent amount of the Company's New Notes. The Company simultaneously entered into another agreement to purchase the New Notes. The aggregate cost for these transactions was $53,515,000. The transaction resulted in a pre-tax gain on extinguishment of debt of $36,631,000.

On April 14, 2006, the Company entered into a $460,000,000 five-year revolving credit agreement (the "Credit Agreement"), under which $229,000,000 was outstanding as of March 31, 2009. The applicable interest rate for borrowings under the agreement is LIBOR plus a spread, based on the Company's leverage ratio at the time of borrowing. The agreement includes covenants that could limit the Company's ability to purchase Common Stock, pay dividends, acquire other companies or dispose of its assets.

Reflecting, in each case, the effect of subsequent amendments to each agreement, the Company is required to maintain a leverage ratio of not greater than 3.50 to 1.00 under the Credit Agreement and under the Prudential Agreement. The Company is also required to maintain minimum interest coverage of 3.00 to 1.00 under each agreement. As of March 31, 2009, the Company's leverage ratio under the agreement was 2.82 to 1.00 and the interest coverage ratio was 6.42 to 1.00. The Company may purchase its Common Stock or pay dividends to the extent its leverage ratio remains at or below 3.50 to 1.00, and may make acquisitions for cash provided its leverage ratio would not exceed 3.50 to 1.00 after giving pro forma effect to the acquisition. The Company's ability to borrow additional amounts under the credit agreement is conditional upon the absence of any defaults, as well as the absence of any material adverse change. Based on the maximum leverage ratio and the Company's consolidated EBITDA (as defined in the agreement), and without modification to any other credit agreements as of March 31, 2009, the Company would have been able to borrow an additional $96,213,000 under its loan agreements.

Management currently expects that the leverage ratio at the end of the second quarter of 2009 is likely to be below 2.50 to 1.00.

If the Company's earnings were to decline as a result of continued difficult market conditions or for other reasons, it may impact the Company's ability to maintain compliance with these covenants. If the Company determined that its compliance with these covenants may be under pressure, the Company may elect to take a number of actions, including reducing expenses in order to increase earnings, using available cash to repay all or a portion of the outstanding debt subject to these covenants or seeking to negotiate with lenders to modify the terms or to restructure the debt. Using available cash to repay indebtedness would make the cash unavailable for other uses and might affect the liquidity discussions and conclusions above. Entering into any modification or restructuring of the Company's debt would likely result in additional fees or interest payments.

As of March 31, 2009, the Company has issued letters of credit totaling $44.0 million in respect of preliminary assessments for income tax contingencies.

Dividends have been declared each quarter since the fourth quarter of 2001, and first quarter dividends per share were $0.12 in 2009 and $0.11 in 2008. Decisions with respect to whether a dividend will be paid, and the amount of the dividend, are made by the Board of Directors each quarter. To the extent the Board declares cash dividends in the future, the Company would expect to pay such dividends out of operating cash flow. Future cash dividends will be dependent on debt covenants and on the Board's assessment of the Company's ability to generate sufficient cash flows.

In August 2006, the Company announced that the Board of Directors authorized management to purchase up to 2 million additional shares of its Class A Common Stock. The Board's action authorizes management to purchase shares from time to time, in the open market or otherwise, whenever it believes such purchase to be advantageous to the Company's shareholders, and it is otherwise legally permitted to do so. As of March 31, 2009, no share purchases had been made under the 2006 authorization.

Outlook

The Company wrote in its Q4 2008 earnings release that it was confident that even if 2009 sales declined 13 to 15 percent, the Company would exit the year as a fundamentally more profitable business with the capacity for sustained and growing free cash flow in 2010, even if the recession extends beyond 2009.

Because of the sharp deterioration of the European and Asian economies, sales in Q1 2009 were much lower than had been anticipated, declining 23 percent compared to Q1 2008, and 16 percent compared to Q4 2008.

In addition, the accelerated restructuring activities that the Company described in its Q4 release had a significant impact on profitability, which was stronger than would have been expected given the decline in sales. Excluding costs associated with restructuring and performance-improvement initiatives and the gain on extinguishment of debt, the Company still generated $25.4 million of earnings before interest, taxes, depreciation, amortization, gain on extinguishment debt, idle capacity costs, and performance improvement initiative costs (Adjusted EBITDA).

In PMC, in the Americas, there are some indications that, in the paper industry, demand for kraft, tissue, and pulp grades has bottomed and is perhaps beginning to turn. However, demand for newsprint, which affects roughly 10 percent of the Company's PMC sales in the Americas, is still declining. In Asia, there are also early signs of recovery, particularly in China. PMC orders in Q1, while still well below pre-recession average monthly order rates, were well above Q4 lows. In Europe, PMC orders in Q1 were flat compared to the low point in Q4. However, the general economy and paper industry continue to deteriorate. This suggests that despite the flattening of order trends, there remains significant downside risk for PMC sales in Europe. The Company's share in most of its high-priority market segments and customers is either stable or growing, and so the Company would expect that the trends that the Company is experiencing are either similar to or better than those experienced by the rest of the PMC industry.

In Doors, the Company currently expects that sales in Q2 and Q3 should be comparable to Q1 2009. The primary uncertainty relates to Q4; it is still too early to determine whether the historical seasonal pattern of flat sales in the middle of the year followed by strong increases in Q4 will hold in this recession.

In Engineered Fabrics, orders are lower than sales in the nonwovens segment, suggesting that sales has not quite hit bottom. However, orders in North America have rebounded from Q4 2008 levels in the fiber cement and corrugator product lines.

In Composites, the recession has dramatically weakened the small jet market. OEMs in this segment of aerospace have retrenched sharply, both with respect to near-term sales of existing platforms and longer-term development of new platforms. However, particularly on the development side of AEC, the weakness in the small jet and jet engine market is being offset by increasing activity in the defense and larger aircraft and aircraft engine segments. Net sales declined 5 percent compared to Q4 2008, as increased revenue associated with R&D activities in the defense and larger aircraft and engine markets helped to offset the decline in revenues associated with the smaller aircraft market.

In the PrimaLoft® Products segment, orders strengthened as the quarter progressed and finished only slightly behind Q1 2008 levels. Even though the retail markets to which we sell remain soft, the Company's customers were able to deplete their inventories through sharp discounting during the Q4 2008 holiday season. The replenishment of their inventory is driving the recovery in orders.

In sum, although there is evidence that, in some market segments, sales bottomed in Q1, the continuing deterioration in newsprint in the Americas and the overall paper industry in Europe leads the Company to the conclusion that it is premature to expect in Q2 a recovery from Q1 sales levels, and that some downside risk to sales still remains.

Turning to profitability, the impact of our restructuring efforts was clearly visible in Q1 2009, particularly in PMC. Excluding costs associated with restructuring and performance-improvement initiatives, and despite the sharp decline in sales, PMC gross and operating margin percentages improved significantly, with the operating margin improving from 18 percent in Q1 2008 to over 20 percent in Q1 2009.

Restructuring activities will continue in each business segment for the next two to three quarters. The impact of these activities on profitability will grow gradually over the next five to six quarters. If sales were to hold at the

Q1 level of $209 million, and assuming no significant shift in currency effects, these restructuring activities should improve quarterly EBITDA by $2 million in Q2, growing to about $4 million by Q4, and to a total improvement of about $6 million by Q2 of 2010.

For this reason, even with the much lower-than-expected Q1 sales, and even with the Company's very cautious outlook for sales and skepticism about a recovery in the near term, the Company remains confident in its ability to exit the year as a fundamentally more profitable business with the capacity for sustained and growing free cash flow in 2010.

Non-GAAP Measures:

This Form 10-Q contains certain items, such as sales excluding currency effects, earnings before interest, taxes, depreciation, and amortization (EBITDA), costs associated with restructuring and performance-improvement initiatives, EBITDA excluding costs associated with restructuring and performance-improvement initiatives, PMC operating margin excluding costs associated with restructuring and performance-improvement initiatives, and certain income and expense items on a per share basis that could be considered non-GAAP financial measures. Such items are provided because management believes that, when presented together with the GAAP items to which they relate, they provide additional useful information to investors regarding the registrant's financial condition, results of operations, and cash flows. Presenting increases or decreases in sales, after currency effects are excluded, can give management and investors insight into underlying sales trends. An understanding of the impact in a particular quarter of specific restructuring and performance-improvement measures, and in particular of the costs associated with the implementation of such measures, on the Company's net income (both absolute and on a per share basis), operating income, operating margins and EBITDA, or on the operating income or operating margin of a business segment, can give management and investors additional insight into quarterly performance, especially when compared to quarters in which such measures had a greater or lesser effect, or no effect.

The effect of changes in currency translation rates is calculated by converting amounts reported in local currencies into U.S. dollars at the exchange rate of a prior period. That amount is then compared to the U.S. dollar amount reported in the current period.

The Company calculates EBITDA by adding Interest expense net, Income taxes, Depreciation and Amortization to Net income. Adjusted EBITDA is calculated by adding to EBITDA, costs associated with restructuring and performance improvement initiatives, and then adding or subtracting certain losses or gains. The Company believes that EBITDA and Adjusted EBITDA provide useful information to investors because they provide an indication of the strength and performance of the Company's ongoing business operations, including its ability to fund discretionary spending such as capital expenditures and strategic investments, as well as its ability to incur and service debt. While depreciation and amortization are operating costs under GAAP, they are non-cash expenses equal to current period allocation of costs associated with capital and other long-lived investments made in prior periods. While the Company will continue to make capital and other investments in the future, it is currently in the process of concluding a period of significant investment in plant, equipment and software. Depreciation and amortization associated with these investments will begin to have a significant impact on the Company's net income in future quarters. While other losses or gains have an impact on the Company's cash position, they are removed when calculating Adjusted EBITDA because doing so provides, in the opinion of the Company, a better measure of operating performance. EBITDA is also a calculation commonly used by investors and analysts to evaluate and compare the periodic and future operating performance and value of companies. EBITDA, as defined by the Company, may not be similar to EBITDA measures of other companies, is not a measurement under GAAP and should be considered in addition to, but not as a substitute for, the information contained in the Company's statements of operations.

The following table contains the calculation of EBITDA and Adjusted EBITDA:

(in thousands)	Three Months ended March 31, 2009	2008
Net (loss)	($18,897)	($2,096)
Interest expense, net	5,834	5,397
Income tax (benefit)/expense	(1,605)	4,151
Depreciation	14,573	14,788
Amortization	2,880	1,182
EBITDA	**2,785**	**23,422**
Restructuring and other, net	17,179	5,361
Idle capacity costs	3,079	684
Performance improvement initiatives	6,069	7,407
Depreciation included in idle capacity costs	(936)	-
Gain on extinguishment of debt	(2,822)	-
Adjusted EBITDA	**$25,354**	**$36,874**

The Company discloses certain income and expense items on a per share basis. The Company believes that such disclosures provide important insight of the underlying quarterly earnings and are financial performance metrics commonly used by investors. The Company calculates the per share amount for items included in continuing operations by using the effective tax rate utilized during the applicable reporting period and the weighted average number of shares outstanding for the period.

Quarter ended March 31, 2009

(in thousands, except per share amounts)	Pretax amounts	Tax Effect	After-tax Effect	Shares Outstanding	Per Share Effect
Restructuring and other performance- improvement costs	$26,327	$2,896	$23,431	30,046	$0.78
Gain on extinguishment of debt	2,822	1,100	1,722	30,046	0.06

Quarter ended March 31, 2008

(in thousands, except per share amounts)	Pretax amounts	Tax Effect	After-tax Effect	Shares Outstanding	Per Share Effect
Restructuring and other performance- improvement costs	$13,452	$2,690	$10,762	29,612	$0.36
Discrete tax adjustments	-	3,905	3,905	29,612	0.13

The Company discloses PMC operating income margin excluding costs associated with restructuring and performance improvement initiatives. The Company believes that such disclosures provide important insight of the underlying quarterly earnings and are financial performance metrics commonly used by investors. The Company calculates the operating income margin by using data from Tables that are included in this earnings release.

Quarters ended March 31, 2009 and 2008

(in thousands)	2009	2008
PMC Operating income, as reported in Table 2	$7,261	$22,539
PMC Performance improvement costs, as reported in Table 3 and Table 4	21,530	10,409
PMC Operating income, excluding Performance improvement costs	28,791	32,948
PMC Segment sales, as reported in Table 1	139,074	183,015
Operating income margin, excluding performance improvement costs	20.7%	18.0%

Tax rate disclosures:

The Company discloses its tax rate before the effect of any discrete items as a forward looking estimate of the income tax rate that would be incurred in future quarters. Management believes that this information can provide valuable insight about possible future operating results or cash flows. The estimated tax rate is subject to many variables, including geographical distribution of income or loss, and the total amount of income or loss. The estimated tax rate does not take into account any discrete tax items that could arise in future quarters.

Recent Accounting Pronouncements

In December 2007, the FASB issued FAS No. 160 “Noncontrolling Interests in Consolidated Financial Statements – an amendment to ARB No. 51”. FAS No. 160 establishes accounting and reporting standards that require the ownership interest in subsidiaries held by parties other than the parent be clearly identified and presented in the consolidated balance sheets within equity, but separate from the parent’s equity; the amount of consolidated net income attributable to the parent and the noncontrolling interest be clearly identified and presented on the face of the consolidated statement of earnings; and changes in a parent’s ownership interest while the parent retains its controlling financial interest in its subsidiary be accounted for consistently. This statement is effective for fiscal years beginning on or after December 15, 2008. The Company’s adoption of this Standard on January 1, 2009 did not have a material effect on its financial statements.

In December 2007, the FASB issued FAS No. 141 (revised 2007), “Business Combinations” (FAS No. 141(R)) which replaces FAS No.141, “ Business Combinations”. FAS No. 141 (R) retains the underlying concepts of FAS No. 141 in that all business combinations are still required to be accounted for at fair value under the acquisition method of accounting but FAS No. 141 (R) changed the method of applying the acquisition method in a number of significant aspects. FAS No. 141(R) is effective on a prospective basis for all business combinations for which the acquisition date is on or after the beginning of the first annual period subsequent to December 15, 2008, with the exception of the accounting for valuation allowances on deferred taxes and acquired tax contingencies. FAS No. 141(R) amends FAS 109 such that adjustments made to valuation allowances on deferred taxes and acquired tax contingencies associated with acquisitions that closed prior to the effective date of FAS No. 141(R) would also apply the provisions of FAS No. 141(R). The Company’s adoption of this Standard on January 1, 2009 did not have a material effect on its financial statements.

In December 2007, the EITF issued Issue No. 07-1, “Accounting for Collaborative Arrangements.” This Issue is effective for financial statements issued for fiscal years beginning after December 15, 2008, and interim periods within those fiscal years, and shall be applied retrospectively to all prior periods presented for all collaborative arrangements existing as of the effective date. This Issue requires that transactions with third parties (i.e., revenue generated and costs incurred by the partners) should be reported in the appropriate line item in each company’s financial statement pursuant to the guidance in EITF Issue No. 99-19, “Reporting Revenue Gross as a Principal versus Net as an Agent.” This Issue also includes enhanced disclosure requirements regarding the nature and purpose of the arrangement, rights and obligations under the arrangement, accounting policy, amount and income statement classification of collaboration transactions between the parties. The Company’s adoption of this Standard on January 1, 2009 did not have a material effect on its financial statements.

In March 2008, the FASB issued FAS No. 161, “Disclosures about Derivative Instruments and Hedging Activities.” The Standard requires enhanced disclosures about derivative instruments and is effective for fiscal periods beginning after November 15, 2008. The Company’s adoption of this Standard on January 1, 2009 did not have a material effect on its financial statements.

In May 2008, the FASB issued FAS No. 162, “The Hierarchy of Generally Accepted Accounting Principles” (FAS No. 162). FAS No. 162 identifies the sources of accounting principles and the framework for selecting principles to be used in the preparation of financial statements of nongovernmental entities that are presented in conformity with generally accepted accounting principles in the United States. The FASB does not expect that FAS No. 162 will result in a change in current practice. However, transition provisions have been provided in the unusual circumstance that the application of the provisions of FAS No. 162 results in a change in practice. FAS No. 162 is effective 60 days following the SEC’s approval of the Public Company Accounting Oversight Board amendments to AU Section 411, “The Meaning of Present Fairly in Conformity With Generally Accepted Accounting Principles.” The Company’s adoption of this Standard on January 1, 2009 did not have a material effect on its financial statements.

In April 2008, the FASB issued FASB Staff Position No. FAS 142-3, “Determination of the Useful Life of Intangible Assets” (FSP 142-3). FSP 142-3 amends the factors that should be considered in developing renewal or extension assumptions used to determine the useful life of a recognized intangible asset under FASB Statement No. 142, “Goodwill and Other Intangible Assets” and requires enhanced disclosures relating to: (a) the entity’s accounting policy on the treatment of costs incurred to renew or extend the term of a recognized intangible asset; (b) in the period of acquisition or renewal, the weighted-average period prior to the next renewal or extension (both explicit and implicit), by major intangible asset class and (c) for an entity that capitalizes renewal or extension costs, the total amount of costs incurred in the period to renew or extend the term of a recognized intangible asset for each period for which a statement of financial position is presented, by major intangible asset class. The Company’s adoption of this Standard on January 1, 2009 did not have a material effect on its financial statements.

In May 2008, the FASB issued FASB Staff Position No. APB 14-1, “Accounting for Convertible Debt Instruments That May Be Settled in Cash upon Conversion (Including Partial Cash Settlement)” (FSP APB 14-1). This staff position applies to convertible debt instruments that, by their stated terms, may be settled in cash (or other assets) upon conversion, including partial cash settlement, unless the embedded conversion option is required to be separately accounted for as a derivative under FAS No. 133, “Accounting for Derivative Instruments and Hedging Activities.” FSP APB 14-1 requires the issuer to separately account for the liability and equity components of convertible debt instruments in a manner that reflects the issuer’s nonconvertible debt borrowing rate on the instrument’s issuance date when interest cost is recognized. The Company’s adoption of FSP APB 14-1 on January 1, 2009 resulted in additional non-cash charges to interest expense of approximately $1,187,000 in the first quarter of 2009. Additionally, as of January 1, 2009, long-term debt decreased and equity increased by approximately $21,981,000 as a result of adopting this Staff Position.

In December 2008, the FASB issued FASB Staff Position (FSP) No.132 (R)-1, “Employers’ Disclosures about Pensions and Other Postretirement Benefits” (FSP 132R-1). FSP 132R-1 requires enhanced disclosures about the plan assets of a Company’s defined benefit pension and other postretirement plans. The enhanced disclosures required by this FSP are intended to provide users of financial statements with a greater understanding of: (1) how investment allocation decisions are made, including the factors that are pertinent to an understanding of investment policies and strategies; (2) the major categories of plan assets; (3) the inputs and valuation techniques used to measure the fair value of plan assets; (4) the effect of fair value measurements using significant unobservable inputs (Level 3) on changes in plan assets for the period; and (5) significant concentrations of risk within plan assets. FSP No. FAS 132(R)-1 is effective for financial statements issued for fiscal years ending after December 15, 2009. It is expected that the adoption of FSP No. FAS 132(R)-1 will not have a material effect on the Company’s financial statements.

In April 2009, the FASB issued FSP No. FAS 157-4, “Determining Fair Value When the Volume and Level of Activity for the Asset or the Liability Have Significantly Decreased and Identifying Transactions That Are Not Orderly”. FSP No. FAS 157-4 amends SFAS No. 157 to provide additional guidance on (i) estimating fair value when the volume and level of activity for an asset or liability have significantly decreased in relation to normal market activity for the asset or liability, and (ii) circumstances that may indicate that a transaction is not orderly. FSP No. FAS 157-4 also requires additional disclosures about fair value measurements in interim and annual reporting periods. FSP No. FAS 157-4 is effective for interim and annual reporting periods ending after June 15, 2009. It is expected that the adoption of FSP No. FAS 157-4 will not have a material effect on the Company’s financial statements.

In April 2009, the FASB issued FSP No. FAS 115-2 and FAS 124-2, “Recognition and Presentation of Other-Than-Temporary Impairments” (“FSP No. FAS 115-2”). FSP No. FAS 115-2 provides additional guidance on the timing of impairment recognition and greater clarity about the credit and noncredit components of impaired debt securities that are not expected to be sold. FSP No. FAS 115-2 also requires additional disclosures about impairments in interim and annual reporting periods. FSP No. FAS 115-2 is effective for interim and annual reporting periods ending after June 15, 2009. It is expected that the adoption of FSP No. FAS 115-2 4 will not have a material effect on the Company’s financial statements.

In April 2009, the FASB issued FSP No. FAS 107-1 and APB 28-1, “Interim Disclosures about Fair Value of Financial Instruments”. FSP No. FAS 107-1 and APB 28-1 amends SFAS No. 107, Disclosures about Fair Value of Financial Instruments, to require disclosures about fair value of financial instruments in interim as well as in annual financial statements. This FSP also amends Accounting Principles Board (“APB”) Opinion No. 28, Interim Financial Reporting, to require those disclosures in all interim financial statements. FSP No. FAS 107-1 and APB 28-1 is effective for interim reporting periods ending after June 15, 2009. It is expected that the adoption of FSP No. FAS 107-1 and APB 28-1 will not have a material effect on the Company’s financial statements.

Critical Accounting Policies and Assumptions

There have been no material changes to the Company’s Critical Accounting Policies and Assumptions filed in the Company’s 2008 Annual Report on Form 10-K.

Forward-looking statements

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

There are a number of risks, uncertainties and other important factors that could cause actual results to differ materially from the forward-looking statements, including, but not limited to: changes in conditions in the industry in which the Company’s Paper Machine Clothing segment competes or in the papermaking industry in general could change; failure to remain competitive in the industry in which the Company’s Paper Machine Clothing segment competes; material and petroleum-related costs could increase more or faster than anticipated; failure to receive, or a delay in receiving, the benefits from the Company’s capital expenditures and investments; the strategies described in this report to address certain business or operational matters could fail to be effective, or their effectiveness could be delayed; other risks and uncertainties detailed from time to time in the Company’s filings with the SEC.

Further information concerning important factors that could cause actual events or results to be materially different from the forward-looking statements can be found in “Trends,” “Liquidity,” “Outlook,” and “Legal Proceedings” sections of this quarterly report, as well as in the “Risk Factors”, section of the Company’s most recent Annual Report on Form 10-K. Although the Company believes the expectations reflected in the Company’s forward-looking statements are based upon reasonable assumptions, it is not possible to foresee or identify all factors that could have a material and negative impact on future performance. The forward-looking statements included or incorporated by reference in this quarterly report are made on the basis of management’s assumptions and analyses, as of the time the statements are made, in light of their experience and perception of historical conditions, expected future developments and other factors believed to be appropriate under the circumstances.

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

Item 3. Quantitative and Qualitative Disclosures about Market Risk

For discussion of the Company’s exposure to market risk, refer to “Quantitative and Qualitative Disclosures About Market Risk” under Item 7A of form 10-K, which is included as an exhibit to this Form 10-Q.

Item 4. Controls and Procedures

(a) Disclosure controls and procedures.

The principal executive officers and principal financial officer, based on their evaluation of disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) as of the end of the period covered by this Quarterly Report on Form 10-Q, have concluded that the Company's disclosure controls and procedures are effective for ensuring that information required to be disclosed in the reports that it files or submits under the Securities Exchange Act of 1934 is recorded, processed, summarized and reported within the time periods specified in the Commission's rules and forms. Disclosure controls and procedures, include, without limitation, controls and procedures designed to ensure that information required to be disclosed in filed or submitted reports is accumulated and communicated to the Company's management, including its principal executive officer and principal financial officer as appropriate, to allow timely decisions regarding required disclosure.

(b) Changes in internal control over financial reporting.

There were no changes in the Company's internal control over financial reporting that occurred during the last fiscal quarter that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

PART II – OTHER INFORMATION

Item 1. LEGAL PROCEEDINGS

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

Albany was defending against 16,818 claims as of May 1, 2009. This compares with 17,854 such claims as of February 6, 2009, 18,385 claims as of October 27, 2008, 18,462 claims as of July 25, 2008, 18,529 claims as of May 2, 2008, 18,789 claims as of February 1, 2008, 18,791 claims as of October 19, 2007, 18,813 claims as of July 27, 2007, 19,120 claims as of April 27, 2007, 19,388 claims as of February 16, 2007, 19,416 claims as of December 31, 2006, 24,451 claims as of December 31, 2005, 29,411 claims as of December 31, 2004, 28,838 claims as of December 31, 2003, 22,593 claims as of December 31, 2002, 7,347 claims as of December 31, 2001, 1,997 claims as of December 31, 2000, and 2,276 claims as of December 31, 1999. These suits allege a variety of lung and other diseases based on alleged exposure to products previously manufactured by Albany. The following table sets forth the number of claims filed, the number of claims settled, dismissed or otherwise resolved, and the aggregate settlement amount during the periods presented:

Year ended December 31,	*Opening Number of claims*	*Claims Dismissed, Settled or Resolved*	*New Claims*	*Closing Number of Claims*	*Amounts Paid (thousands) to Settle or Resolve ($$)*
2005	*29,411*	*6,257*	*1,297*	*24,451*	*504*
2006	*24,451*	*6,841*	*1,806*	*19,416*	*3,879*
2007	*19,416*	*808*	*190*	*18,798*	*15*
2008	*18,798*	*523*	*110*	*18,385*	*52*
2009 to date	*18,385*	*1591*	*24*	*16,818*	*3*

Albany anticipates that additional claims will be filed against it and related companies in the future, but is unable to predict the number and timing of such future claims. These suits typically involve claims against from twenty to more than two hundred defendants, and the complaints usually fail to identify the plaintiffs' work history or the nature of the plaintiffs' alleged exposure to Albany's products. Pleadings and discovery responses in those cases in which work histories have been provided indicate claimants with paper mill exposure in approximately 10% of the total claims filed against Albany, and only a portion of those claimants have alleged time spent in a paper mill to which Albany is believed to have supplied asbestos-containing products.

As of May 1, 2009, approximately 11,504 of the claims pending against Albany were pending in Mississippi. Of these, approximately 10,946 are in federal court, at the multidistrict litigation panel ("MDL"), either through removal or original jurisdiction. (In addition to the 10,946 Mississippi claims pending against the Company at the MDL, there are approximately 888 claims pending against the Company at the MDL removed from various United States District Courts in other states.)

On May 31, 2007 the MDL issued an administrative order that required each MDL plaintiff to provide detailed information regarding, among other things, the alleged asbestos-related medical diagnoses. The order did not require exposure information with this initial filing. The deadline for submission of such filings was December 1, 2007, but the process continued for several months thereafter with defense counsel monitoring filing obligations and reviewing the submissions for compliance. On December 23, 2008, the MDL issued another administrative order providing a mechanism whereby defendants could seek dismissals against plaintiffs who failed to comply with the prior administrative order. The deadline for such motions was originally set as January 31, 2009, but was amended when the court began scheduling hearings based upon the original jurisdiction of the underlying claim. Filing deadlines were set as 30 days prior to the hearing dates, which have been scheduled through May, 2009. The Company has begun to see dismissals as a result of this procedure, but cannot yet currently predict how many dismissals will ultimately be granted.

With respect to claims where plaintiffs have complied with the original administrative order, the MDL will at some point begin conducting settlement conferences, at which time the plaintiffs will be required to submit short position statements setting forth exposure information. The Company does not expect the MDL to begin the process of scheduling the settlement conference for several months. Consequently, the Company believes that the effects of the administrative orders will not be fully known or realized for some time.

Based on past experience, communications from certain plaintiffs' counsel, and the advice of the Company's Mississippi counsel, the Company expects the percentage of Mississippi claimants able to demonstrate time spent in a paper mill to which Albany supplied asbestos-containing products during a period in which Albany's asbestos-containing products were in use to be considerably lower than the total number of claims still pending. However, due to the still large number of inactive claims pending in the MDL and the lack of alleged exposure information, the Company does not believe a meaningful estimate can be made regarding the range of possible loss with respect to these remaining claims.

As of May 1, 2009, the remaining 5,314 claims pending against Albany were pending in states other than Mississippi. Pleadings and discovery responses in those cases in which work histories have been provided indicate claimants with paper mill exposure in approximately 25% of total claims reported, and only a portion of those claimants have alleged time spent in a paper mill to which Albany is believed to have supplied asbestos-containing products. For these reasons, the Company expects the percentage of these remaining claimants able to demonstrate time spent in a paper mill to which Albany supplied asbestos-containing products during a period in which Albany's asbestos-containing products were in use to be considerably lower than the total number of pending claims. In addition, over half of these remaining non-Mississippi claims have not provided any disease information. Detailed exposure and disease information sufficient meaningfully to estimate a range of possible loss of a particular claim is typically not available until late in the discovery process, and often not until a trial date is imminent and a settlement demand has been received. For these reasons, the Company does not believe a meaningful estimate can be made regarding the range of possible loss with respect to these remaining claims.

It is the position of Albany and the other paper machine clothing defendants that there was insufficient exposure to asbestos from any paper machine clothing products to cause asbestos-related injury to any plaintiff. Furthermore, asbestos contained in Albany's synthetic products was encapsulated in a resin-coated yarn woven into the interior of the fabric, further reducing the likelihood of fiber release. While the Company believes it has meritorious defenses to these claims, it has settled certain of these cases for amounts it considers reasonable given the facts and circumstances of each case. The Company's insurer, Liberty Mutual, has defended each case and funded settlements under a standard reservation of rights. As of May 1, 2009, the Company had resolved, by means of settlement or dismissal, 23,637 claims. The total cost of resolving all claims was $6,761,000. Of this amount, $6,716,000, or 99%, was paid by the Company's insurance carrier. The Company has approximately $130 million in confirmed insurance coverage that should be available with respect to current and future asbestos claims, as well as additional insurance coverage that it should be able to access.

Brandon Drying Fabrics, Inc.

Brandon Drying Fabrics, Inc. ("Brandon"), a subsidiary of Geschmay Corp., which is a subsidiary of the Company, is also a separate defendant in many of the asbestos cases in which Albany is named as a defendant. Brandon was defending against 8,604 claims as of May 1, 2009. This compares with 8,607 such claims as of February 6, 2009, 8,664 such claims as of October 27, 2008, 8,672 claims as of July 25, 2008, 8,689 claims as of May 2, 2008, 8,741 claims as of February 1, 2008 and October 19, 2007, 9,023 claims as of July 27, 2007, 9,089 claims as of April 27, 2007, 9,189 claims as of February 16, 2007, 9,114 claims as of December 31, 2006, 9,566 claims as of December 31, 2005, 9,985 claims as of December 31, 2004, 10,242 claims as of December 31, 2003, 11,802 claims as of December 31, 2002, 8,759 claims as of December 31, 2001, 3,598 claims as of December 31, 2000, and 1,887 claims as of December 31, 1999. The following table sets forth the number of claims filed, the number of claims settled, dismissed or otherwise resolved, and the aggregate settlement amount during the periods presented:

Year ended December 31,	*Opening Number of claims*	*Claims Dismissed, Settled or Resolved*	*New Claims*	*Closing Number of Claims*	*Amounts Paid (thousands) to Settle or Resolve ($$)*
2005	*9,985*	*642*	*223*	*9,566*	*0*
2006	*9,566*	*1182*	*730*	*9,114*	*0*
2007	*9,114*	*462*	*88*	*8,740*	*0*
2008	*8,740*	*86*	*10*	*8,664*	*0*
2009 to date	*8,664*	*61*	*1*	*8,604*	*0*

The Company acquired Geschmay Corp., formerly known as Wangner Systems Corporation, in 1999. Brandon is a wholly-owned subsidiary of Geschmay Corp. In 1978, Brandon acquired certain assets from Abney Mills ("Abney"), a South Carolina textile manufacturer. Among the assets acquired by Brandon from Abney were assets of Abney's wholly-owned subsidiary, Brandon Sales, Inc. which had sold, among other things, dryer fabrics containing asbestos made by its parent, Abney. It is believed that Abney ceased production of asbestos-containing fabrics prior to the 1978 transaction. Although Brandon manufactured and sold dryer fabrics under its own name subsequent to the asset purchase, none of such fabrics contained asbestos. Under the terms of the Assets Purchase Agreement between Brandon and Abney, Abney agreed to indemnify, defend, and hold Brandon harmless from any actions or claims on account of products manufactured by Abney and its related corporations prior to the date of the sale, whether or not the product was sold subsequent to the date of the sale. It appears that Abney has since been dissolved. Nevertheless, a representative of Abney has been notified of the pendency of these actions and demand has been made that it assume the defense of these actions. Because Brandon did not manufacture asbestos-containing products, and because it does not believe that it was the legal successor to, or otherwise responsible for obligations of Abney with respect to products manufactured by Abney, it believes it has strong defenses to the claims that have been asserted against it. In some instances, plaintiffs have voluntarily dismissed claims against it, while in others it has entered into what it considers to be reasonable settlements. As of May 1, 2009, Brandon has resolved, by means of settlement or dismissal, 8,972 claims for a total of $152,499. Brandon's insurance carriers initially agreed to pay 88.2% of the total indemnification and defense costs related to these proceedings, subject to the standard reservation of rights. The remaining 11.8% of the costs had been borne directly by Brandon. During 2004, Brandon's insurance carriers agreed to cover 100% of indemnification and defense costs, subject to policy limits and the standard reservation of rights, and to reimburse Brandon for all indemnity and defense costs paid directly by Brandon related to these proceedings.

As of May 1, 2009, 6,821 (or approximately 79%) of the claims pending against Brandon were pending in Mississippi. For the same reasons set forth above with respect to Albany's Mississippi and other claims, as well as the fact that no amounts have been paid to resolve any Brandon claims since 2001, the Company does not believe a meaningful estimate can be made regarding the range of possible loss with respect to these remaining claims.

Mount Vernon

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

While the Company does not believe, based on currently available information and for the reasons stated above, that a meaningful estimate of a range of possible loss can be made with respect to such claims, based on its understanding of the insurance policies available, how settlement amounts have been allocated to various policies, its settlement experience, the absence of any judgments against the Company or Brandon, the ratio of paper mill claims to total claims filed, and the defenses available, the Company currently does not anticipate any material liability relating to the resolution of the aforementioned pending proceedings in excess of existing insurance limits. Consequently, the Company currently does not anticipate, based on currently available information, that the ultimate resolution of the aforementioned proceedings will have a material adverse effect on the financial position, results of operations or cash flows of the Company. Although the Company cannot predict the number and timing of future claims, based on the foregoing factors and the trends in claims against it to date, the Company does not anticipate that additional claims likely to be filed against it in the future will have a material adverse effect on its financial position, results of operations, or cash flows. The Company is aware that litigation is inherently uncertain, especially when the outcome is dependent primarily on determinations of factual matters to be made by juries. The Company is also aware that numerous other defendants in asbestos cases, as well as others who claim to have knowledge and expertise on the subject, have found it difficult to anticipate the outcome of asbestos litigation, the volume of future asbestos claims, and the anticipated settlement values of those claims. For these reasons, there can be no assurance that the foregoing conclusions will not change.

Item 1A. Risk Factors.

There have been no material changes in risks since December 31, 2008. For discussion of risk factors, refer to Item 1A of the Company's Annual Report on Form 10-K for the year ended December 31, 2008.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

Management made no share purchases during the first quarter of 2009. Management remains authorized by the Board of Directors to purchase up to 2,000,000 shares of its Class A Common Stock.

Item 3. Defaults Upon Senior Securities
None

Item 4. Submission of Matters to a Vote of Security Holders
None

Item 5. Other Information

In April 2009, the Company entered into an agreement to exchange $93,989,000 principal amount of the Company's 2.25% Convertible Senior Notes due 2026 for cash plus an equivalent amount of the Company's 2.25% Senior Notes due 2026 (the "New Notes"). The Company simultaneously entered into another agreement to purchase the New Notes. The aggregate cost for these transactions was $53,515,000. The transaction resulted in a pre-tax gain on extinguishment of debt of $36,631,000.

Attached to this report are Exhibits 10.3, 10.4, 10.5, 10.6, 10.7, and 10.8, which depict Securities Purchase and Exchange Agreements, with respective amendments, between Albany International Corp. and J.P. Morgan Securities related to the April purchase of $93,989,000 principal amount of the notes.

Item 6. Exhibits

Exhibit No.	Description
10.3	Securities Purchase Agreement between Albany International Corp. and J.P. Morgan Securities Inc. dated April 3, 2009.
10.4	Securities Exchange Agreement between Albany International Corp. and J.P. Morgan Securities Inc. dated April 3, 2009.
10.5	Amendment to Securities Purchase Agreement between J.P. Morgan Securities Inc. and Albany International Corp. dated April 6, 2009.
10.6	Amendment to Securities Exchange Agreement by and between J.P. Morgan Securities Inc. and Albany International Corp. dated April 6, 2009.
10.7	Second Amendment to Securities Purchase Agreement by and between J.P. Morgan Securities Inc. and Albany International Corp. dated April 6, 2009 (this “Second Amendment”), under the Securities Purchase Agreement, dated April 3, 2009 (the “Purchase Agreement”), as amended by the Amendment Agreement, dated April 6, 2009 (the “Amended Purchase Agreement”).
10.8	Second Amendment to Securities Exchange Agreement by and between J.P. Morgan Securities Inc. and Albany International Corp. dated April 6, 2009 (this “Second Amendment”), under the Exchange Agreement, dated April 3, 2009 (the “Exchange Agreement”), as amended by the Amendment Agreement, dated April 6, 2009 (the “Amended Exchange Agreement”).
31.1	Certification of the Chief Executive Officer pursuant to Rule 13a-14(a)/15d-14(a) of the Exchange Act.
31.2	Certification of the Chief Financial Officer pursuant to Rule 13a-14(a)/15d-14(a) of the Exchange Act.
32.1	Certification pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (Subsections (a) and (b) of Section 1350, Chapter 63 of Title 18, United States Code)
99.1	Quantitative and qualitative disclosures about market risks as reported at December 31, 2008.

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 7, 2009

By /s/ Michael C. Nahl
Michael C. Nahl
Executive Vice President and Chief Financial Officer (Principal Financial Officer)

EXHIBIT (10.3)

SECURITIES PURCHASE AGREEMENT

This SECURITIES PURCHASE AGREEMENT, dated as of April 3, 2009 (this "Agreement"), is by and between Albany International Corp., a corporation organized under the laws of Delaware (the "Company"), and J.P. Morgan Securities Inc., a Delaware corporation (the "Noteholder").

WHEREAS, the Noteholder shall have previously acquired $93,984,000 in aggregate principal amount of the Company's 2.25% Convertible Senior Notes Due 2026 (the "Convertible Notes") from Tradewinds Global Investors, LLC, a Delaware limited liability company (the "Investor");

WHEREAS, on or prior to the date hereof, the Company requested that the Noteholder exchange the entire principal amount of the Convertible Notes acquired by the Noteholder for (i) an equivalent amount of the Company's 2.25% Senior Notes due 2026 (the "Securities") plus (ii) cash in the amount of $7.50 per $1,000 principal amount of Convertible Notes available from cash on hand at the Company (the "Exchange"); and

WHEREAS, the Noteholder now desires to sell, and the Company desires to purchase, upon the terms and subject to the conditions set forth in this Agreement, the entire principal amount of the Securities held by the Noteholder for the purchase price per Security set forth below, which purchase price will be paid from cash on hand and/or a borrowing under the Company's Revolving Credit Facility (as defined below).

NOW, THEREFORE, in consideration of the foregoing and the covenants, agreements and warranties contained herein, the sufficiency of which as consideration is hereby acknowledged, the parties agree as follows:

1. **Definitions.** When used herein, the following terms shall have the indicated meanings:

"Encumbrance" means any pledge, hypothecation, assignment, lien, restriction, charge, claim, security interest, option, preference, priority or other preferential arrangement of any kind or nature whatsoever.

"Exchange Agreement" means the Exchange Agreement dated as of the date hereof by and between the Company and the Noteholder.

"Revolving Credit Facility" means the credit facility established by the $460,000,000 Five-Year Revolving Credit Facility Agreement, dated as of April 14, 2006, among the Company, the lenders party thereto, JPMorgan Chase Bank, N.A., as Administrative Agent, and J.P. Morgan Europe Limited, as London Agent, as amended from time to time.

2. **Sale and Purchase.** (a) Upon the terms and subject to the conditions of this Agreement, the Noteholder agrees to sell to the Company, and the Company shall purchase from the

Noteholder, $93,984,000 in aggregate principal amount of the Securities held by the Noteholder.

(b) The purchase price for the Securities shall be $561.875 per $1,000 principal amount of the Securities (the "Purchase Price"). For the avoidance of doubt, the Purchase Price shall not include any accrued but unpaid interest through the Closing Date (as defined below). The Purchase Price shall be paid by the Company by wire transfer of immediately available funds to the following bank account:

Bank: JPMorgan Chase NYC
FAO: JPMSI
Account Number: 066906822
Further Credit: Phase 3# 63594691
ABA Number:021 000 021
Attention: Ronald Reda

against delivery of the Securities by the Noteholder to the Company for cancellation.

(c) The consummation of the sale and purchase contemplated by this Agreement shall occur as promptly as practicable following the time at which all of the conditions contained in this Agreement have been satisfied or waived, but in any case, no later than 5:00PM (New York City time) on the date on which all of such conditions have been satisfied or waived, or on such later date as shall be mutually agreed by the Parties (the "Closing Date").

3. **Representations and Warranties of the Noteholder.** The Noteholder hereby represents and warrants on the date hereof:

(a) Organization; Requisite Authority. The Noteholder is a corporation duly organized, validly existing and in good standing under the laws of the State of Delaware. The Noteholder has full power and authority to enter into this Agreement and to consummate the transactions contemplated hereby.

(b) Authorization; No Breach. The execution, delivery and performance of this Agreement have been duly authorized by the Noteholder. This Agreement, when executed and delivered by the Noteholder in accordance with the terms hereof, shall constitute a valid, binding and enforceable obligation of the Noteholder. The execution of this Agreement by the Noteholder and the consummation by the Noteholder of the transactions contemplated hereby do not and will not (i) require the consent, approval, authorization, order, registration or qualification of, or filing with, any governmental authority or court, or body or arbitrator having jurisdiction over the Noteholder; and (ii) constitute or result in a breach, violation or default under any material note, bond, mortgage, deed, indenture, lien, instrument, contract, agreement, lease or license, whether written or oral, express or implied, or the Noteholder's charter, bylaws or other organizational document, or any statute, law, ordinance, decree, order, injunction, rule, directive, judgment or regulation of any court, administrative or regulatory body, governmental authority, arbitrator, mediator or similar body having jurisdiction over the Noteholder or cause the acceleration or termination of any obligation or right of the Noteholder under any such document.

(c) Beneficial Ownership. The Noteholder is the sole record and beneficial owner of the aggregate principal amount of the Securities set forth in Section 2(a), and such Securities are owned free and clear of all Encumbrances.

(d) Broker's Fees. Neither the Noteholder nor any person acting on behalf of the Noteholder has retained or authorized any investment banker, broker, finder or other intermediary to act on behalf of the Noteholder or incurred any liability for any banker's, broker's or finder's fees or commissions in connection with the transactions contemplated by this Agreement and the Exchange Agreement.

(e) Qualified Institutional Buyer. The Noteholder holds the Securities for its own account, and it is a "qualified institutional buyer" within the meaning of Rule 144A under the Securities Act of 1933, as amended (the "Securities Act"). The Noteholder has not communicated with and will not communicate with any person (other than the Investor, a qualified institutional buyer, from which it purchased the Convertible Notes) in connection with the transactions contemplated by this Agreement and the Exchange Agreement. The Noteholder is a sophisticated institutional investor and has such knowledge and experience in financial and business matters as to be capable of evaluating the merits and risks of the Exchange and an investment in the Securities.

(f) Reporting Obligations. The Noteholder has no obligation to, and will not, report the sale of the Securities to the Company in a manner that would result in contemporaneous public disclosure of the transactions contemplated by this Agreement.

4. **Representations and Warranties of the Company**. The Company hereby represents and warrants as of the date hereof:

(a) Organization; Requisite Authority. The Company is a corporation duly organized, validly existing and in good standing under the laws of Delaware. The Company possesses all requisite power and authority necessary to enter into this Agreement and to consummate the transactions contemplated by this Agreement, to own and operate its properties, and to conduct its business as described in the Company's statements, reports, schedules, forms and other documents filed by the Company with the Securities and Exchange Commission (the "SEC") since January 1, 2008 (the "SEC Documents") and as now being conducted.

(b) Authorization; No Breach. The execution, delivery and performance of this Agreement have been duly authorized by the Company. This Agreement, when executed and delivered by the Company in accordance with the terms hereof, shall constitute a valid, binding and enforceable obligation of the Company. The execution of this Agreement by the Company and the consummation by the Company of the transactions contemplated hereby do not and will not (i) require the consent, approval, authorization, order, registration or qualification of, or filing with, any governmental authority or court, or body or arbitrator having jurisdiction over the Company; and (ii) constitute or result in a breach, violation or default under any material note, bond, mortgage, deed, indenture, lien, instrument, contract, agreement, lease or license, whether written or oral, express or implied, or with the Company's charter, by-laws or other organizational document, or any statute, law, ordinance, decree, order, injunction, rule, directive, judgment or regulation of any court, administrative or regulatory body, governmental authority, arbitrator, mediator or similar body having jurisdiction over the Company or cause the acceleration or termination of any obligation or right of the Company under any such document. For purposes of this Section 4(b), a "material" note, bond, mortgage, deed, indenture, lien, instrument, contract, agreement, lease or license shall mean any such note, bond, mortgage, deed, indenture, lien, instrument, contract, agreement, lease or license required to be filed by the Company as an exhibit to Form 10-K.

(c) Reports and Financial Statements. The Company has filed all reports on Form 10-K, Form 10-Q, Form 8-K and all other reports required to be filed with the SEC pursuant to the Securities Exchange Act of 1934, as amended (the "Exchange Act"), since January 1, 2008, and all such filings, as may have been amended, complied in all material respects with the Exchange Act and the rules and regulations promulgated thereunder as of the date filed with the SEC or amended, as the case may be. None of the SEC Documents, as of their respective dates (as amended through the date hereof), contained any untrue statement of a material fact or omitted to state a material fact required to be stated therein or necessary to make the statements therein, in light of the circumstances under which they were made, not misleading.

(d) Broker's Fees. Neither the Company nor any person acting on behalf of the Company has retained or authorized any investment banker, broker, finder or other intermediary (other than the Noteholder) to act on behalf of the Company or incurred any liability for any banker's, broker's or finder's fees or commissions in connection with the transactions contemplated by this Agreement and the Exchange Agreement (other than to the extent set forth in that certain fee letter dated the date hereof between the Noteholder and the Company).

5. **Conditions Precedent to Obligations of the Company.** The obligations of the Company are subject to the satisfaction of the following conditions precedent:

(a) The representations and warranties of the Noteholder contained herein shall be true and correct as of the Closing Date as if made on the Closing Date.

(b) The Noteholder shall have complied with all of its covenants and agreements contained herein to be performed by it on or prior to the Closing Date.

(c) The Exchange under the Exchange Agreement shall have occurred.

6. **Conditions Precedent to Obligations of the Noteholder.** The obligations of the Noteholder are subject to the satisfaction of the following conditions precedent:

(a) The representations and warranties of the Company contained herein shall be true and correct as of the Closing Date as if made on the Closing Date.

(b) The Company shall have complied with all of its covenants and agreements contained herein to be performed by it on or prior to the Closing Date.

(c) The Exchange under the Exchange Agreement shall have occurred.

7. **Confidentiality.** The parties shall not disclose, and shall cause their affiliates, directors, officers, employees, agents and advisors to not disclose, to any person (i) the existence of this Agreement or (ii) any of the terms, conditions or other facts with respect to this Agreement, except as required by applicable law or stock exchange or similar requirements, including without limitation any filing obligations of the Company pursuant to the Exchange Act, or as requested by any governmental or regulatory agency having jurisdiction over the parties hereto or their respective affiliates or to defend any claim against such parties. The obligations of the parties under this Section 7 shall expire one year from the date of this Agreement.

8. **Termination.** In the event the Exchange Agreement is terminated pursuant to the terms thereof, or the Exchange does not occur for any other reason by 5:00PM (New York City time) on April 8, 2009, either party may terminate this Agreement by notice to the other party.

9. **Miscellaneous**.

(a) **Further Assurances.** In case at any time after the Closing Date any further action is necessary or desirable to carry out the purposes of this Agreement or the transactions contemplated hereby, each of the parties will take such further action (including the execution and delivery of such further instruments and documents) as any other party may reasonably request.

(b) **Severability.** If any provision of this Agreement shall be held invalid, illegal or unenforceable, the validity, legality and enforceability of the other provisions hereof shall not be affected thereby.

(c) **Counterparts.** This Agreement may be executed in any number of counterparts (including by facsimile transmission), each of which shall be deemed an original, but all of which together shall constitute one and the same agreement.

(d) **Descriptive Headings; Interpretation**. The headings and captions used in this Agreement are for reference purposes only and shall not affect in any way the meaning or interpretation of this Agreement.

(e) **Entire Agreement.** This Agreement and the agreements and documents referred to herein contain the entire agreement and understanding between the parties with respect to the subject matter hereof and supersede all prior agreements and understandings, whether written or oral, relating to such subject matter in any way.

(f) **Amendment; Waiver.** This Agreement may be amended, modified or supplemented but only in a writing signed by the Noteholder and the Company. No waiver of any of the provisions or conditions of this Agreement or any of the rights of a party hereto shall be effective or binding unless such waiver shall be in writing and signed by the party claimed to have given or consented thereto.

(g) **Expenses.** Each party hereto will bear its own expenses in connection with the transactions contemplated hereby.

(h) **Notices.** Any notice, request, instruction or other document to be given hereunder by a party hereto shall be in writing and shall be deemed to have been given, (a) when received if given in person or by a courier or a courier service, (b) on the date of transmission if sent by facsimile transmission or (c) two business days after deposit postage prepaid with a reputable overnight courier service for delivery on the next business day:

(a) If to the Noteholder, addressed as follows:

J.P. Morgan Securities Inc.
383 Madison Avenue, 28th Fl.
New York NY 10179
Attention: Michael R. O'Donovan, Managing Director
Telephone: (212) 622-6609
Facsimile: (917) 464-2498

(b) If to the Company, addressed as follows:

Albany International Corp.
1373 Broadway
Menands, NY 12204
Attention: Charles J. Silva, Jr., Vice President and General Counsel
Telephone: (518) 445-2277
Facsimile: (518) 447-6575

or to such other person or address as a party hereto may designate for itself by notice given as herein provided.

(i) **APPLICABLE LAW; WAIVER OF JURY TRIAL**. THIS AGREEMENT SHALL BE GOVERNED BY AND CONSTRUED AND ENFORCED IN ACCORDANCE WITH THE

LAWS OF THE STATE OF NEW YORK APPLICABLE TO CONTRACTS ENTERED INTO AND TO BE PERFORMED IN SUCH STATE. THE PARTIES HERETO AGREE TO WAIVE ANY RIGHT TO TRIAL BY JURY IN ANY DISPUTE ARISING FROM OR RELATED TO THIS AGREEMENT.

(j) **Submission to Jurisdiction**. Each party agrees that any suit, action or proceeding brought by it against the other party arising out of or based upon this Agreement or the transactions contemplated hereby may be instituted in any state or federal court in The City of New York, New York, and waives any objection which it may now or hereafter have to the laying of venue of any such proceeding, and irrevocably submits to the non-exclusive jurisdiction of such courts in any suit, action or proceeding.

(k) **Specific Performance.** The parties acknowledge that money damages will not be a sufficient remedy for breach of this Agreement and that the parties hereto may obtain specific performance or other injunctive relief, without the necessity of posting a bond or security therefor.

(l) **Assignment**. The Noteholder may assign, in whole or in part, any of its obligations, rights or claims, including, without limitation, any claim or right resulting from any breach or default by the Company under this Agreement, to any of its affiliates; provided, however, that the Noteholder shall remain liable to the Company for the performance of any obligations assigned, in whole or in part, to any such affiliate.

(m) **No Construction Against Draftsperson**. The parties have participated jointly in the negotiation and drafting of this Agreement. In the event an ambiguity or question of intent or interpretation arises, this Agreement shall be construed as if drafted jointly by the parties, and no presumption or burden of proof shall arise favoring or disfavoring any party by virtue of the authorship of any of the provisions of this Agreement.

[*Remainder of page intentionally left blank*]

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be executed and delivered as of the date first above written.

ALBANY INTERNATIONAL CORP.

By: /s/ Michael C. Nahl
Name: MICHAEL C. NAHL
Title: EXECUTIVE VP & CEO

J.P. MORGAN SECURITIES INC.

By: /s/ Michael O'Donovan
Name: MICHAEL O'DONOVAN
Title: MANAGING DIRECTOR

EXHIBIT (10.4)

EXCHANGE AGREEMENT

This Exchange Agreement (this "Agreement") is made and entered into as of April 3, 2009 by and between Albany International Corp., a Delaware corporation (the "Company"), and J.P. Morgan Securities Inc., a Delaware corporation (the "Noteholder"). The Company and the Noteholder are sometimes collectively referred to herein as the "Parties" and individually as a "Party."

WHEREAS, the Noteholder intends to acquire $93,984,000 in aggregate principal amount of the Company's 2.25% Convertible Senior Notes due 2026 (the "Convertible Notes") from Tradewinds Global Investors, LLC, a Delaware limited liability company (the "Investor");

WHEREAS, following such acquisition, the Company has requested that the Noteholder exchange, and the Noteholder is willing to exchange, the entire principal amount of the Convertibles Notes acquired by the Noteholder for (i) an equivalent amount of the Company's 2.25% Senior Notes due 2026 (the "New Notes"), in the form attached as Annex A hereto, plus (ii) the Cash Payment (as defined below) available from cash on hand at the Company (the "Exchange"); and

WHEREAS, immediately following the Exchange, the Noteholder desires to sell, and the Company desires to purchase, upon the terms and subject to the conditions set forth in a Securities Purchase Agreement, dated as of the date hereof (the "Securities Purchase Agreement"), between the Noteholder and the Company, in the form attached as Annex B hereto, the entire principal amount of the New Notes held by the Noteholder for the purchase price per New Note set forth in the Securities Purchase Agreement (the "Purchase Price"), which Purchase Price will be paid from cash on hand and/or a borrowing under the Company's $460,000,000 Five-Year Revolving Credit Facility Agreement, dated as of April 14, 2006, among the Company, the lenders party thereto, JPMorgan Chase Bank, N.A., as Administrative Agent, and J.P. Morgan Europe Limited, as London Agent, as amended from time to time.

NOW, THEREFORE, in consideration of the mutual covenants, agreements and understandings herein contained, the Parties hereby agree as follows:

SECTION 1. Exchange of Notes.

1.1 The Exchange. On and subject to the terms and conditions set forth in this Agreement, on the Closing Date (as defined below), the Noteholder shall sell, assign and transfer to the Company all right, title and interest in and to, and any and all claims in respect of or arising or having arisen as a result of, $93,984,000 in aggregate principal amount of Convertible Notes acquired by the Noteholder from the Investor in exchange for (i) the issuance by the Company of an equal aggregate principal amount of the New Notes and (ii) the payment by the Company of an amount in cash equal to $7.50 per $1,000 principal amount of Convertible Notes (the "Cash Payment"), payable from cash on hand at the Company available for general corporate purposes.

1.2 Closing Date. Each Party agrees that the transactions contemplated hereunder shall take place as promptly as practicable following the time at which all of the conditions contained in this Agreement have been satisfied or waived, but in any case, no later than 5:00PM (New York City time) on the date on which all of such conditions have been satisfied or waived, or at such other time as shall be mutually agreed by the Parties (the "Closing Date"). On the Closing Date:

(a) the Noteholder shall deliver to the Company the Convertible Notes via book-entry delivery to the following account:

DTC Participant Name: JPMS
DTC Participant Number: 060
Account No.: 63594691
Customer Account Name: Albany International Corp.

(b) the Company shall deliver to the Noteholder the New Notes via physical delivery.

(c) the Company shall make the Cash Payment in respect of each $1,000 principal amount of Convertible Notes by wire transfer in immediately available funds to the following bank account:

Bank: JPMorgan Chase NYC
FAO: JPMSI
Account Number: 066906822
Further Credit: Phase 3# 63594691
ABA Number: 021 000 021
Attention: Ronald Reda

SECTION 2. Conditions to the Obligations of the Noteholder. The obligations of the Noteholder to consummate the transactions contemplated hereby are subject to the satisfaction as of the Closing Date of the following conditions:

2.1 Representations and Warranties. The representations and warranties contained in Section 4 hereof shall be true and correct at and as of the Closing Date as though made on the Closing Date.

2.2 Compliance with Covenants. The Company shall have complied with all of its covenants and agreements contained herein to be performed by it on or prior to the Closing Date.

2.3 Ancillary Agreements. The Securities Purchase Agreement shall (i) have been duly executed and delivered by the Company, (ii) be in full force and effect and (iii) not have been modified, amended or terminated as of the Closing Date. The Noteholder shall have received payment under that certain fee letter dated the date hereof between the Noteholder and the Company.

2.4 Prior Trade. The purchase of the Convertible Notes from the Investor shall have occurred.

SECTION 3. Conditions to the Obligations of the Company. The obligations of the Company to consummate the transactions contemplated hereby are subject to the satisfaction as of the Closing Date of the following conditions:

3.1 Representations and Warranties. The representations and warranties contained in Section 5 hereof shall be true and correct at and as of the Closing Date as though made on the Closing Date.

3.2 Compliance with Covenants. The Noteholder shall have complied with all of its covenants and agreements contained herein to be performed by it on or prior to the Closing Date.

3.3 Ancillary Agreement. The Securities Purchase Agreement shall (i) have been duly executed and delivered by the Noteholder, (ii) be in full force and effect and (iii) not have been modified, amended or terminated as of the Closing Date.

SECTION 4. Representations and Warranties of the Company. As a material inducement to the Noteholder to enter into this Agreement, the Company hereby represents and warrants to the Noteholder that the following statements are true and correct as of the date of this Agreement.

4.1 Organization; Requisite Authority. The Company is a corporation duly organized, validly existing and in good standing under the laws of Delaware. The Company possesses all requisite power and authority necessary to enter into this Agreement and to consummate the transactions contemplated by this Agreement, to own and operate its properties, and to conduct its business as described in the Company's statements, reports, schedules, forms and other documents filed by the Company with the Securities and Exchange Commission (the "SEC") since January 1, 2008 (the "SEC Documents") and as now being conducted.

4.2 Authorization; No Breach. The execution, delivery and performance of this Agreement have been duly authorized by the Company. This Agreement, when executed and delivered by the Company in accordance with the terms hereof, shall constitute a valid, binding and enforceable obligation of the Company. The execution of this Agreement by the Company and the consummation by the Company of the transactions contemplated hereby do not and will not (i) require the consent, approval, authorization, order, registration or qualification of, or filing with, any governmental authority or court, or body or arbitrator having jurisdiction over the Company; and (ii) constitute or result in a breach, violation or default under any material note, bond, mortgage, deed, indenture, lien, instrument, contract, agreement, lease or license, whether written or oral, express or implied, or the Company's charter, bylaws or other organizational document, or any statute, law, ordinance, decree, order, injunction, rule, directive, judgment or regulation of any court, administrative or regulatory body, governmental authority, arbitrator, mediator or similar body having jurisdiction over the Company or cause the acceleration or termination of any obligation or right of the Company under any such document. For purposes of this Section 4.2, a "material" note, bond, mortgage, deed, indenture, lien, instrument, contract, agreement, lease or license shall mean any such note, bond, mortgage, deed, indenture, lien, instrument, contract, agreement, lease or license required to be filed by the Company as an exhibit to Form 10-K.

4.3 Reports and Financial Statements. The Company has filed all reports on Form 10-K, Form 10-Q, Form 8-K and all other reports required to be filed with the SEC pursuant to the Securities Exchange Act of 1934, as amended (the "Exchange Act"), since January 1, 2008, and all such filings, as may have been amended, complied in all material respects with the Exchange Act and the rules and regulations promulgated thereunder as of the date filed with the SEC or amended, as the case may be. None of the SEC Documents, as of their respective dates (as amended through the date hereof), contained any untrue statement of a material fact or omitted to state a material fact required to be stated therein or necessary to make the statements therein, in light of the circumstances under which they were made, not misleading.

4.4 Broker's Fees. Neither the Company nor any person acting on behalf of the Company has retained or authorized any investment banker, broker, finder or other intermediary (other than the Noteholder) to act on behalf of the Company or incurred any liability for any banker's, broker's or finder's fees or commissions in connection with the transactions contemplated by this Agreement and the Purchase Agreement (other than to the extent set forth in that certain fee letter dated the date hereof between the Noteholder and the Company).

4.5 New Notes. The New Notes have been duly and validly authorized and, when executed and delivered to and paid for by the Noteholder under this Agreement, will constitute legal, valid and binding obligations of the Company (subject, as to enforcement remedies, to applicable bankruptcy, insolvency, moratorium, reorganization or similar laws affecting creditors' rights generally and by general equitable principles).

4.6 Private Placement. The Company acknowledges and agrees that the New Notes have not been and will not be registered under the U.S. Securities Act of 1933, as amended (the "Securities Act"), and may not be offered, sold, transferred or otherwise disposed of at any time except (i) to the Company or a subsidiary thereof or (ii) pursuant to another available exemption under the Securities Act. The Company has not and will not make directly or indirectly offers or sales of the New Notes, or solicit offers to buy the New Notes, under circumstances that would require the registration of any of the New Notes under the Securities Act in connection with the transactions contemplated by this Agreement.

SECTION 5. Representations and Warranties of the Noteholder. As a material inducement to the Company to enter into this Agreement, the Noteholder hereby represents and warrants to the Company that the following statements are true and correct as of the date of this Agreement.

5.1 Organization; Requisite Authority. The Noteholder is a corporation duly organized, validly existing and in good standing under the laws of the State of Delaware. The Noteholder has full power and authority to enter into this Agreement and to consummate the transactions contemplated hereby.

5.2 Authorization; No Breach. The execution, delivery and performance of this Agreement have been duly authorized by the Noteholder. This Agreement, when executed and delivered by the Noteholder in accordance with the terms hereof, shall constitute a valid, binding and enforceable obligation of the Noteholder. The execution of this Agreement by the Noteholder and the consummation by the Noteholder of the transactions contemplated hereby do not and will not (i) require the consent, approval, authorization, order, registration or qualification of, or filing with, any governmental authority or court, or body or arbitrator having jurisdiction over the Noteholder; and (ii) constitute or result in a breach, violation or default under any material note, bond, mortgage, deed, indenture, lien, instrument, contract, agreement, lease or license, whether written or oral, express or implied, or the Noteholder's charter, bylaws or other organizational document, or any statute, law, ordinance, decree, order, injunction, rule, directive, judgment or regulation of any court, administrative or regulatory body, governmental authority, arbitrator, mediator or similar body having jurisdiction over the Noteholder or cause the acceleration or termination of any obligation or right of the Noteholder under any such document.

5.3 Ownership. The Noteholder is, or will be on the Closing Date, the sole beneficial owner of the aggregate principal amount of, and any and all accrued and unpaid interest on, the Convertible Notes acquired by it, and such Convertible Notes are or will be owned free and clear of all Encumbrances. For purposes of this Agreement, "Encumbrance" means any pledge, hypothecation, assignment, lien, restriction, charge, claim, security interest, option, preference, priority or other preferential arrangement of any kind or nature whatsoever.

5.4 Broker's Fees. Neither the Noteholder nor any person acting on behalf of the Noteholder has retained or authorized any investment banker, broker, finder or other intermediary to act on behalf of the Noteholder or incurred any liability for any banker's, broker's or finder's fees or commissions in connection with the transactions contemplated by this Agreement and the Purchase Agreement.

5.5 Qualified Institutional Buyer. The Noteholder is a "qualified institutional buyer," as defined in Rule 144A under the Securities Act, purchasing the New Notes for its own account or the account of such a qualified institutional buyer. The Noteholder has not communicated with and will not communicate with any person (other than the Investor, a qualified institutional buyer, from which it intends to purchase the Convertible Notes) in connection with the transactions contemplated by this Agreement and the Securities Purchase Agreement. The Noteholder is a sophisticated institutional investor and has such knowledge and experience in financial and business matters as to be capable of evaluating the merits and risks of the Exchange and an investment in the New Notes.

5.6 Private Placement. The Noteholder acknowledges and agrees that the New Notes have not been and will not be registered under the Securities Act and may not be offered, sold, transferred or otherwise disposed of at any time except (i) to the Company or a subsidiary thereof or (ii) in accordance with another available exemption under the Securities Act. The Noteholder has not and will not make directly or indirectly offers or sales of the New Notes, or solicit offers to buy the New Notes, under circumstances that would require the registration of any of the New Notes under the Securities Act in connection with the transactions contemplated by this Agreement.

5.7 Reporting Obligations. The Noteholder has no obligation to, and will not, report the purchase of the Convertible Notes from the Investor or the Exchange in a manner that would result in contemporaneous public disclosure of the transactions contemplated by this Agreement and the Securities Purchase Agreement.

SECTION 6. Confidentiality. The Parties shall not disclose, and shall cause their affiliates, directors, officers, employees, agents and advisors to not disclose, to any person (i) the existence of this Agreement or (ii) any of the terms, conditions or other facts with respect to this Agreement, except as required by applicable law or stock exchange or similar requirements, including without limitation any filing obligations of the Company pursuant to the Exchange Act, or as requested by any governmental or regulatory agency having jurisdiction over the Parties or their respective affiliates or to defend any claim against the Parties. The obligations of the Parties under this Section 6 shall expire one year from the date of this Agreement.

SECTION 7. Termination.

7.1 Conditions of Termination. This Agreement may be terminated at any time prior to the Closing Date:

(a) by the mutual written consent of the Parties;

(b) by the Company if there has been a material misrepresentation or a material breach of warranty by the Noteholder in the representations and warranties set forth in this Agreement;

(c) by the Noteholder if there has been a material misrepresentation or a material breach of warranty by the Company in the representations and warranties set forth in this Agreement;

(d) by either Party if the Securities Purchase Agreement is terminated for any reason; or

(e) by either Party on or after 5:00PM (New York City time) on April 8, 2009.

SECTION 8. Miscellaneous.

8.1 Further Assurances. At or as soon as practicable following the execution of this Agreement, the Noteholder shall enter into an agreement with the Investor to purchase the $93,984,000 in aggregate principal amount of Convertible Notes it is required to deliver to the Company hereunder, it being understood and agreed that in no event shall the Noteholder be liable to the Company for any failure by the Investor to enter into such agreement or to deliver the Convertible Notes pursuant to such agreement. In case at any time after the Closing Date any further action is necessary or desirable to carry out the purposes of this Agreement or the transactions contemplated hereby, each of the Parties will take such further action (including the execution and delivery of such further instruments and documents) as any other Party may reasonably request.

8.2 Severability. If any provision of this Agreement shall be held invalid, illegal or unenforceable, the validity, legality and enforceability of the other provisions hereof shall not be affected thereby.

8.3 Counterparts. This Agreement may be executed in any number of counterparts (including by facsimile transmission), each of which shall be deemed an original, but all of which together shall constitute one and the same agreement.

8.4 Descriptive Headings; Interpretation. The headings and captions used in this Agreement are for reference purposes only and shall not affect in any way the meaning or interpretation of this Agreement.

8.5 Entire Agreement. This Agreement and the agreements and documents referred to herein contain the entire agreement and understanding between the Parties with respect to the subject matter hereof and supersede all prior agreements and understandings, whether written or oral, relating to such subject matter in any way.

8.6 Amendment; Waiver. This Agreement may be amended, modified or supplemented but only in a writing signed by the Noteholder and the Company. No waiver of any of the provisions or conditions of this Agreement or any of the rights of a party hereto shall be effective or binding unless such waiver shall be in writing and signed by the Party claimed to have given or consented thereto.

8.7 Expenses. Each Party will bear its own expenses in connection with the transactions contemplated hereby.

8.8 Notices. Any notice, request, instruction or other document to be given hereunder by a party hereto shall be in writing and shall be deemed to have been given, (a) when received if given in person or by a courier or a courier service, (b) on the date of transmission if sent by facsimile transmission or (c) two business days after deposit postage prepaid with a reputable overnight courier service for delivery on the next business day:

If to the Company, addressed as follows:

Albany International Corp.
1373 Broadway
Menands, NY 12204
Attention: Charles J. Silva, Jr.
Telephone: (518) 445-2277
Facsimile: (518) 447-6575

If to the Noteholder, addressed as follows:

J.P. Morgan Securities Inc.
383 Madison Avenue, 28th Fl.
New York NY 10179
Attention: Michael R. O'Donovan, Managing Director

Telephone: (212) 622-6609
Facsimile: (917) 464-2498

8.9 APPLICABLE LAW; WAIVER OF JURY TRIAL. THIS AGREEMENT SHALL BE GOVERNED BY AND CONSTRUED AND ENFORCED IN ACCORDANCE WITH THE LAWS OF THE STATE OF NEW YORK APPLICABLE TO CONTRACTS ENTERED INTO AND TO BE PERFORMED IN SUCH STATE. THE PARTIES HERETO AGREE TO WAIVE ANY RIGHT TO TRIAL BY JURY IN ANY DISPUTE ARISING FROM OR RELATED TO THIS AGREEMENT.

8.10 Submission to Jurisdiction. Each Party agrees that any suit, action or proceeding brought by it against the other Party arising out of or based upon this Agreement or the transactions contemplated hereby may be instituted in any state or federal court in The City of New York, New York, and waives any objection which it may now or hereafter have to the laying of venue of any such proceeding, and irrevocably submits to the non-exclusive jurisdiction of such courts in any suit, action or proceeding.

8.11 Specific Performance. The Parties acknowledge that money damages will not be a sufficient remedy for breach of this Agreement and that the Parties hereto may obtain specific performance or other injunctive relief, without the necessity of posting a bond or security therefor.

8.12 Assignment. The Noteholder may assign, in whole or in part, any of its obligations, rights or claims, including, without limitation, any claim or right resulting from any breach or default by the Company under this Agreement, to any of its affiliates; provided, however, that the Noteholder shall remain liable to the Company for the performance of any obligations assigned, in whole or in part, to any such affiliate.

8.13 No Construction Against Draftsperson. The Parties have participated jointly in the negotiation and drafting of this Agreement. In the event an ambiguity or question of intent or interpretation arises, this Agreement shall be construed as if drafted jointly by the Parties, and no presumption or burden of proof shall arise favoring or disfavoring any Party by virtue of the authorship of any of the provisions of this Agreement.

[*Remainder of page intentionally left blank*]

IN WITNESS WHEREOF, the Parties hereto have executed this Exchange Agreement on the date first written above.

ALBANY INTERNATIONAL CORP.

By: /s/ Michael C. Nahl
Name: MICHAEL C. NAHL
Title: EXECUTIVE VP & CEO

J.P. MORGAN SECURITIES INC.

By: /s/ Michael O'Donovan
Name: MICHAEL O'DONOVAN
Title: MANAGING DIRECTOR

ANNEX A

FORM OF NEW NOTE

THIS SECURITY HAS NOT BEEN AND WILL NOT BE BEEN REGISTERED UNDER THE UNITED STATES SECURITIES ACT OF 1933, AS AMENDED (THE “SECURITIES ACT”), AND MAY NOT BE OFFERED, SOLD OR OTHERWISE TRANSFERRED EXCEPT (I) TO THE COMPANY OR A SUBSIDIARY THEREOF OR (II) PURSUANT TO ANOTHER AVAILABLE EXEMPTION UNDER THE SECURITIES ACT. BY ITS ACQUISITION HEREOF, THE HOLDER AGREES THAT IT WILL NOT RESELL OR OTHERWISE TRANSFER THE SECURITY EVIDENCED HEREBY EXCEPT AS AFORESAID.

ALBANY INTERNATIONAL CORP.

2.25% Senior Notes due 2026

No. 1 $[•]

Albany International Corp., a corporation duly organized and validly existing under the laws of the State of Delaware (herein called the "**Company**," which term includes any successor corporation), for value received hereby promises to pay to the order of J.P. Morgan Securities Inc. (the "**Holder**"), or registered assigns, the principal amount of $[•] on March 15, 2026, as evidenced by this senior note.

This Note shall bear interest at the rate of 2.25% per year from April [•], 2009, or from the most recent date to which interest had been paid or provided for to, but excluding, the next scheduled Interest Payment Date until March 15, 2013. As of March 15, 2013, this Note shall bear interest at the rate of 3.25% per year from March 15, 2013, to, but excluding, the next scheduled Interest Payment Date until the principal hereof shall have been paid or made available for payment. Interest is payable semi-annually in arrears on each March 15 and September 15, commencing September 15, 2009, to the holder of record at the close of business on the preceding March 1 and September 1 (whether or not such day is a Business Day), respectively. Interest on the Note shall be computed on the basis of a 360-day year comprised of twelve 30-day months.

Payment of the principal of and premium, if any (including the Redemption Price, Repurchase Price or Fundamental Change Repurchase Price, as the case may be), and accrued and unpaid interest on this Note shall be paid by wire transfer in immediately available funds in accordance with the wire transfer instruction supplied by the Holder to the Company.

Reference is made to the further provisions of this Note set forth on the reverse hereof and in the attached Annex of Terms (the "**Annex**"). Such further provisions shall for all purposes have the same effect as though fully set forth at this place. Any capitalized term used and not otherwise defined herein shall have the meaning assigned to such term in the Annex.

This Note shall be deemed to be a contract made under the laws of the State of New York, and for all purposes shall be construed in accordance with and governed by the laws of said State (without regard to the conflicts of laws provisions thereof).

[Remainder of page intentionally left blank]

IN WITNESS WHEREOF, the Company has caused this Note to be duly executed.

ALBANY INTERNATIONAL CORP.

By: ________________________

Name:

Title

Dated: _______________________

REVERSE OF NOTE

ALBANY INTERNATIONAL CORP.
2.25% Senior Notes due 2026

This Note is a duly authorized issue of securities of the Company, designated as its 2.25% Senior Notes due 2026 in the principal amount of $[•] (the "**Notes**").

Subject to the terms and conditions set forth in the Annex, the Company will make all payments in respect of the Redemption Price, Repurchase Price, the Fundamental Change Repurchase Price, and the principal amount on the Maturity Date, as the case may be, to the Holder if it surrenders this Note to the Company to collect such payments in respect of the Note. The Company will pay in money of the United States that at the time of payment is legal tender for payment of public and private debts.

No reference herein to the Annex and no provision of this Note or of the Annex shall alter or impair the obligation of the Company, which is absolute and unconditional, to pay the principal of, premium, if any, and accrued and unpaid interest on this Note at the place, at the respective times, at the rate and in the lawful money herein prescribed.

In case an Event of Default, as defined in the Annex, shall have occurred and be continuing, the principal of, premium, if any, and interest on the Note may be declared, by the Holder, and upon said declaration shall become, due and payable, in the manner, with the effect and subject to the conditions provided in the Annex.

The Annex contains provisions permitting the Holder to waive any past Default or Event of Default under the Notes and its consequences except as provided in the Annex.

The Notes are issuable in definitive, registered form without coupons in denominations of $1,000 principal amount and integral multiples thereof. Without payment of any service charge but with payment of a sum sufficient to cover any tax or other governmental charge that may be imposed in connection with any registration or exchange of this Note, this Note may be exchanged for a like aggregate principal amount of Notes of other authorized denominations.

This Note is not subject to redemption through the operation of any sinking fund. Prior to March 15, 2013, this Note will not be redeemable at the Company's option. Subject to the terms and conditions set forth in the Annex, beginning on March 15, 2013, the Company, at its option, may redeem this Note for cash at any time as a whole, or from time to time in part, at a price equal to the principal amount of this Note redeemed plus accrued and unpaid interest on the principal amount of this Note redeemed to (but excluding) the Redemption Date.

Subject to the terms and conditions set forth in the Annex, the Company shall become obligated to purchase, at the option of the Holder, all or any portion of this Note held by the Holder on March 15, 2013 and March 15, 2021, in integral multiples of $1,000 at a Repurchase Price equal to the principal amount of this Note repurchased.

Upon the occurrence of a Fundamental Change, the Holder has the right, at its option, to require the Company to repurchase all of the Holder's Note or any portion thereof (in principal amounts of $1,000 or integral multiples thereof) on the Fundamental Change Repurchase Date at a price equal to 100% of the principal amount the Holder elects to require the Company to repurchase, together with accrued and unpaid interest to but excluding the Fundamental Change Repurchase Date. The Company shall mail to the Holder a notice of the occurrence of a Fundamental Change and of the repurchase right arising as a result thereof on or before the fifth Business Day after the occurrence of such Fundamental Change.

Upon due presentment for registration of transfer of this Note to the Company, a new Note or Notes of authorized denominations for an equal aggregate principal amount will be issued to the transferee in exchange thereof, without charge except for any tax, assessments or other governmental charge imposed in connection therewith.

The Company may deem and treat the registered holder hereof as the absolute owner of this Note (whether or not this Note shall be overdue and notwithstanding any notation of ownership or other writing hereon), for the purpose of receiving payment hereof, or on account hereof and for all other purposes, and the Company shall not be affected by any notice to the contrary.

No recourse for the payment of the principal of, premium, if any, or accrued and unpaid interest on this Note, or for any claim based hereon or otherwise in respect hereof, and no recourse under or upon any obligation, covenant or agreement of the Company, or because of the creation of any indebtedness represented hereby, shall be had against any incorporator, stockholder, employee, agent, officer, director or subsidiary, as such, past, present or future, of the Company or of any successor corporation or other entity, either directly or through the Company or any successor corporation or other entity, whether by virtue of any constitution, statute or rule of law or by the enforcement of any assessment or penalty or otherwise, all such liability being, by the acceptance hereof and as part of the consideration for the issue hereof, expressly waived and released.

ANNEX OF TERMS

ARTICLE 1
DEFINITIONS

"**Business Day**" means each Monday, Tuesday, Wednesday, Thursday and Friday that is not a day on which the banking institutions in The City of New York are authorized or obligated by law or executive order to close or be closed.

"**Capital Stock**" means, for any entity, any and all shares, interests, rights to purchase, warrants, options, participations or other equivalents of or interests in (however designated) stock issued by that entity.

"**close of business**" means 5:00 p.m. (New York City time).

"**Common Equity**" of any Person means Capital Stock of such Person that is generally entitled to (1) vote in the election of directors of such Person or (2) if such Person is not a corporation, vote or otherwise participate in the selection of the governing body, partners, managers or others that will control the management or policies of such Person.

"**Common Stock** " means shares of Class A common stock of the Company, par value $0.001 per share, at the date of the Notes or shares of any class or classes resulting from any reclassification or reclassifications thereof and that have no preference in respect of dividends or of amounts payable in the event of any voluntary or involuntary liquidation, dissolution or winding up of the Company and that are not subject to redemption by the Company; provided that if at any time there shall be more than one such resulting class, the shares of each such class then so issuable shall be substantially in the proportion that the total number of shares of such class resulting from all such reclassifications bears to the total number of shares of all such classes resulting from all such reclassifications.

"**Default**" means any event that is, or after notice or passage of time, or both, would be, an Event of Default.

"**Event of Default**" shall have the meaning specified in Section 3.01.

"**Exchange Act**" means the Securities Exchange Act of 1934, as amended, and the rules and regulations promulgated thereunder.

"**Fundamental Change**" means the occurrence after the original issuance of the Notes of any of the following events:

(i) any "**person**" or "**group**" (within the meaning of Section 13(d) of the Exchange Act) other than a Standish Holder, the Company, its Subsidiaries or the employee benefit plans of the Company or any such Subsidiary, files a Schedule TO or any schedule, form or report under the Exchange Act disclosing that such person or group has become the direct or indirect "**beneficial owner**," as defined in Rule 13d-3 under the

Exchange Act, of the Company's Common Equity representing more than 50% of the voting power of the Company's Common Equity;

(ii) consummation of any share exchange, exchange offer, tender offer, consolidation, merger or binding share exchange of the Company pursuant to which the Common Equity will be converted into cash, securities or other property or any sale, lease or other transfer in one transaction or a series of transactions of all or substantially all of the consolidated assets of the Company and its Subsidiaries, taken as a whole, to any Person other than one of the Company's Subsidiaries; *provided, however,* that (A) a transaction where the holders of more than 50% of all classes of the Company's Common Equity immediately prior to such transaction own, directly or indirectly, more than 50% of all classes of Common Equity of the continuing or surviving corporation or transferee immediately after such event shall not be a Fundamental Change, or (B) if at least 90% of the consideration, excluding cash payments for fractional shares, in the share exchange, exchange offer, tender offer, consolidation, merger, binding share exchange, sale, lease or other transfer consists of shares of Publicly Traded Securities, and as a result of such share exchange, exchange offer, tender offer, consolidation, merger, binding share exchange sale, lease or other transfer, the Notes become convertible into such Publicly Traded Securities, excluding cash payments for fractional shares, such event shall not be a Fundamental Change;

(iii) the stockholders of the Company approve any plan or proposal for the liquidation or dissolution of the Company;

(iv) (A) the Common Stock ceases to be listed on a national securities exchange or quoted on the Nasdaq National Market (at a time when the Nasdaq National Market is not a U.S. national securities exchange) other than in connection with a transaction or series of transactions described in clause (iv)(B) of this definition; or (B) the Common Stock ceases to be listed on a national securities exchange or quoted on the Nasdaq National Market (at a time when the Nasdaq National Market is not a U.S. national securities exchange) in connection with any transaction or series of transactions in which one or more Standish Holders acquires all or substantially all of the shares of Common Stock.

For purposes of this definition, whether a "**person**" is a "**beneficial owner**" shall be determined in accordance with Rule 13d-3 under the Exchange Act and "**person**" includes any syndicate or group that would be deemed to be a "**person**" under Section 13(d)(3) of the Exchange Act.

"**Fundamental Change Company Notice**" shall have the meaning specified in Section 4.02(b).

"**Fundamental Change Expiration Time**" shall have the meaning specified in Section 4.02(b)(vi).

"**Fundamental Change Repurchase Date**" shall have the meaning specified in Section 4.02.

"**Fundamental Change Repurchase Notice**" shall have the meaning specified in Section 4.02(a)(i).

“**Fundamental Change Repurchase Price**” shall have the meaning specified in Section 4.02.

“**Holder”** means any person in whose name a particular Note is registered on the Note Register.

“**Interest Payment Date**” means each March 15 and September 15 of each year, beginning on September 15, 2009.

“**Maturity Date**” means March 15, 2026.

“**Note Register”** means the register of Notes maintained by the Company.

“**Permitted Beneficiary**” means, as to any natural person, such person’s spouse, such person’s issue, a spouse of such person’s issue, a whole or half brother or sister of such person and/or a cousin of such person.

“**Permitted Transfer**” means (1) a transfer of Class B common stock of the Company by the holder thereof to another holder of Class B common stock of the Company; (2) a transfer of Class B common stock of the Company resulting from the death of the holder thereof to another holder of Class B common stock of the Company; (3) if Class B common stock of the Company is held by a trust, (i) a transfer pursuant to the terms of the governing trust instrument as in effect when the transferred Class B common stock of the Company was acquired by that trust or (ii) a transfer to another trust that was established by the same ledge or by a parent, grandparent or Permitted Beneficiary of said ledge and that has as its Primary Beneficiaries the ledge and/or one or more of the parents, grandparents or Permitted Beneficiaries of the ledge; (4) a bona fide pledge of Class B common stock of the Company; *provided* that any action by the ledge (other than a Person described in clause (1) or clause (2) of the definition of Standish Holder or in clause (1), (2), (3), (5), (6) or (7) of this definition) in the nature of a foreclosure or other transfer shall not constitute a Permitted Transfer; (5) a transfer of Class B common stock of the Company by a holder who is a natural person to a Permitted Beneficiary of such holder or to a trust that has as its Primary Beneficiaries such holder and/or one or more Permitted Beneficiaries of such holder or to a trust having one or more organizations described in Section 170(2) of the Internal Revenue Code of 1986 (or any successor provision thereto) as an income beneficiary for a fixed period of years and having as its other Primary Beneficiaries such holder and/or one or more Permitted Beneficiaries of such holder; (6) a transfer of Class B common stock of the Company by the holder thereof to a nominee for such holder, or by a nominee for a holder of such shares to such holder or to another nominee for such holder; or (7) a transfer of Class B common stock of the Company by the corporation which is the holder thereof to another corporation (i) which owns all of the capital stock of such holder or all of the capital stock of a corporation which owns all of the capital stock of such holder, (ii) all of the capital stock of which is owned by such holder or by a corporation all of the capital stock of which is owned by such holder, or (iii) all of the capital stock of which is owned by a corporation which owns all of the capital stock of such holder or all of the capital stock of a corporation which owns all of the capital stock of such holder.

“**Person**” means an individual, a corporation, a limited liability company, an association, a partnership, a joint venture, a joint stock company, a trust, an unincorporated organization or a government or an agency or a political subdivision thereof.

“**Primary Beneficiaries**” shall mean beneficiaries of a trust, other than contingent remaindermen, who have, in the aggregate, a beneficial interest in at least 85% of the income and principal of the trust.

“**Publicly Traded Securities**” means shares of common stock traded on a national securities exchange or quoted on the Nasdaq National Market (at a time when the Nasdaq National Market is not a U.S. national securities exchange) or that will be so traded or quoted when issued or exchanged in connection with a Fundamental Change described in clause (ii) of the definition thereof.

“**Record Date**” in respect of any payment pursuant to the terms of the Notes means the date that is fifteen (15) days prior to the date of the applicable payment.

“**Redemption Date**” means the date specified for redemption of the Notes in accordance with the terms of the Notes.

“**Redemption Price**” shall have the meaning set forth in Section 2.01.

“**Standish Holder**” means (1) any of the five Persons who were listed as “Reporting Persons” on the Schedule 13D/A (with respect to which the Company was the issuer) filed with the Commission on December 3, 2004, namely: J.S. Standish Company (a Delaware corporation), J. Spencer Standish, Thomas R. Beecher Jr. as sole trustee of trusts for the benefit of John C. Standish and Christine L. Standish, and of the Standish Delta Trust, John C. Standish or Christine L. Standish (all individuals); (2) any of the trusts identified in Item 5 of such Schedule 13D/A as holding shares of common stock of the Company that are deemed for the purposes of such Schedule to be beneficially owned by such Reporting Persons; and (3) any Person to whom one of the five Persons or trusts described above transfers any of his, her or its shares of Class B common stock of the Company, so long as such transfer is a Permitted Transfer.

“**Subsidiary**” of the Company means (i) a corporation a majority of whose Capital Stock with voting power, under ordinary circumstances, to elect directors is at the time, directly or indirectly, owned by the Company, by the Company and one or more Subsidiaries of the Company or by one or more Subsidiaries of the Company or (ii) any other Person (other than a corporation) in which the Company, one or more Subsidiaries of the Company or the Company and one or more Subsidiaries of the Company, directly or indirectly, at the date of determination thereof, has greater than a 50% ownership interest.

ARTICLE 2
Redemption of Notes

Section 2.01. *Company’s Right to Redeem.*

Prior to March 15, 2013, the Notes will not be redeemable at the Company’s option. On or after March 15, 2013, the Company, at its option, may redeem the Notes for cash at any time as a whole, or from time to time in part, at a price (the “**Redemption Price**”) equal to 100% of the principal amount of the Notes to be redeemed plus accrued and unpaid interest on the Notes to be redeemed to (but excluding) the Redemption Date; *provided*, *however*, that, if the

Redemption Date falls after a Record Date and on or prior to the succeeding Interest Payment Date, the Redemption Price shall be equal to 100% of the principal amount of the Notes to be redeemed and the full amount of interest due on such Interest Payment Date shall be payable on such Interest Payment Date to the Holder of the Notes on the Record Date relating to such Interest Payment Date. No sinking fund is provided for the Notes. Provisions of this Annex that apply to redemption also apply to portions of the Notes called for redemption.

Section 2.02. *Notice of Redemption.*

At least 45 days but not more than 60 days before a Redemption Date, the Company shall mail a notice of redemption by first-class mail, postage prepaid, to the Holder.

The notice shall identify the Notes to be redeemed and shall state:

(1) the Redemption Date;

(2) the Redemption Price;

(3) that the Notes called for redemption must be surrendered to the Company to collect the Redemption Price;

(4) on and after the Redemption Date (i) the Notes will cease to be outstanding, (ii) interest will cease to accrue on the Notes, and (iii) all other rights of the Holder of the Notes will terminate other than the right to receive the Redemption Price upon delivery of the Notes; and

(5) if fewer than all of the outstanding Notes are to be redeemed, the certificate numbers, if any, and principal amounts of the particular Notes to be redeemed.

Section 2.03. *Effect of Notice of Redemption.*

Once notice of redemption is mailed, the Notes called for redemption become due and payable on the Redemption Date and at the Redemption Price stated in the notice. Upon surrender to the Company, the Notes shall be paid at the Redemption Price stated in the notice.

Section 2.04. *Payment of Redemption Price.*

Payment for the Notes surrendered for redemption will be made promptly after the later of (x) the Redemption Date with respect to such Notes and (y) the time of delivery of such Notes to the Company by the Holder, by wire transfer of immediately available funds to the account of the Holder.

On and after the Redemption Date (i) the Notes will cease to be outstanding, (ii) interest will cease to accrue on the Notes, and (iii) all other rights of the Holder will terminate other than the right to receive the Redemption Price upon delivery of the Notes.

Section 2.05. *Notes Redeemed in Part.*

Upon surrender of a Note that is redeemed in part, the Company shall execute and deliver to the holder a new Note in an authorized denomination equal in principal amount to the unredeemed portion of the Note surrendered. In the event of any redemption in part, the Company will not be required to (i) issue, register the transfer of or exchange any Note during a period beginning at the opening of business 15 days before any notice of redemption is given to the Holder of any Note to be redeemed, or (ii) register the transfer of or exchange any Note so selected for redemption, in whole or in part, except the unredeemed portion of any Note being redeemed in part.

Section 2.06. *No Redemption Upon Acceleration.*

Notwithstanding the foregoing, the Company may not redeem the Notes if the principal amount of the Notes has been accelerated, and such acceleration has not been rescinded, on or prior to such Redemption Date (except in the case of an acceleration resulting from a default by the Company in the payment of the Redemption Price with respect to the Notes).

ARTICLE 3
DEFAULTS

Section 3.01. *Events of Default.*

The following events shall be "**Events of Default**" with respect to the Notes:

(a) default in any payment of interest on any Note when due and payable and the default continues for a period of thirty days;

(b) default in the payment of principal of any Note when due and payable at its Maturity Date, upon redemption, upon required repurchase, upon declaration of acceleration or otherwise;

(c) failure by the Company to issue a Fundamental Change Company Notice in accordance with Section 4.02 when due;

(d) failure by the Company for 60 days after written notice from the Holder has been received by the Company to comply with any of its other agreements contained in the Note or this Annex, which notice shall state that it is a "Notice of Default" hereunder;

(e) default by the Company or any Subsidiary of the Company in the payment of the principal or interest on any mortgage, agreement or other instrument under which there may be outstanding, or by which there may be secured or evidenced, any debt for money borrowed in excess of $25 million in the aggregate of the Company and/or any such Subsidiary, whether such debt now exists or shall hereafter be created, resulting in such debt becoming or being declared due and payable, and such acceleration shall not have been rescinded or annulled within 30 days after written notice of such acceleration has been received by the Company or such Subsidiary;

(f) a final judgment for the payment of $25 million or more rendered against the Company or any Subsidiary of the Company, which judgment is not fully covered by insurance or not discharged or stayed within 90 days after (i) the date on which the right to appeal thereof has expired if no such appeal has commenced, or (ii) the date on which all rights to appeal have been extinguished;

(g) the Company or any Subsidiary of the Company that is a “significant subsidiary” (as defined in Regulation S-X under the Exchange Act) or any group of Subsidiaries of the Company that in the aggregate would constitute a “significant subsidiary” shall commence a voluntary case or other proceeding seeking liquidation, reorganization or other relief with respect to the Company or any such Subsidiary or group of Subsidiaries or its debts under any bankruptcy, insolvency or other similar law now or hereafter in effect or seeking the appointment of a trustee, receiver, liquidator, custodian or other similar official of the Company or any such Subsidiary or group of Subsidiaries or any substantial part of its property, or shall consent to any such relief or to the appointment of or taking possession by any such official in an involuntary case or other proceeding commenced against it, or shall make a general assignment for the benefit of creditors, or shall fail generally to pay its debts as they become due; or

(h) an involuntary case or other proceeding shall be commenced against the Company or any Subsidiary of the Company that is a “significant subsidiary” (as defined in Regulation S-X under the Exchange Act) or any group of Subsidiaries of the Company that in the aggregate would constitute a “significant subsidiary” seeking liquidation, reorganization or other relief with respect to the Company or such Subsidiary or group of Subsidiaries or its debts under any bankruptcy, insolvency or other similar law now or hereafter in effect or seeking the appointment of a trustee, receiver, liquidator, custodian or other similar official of the Company or such Subsidiary or group of Subsidiaries or any substantial part of its property, and such involuntary case or other proceeding shall remain undismissed and unstayed for a period of ninety consecutive days.

In case one or more Events of Default shall have occurred and be continuing (whatever the reason for such Event of Default and whether it shall be voluntary or involuntary or be effected by operation of law or pursuant to any judgment, decree or order of any court or any order, rule or regulation of any administrative or governmental body), then, and in each and every such case (other than an Event of Default specified in Section 3.01(g) or Section 3.01(h) with respect to the Company), unless the principal of the Notes shall have already become due and payable, the Holder, by notice in writing to the Company may declare 100% of the principal of and premium, if any, and accrued and unpaid interest on the Notes to be due and payable immediately, and upon any such declaration the same shall become and shall be immediately due and payable, anything in this Annex or in the Notes contained to the contrary notwithstanding. If an Event of Default specified in Section 3.01(g) or Section 3.01(h) occurs and is continuing with respect to the Company, the principal of the Notes and accrued and unpaid interest shall be immediately due and payable. This provision, however, is subject to the conditions that if, at any time after the principal of the Notes shall have been so declared due and payable, and before any judgment or decree for the payment of the monies due shall have been obtained or entered as hereinafter provided, the Company shall pay installments of accrued and unpaid interest upon the Notes and the principal of and premium, if any, on the Notes that shall have become due otherwise than by acceleration (with interest on overdue installments of accrued and unpaid interest (to the extent that payment of such interest is enforceable under applicable law) and on such principal and premium, if any, at the rate borne by the Notes at such time) and if (1) rescission would not conflict with any judgment or decree of a court of competent jurisdiction and (2) any and all Events of Defaults under the Notes, other than the nonpayment of principal of and premium, if any, and accrued and unpaid interest on Notes that shall have become due solely by such acceleration, shall have been cured or waived pursuant to Section 3.03, then and in every such case the Holder by written notice to the Company may waive all Defaults or Events of Default with respect to the Notes and rescind and annul such declaration and its consequences and such Default shall cease to exist, and any Event of Default arising therefrom shall be deemed to have been cured for every purpose of the Notes; but no such waiver or rescission and annulment shall extend to or shall affect any subsequent Default or Event of Default, or shall impair any right consequent thereon.

Section 3.02. *Notice of Defaults.*

The Company shall, within ninety (90) days after the occurrence and continuance of a Default, mail to the Holder at its address as shall appear on the Note Register, notice of all Defaults, unless such Defaults shall have been cured or waived before the giving of such notice.

Section 3.03. *Waiver.*

The Holder may waive any past Default or Event of Default hereunder and its consequences. Upon any such waiver the Company and the Holder shall be restored to their former positions and rights hereunder; but no such waiver shall extend to any subsequent or other Default or Event of Default or impair any right consequent thereon. Whenever any Default or Event of Default hereunder shall have been waived as permitted by this Section 3.03, said Default or Event of Default shall for all purposes of the Notes be deemed to have been cured and to be not continuing; but no such waiver shall extend to any subsequent or other Default or Event of Default or impair any right consequent thereon.

ARTICLE 4
REPURCHASE OF NOTES AT OPTION OF HOLDERS

Section 4.01. *Repurchase at Option of Holders.*

The Note or portions thereof shall be purchased by the Company at the option of the Holder for cash on March 15, 2013 and March 15, 2021 (each, a "**Repurchase Date**"), at a purchase price (the "**Repurchase Price**") equal to 100% of the principal amount of the Notes to be repurchased. The Company shall pay any accrued and unpaid interest thereon to (but excluding) such Repurchase Date to the Holder at the close of business on the Record Date immediately preceding such Repurchase Date. Not later than 20 Business Days prior to any Repurchase Date, the Company shall mail a notice (the "**Company Notice**") by first class mail to the Holder. The Company Notice shall include a form of repurchase notice to be completed by a holder and shall state:

(i) the last date on which the Holder may exercise its repurchase right pursuant to this Section 4.01;

(ii) the Repurchase Price;

(iii) that the Notes must be surrendered to the Company to collect payment;

(iv) that the Repurchase Price for the Notes as to which a Repurchase Notice has been given and not withdrawn will be paid promptly following the later of the Repurchase Date and the time of surrender of such Notes as described in (iii);

(v) the procedures the Holder must follow to exercise its repurchase rights and a brief description of those rights; and

(vi) the procedures for withdrawing a Repurchase Notice.

The purchase of the Notes hereunder shall be made, at the option of the Holder, upon delivery to the Company by the Holder of a written notice of repurchase in the form set forth on the attached Exhibit I (a "**Repurchase Notice**") during the period beginning at any time from the opening of business on the date that is 20 Business Days prior to the relevant Repurchase Date until the close of business on the second Business Day prior to the Repurchase Date stating:

(i) the certificate number of the Notes that the Holder will deliver to be purchased,

(ii) the portion of the principal amount of the Notes to be purchased, which portion must be in principal amounts of $1,000 or an integral multiple of $1,000, and

(iii) that such Notes shall be purchased by the Company as of the Repurchase Date pursuant to the terms and conditions specified in the Notes.

No Repurchase Notice with respect to the Notes may be tendered by the Holder thereof if the Holder has also tendered a Fundamental Change Repurchase Notice and not validly withdrawn such Fundamental Change Repurchase Notice in accordance with Section 4.03.

The Company shall purchase from the Holder, pursuant to this Section 4.01, a portion of a Notes if the principal amount of such portion is $1,000 or an integral multiple of $1,000. Provisions of this Annex that apply to the purchase of all of the Notes also apply to the purchase of such portion of the Notes.

Any purchase by the Company contemplated pursuant to the provisions of this Section 4.01 shall be consummated by the delivery of the consideration to be received by the Holder promptly following the later of the Repurchase Date and the time of delivery of the Notes.

Notwithstanding anything herein to the contrary, the Holder shall have the right to withdraw, in whole or in part, its Repurchase Notice at any time prior to the close of business on the second Business Day prior to the Repurchase Date by delivery of a written notice of withdrawal to the Company in accordance with Section 4.03 below.

(b) Notwithstanding the foregoing, the Notes may not be repurchased by the Company at the option of the Holder if the principal amount of the Notes has been accelerated, and such acceleration has not been rescinded, on or prior to the Repurchase Date (except in the case of an acceleration resulting from a default by the Company in the payment of the Repurchase Price with respect to the Notes).

(c) In connection with any purchase offer, the Company will (to the extent applicable):

(i) comply with the provisions of Rule 13e-4, Rule 14e-1 and any other tender offer rules under the Exchange Act,

(ii) file a Schedule TO or any successor or similar schedule, if required under the Exchange Act, and

(iii) otherwise comply with all federal and state securities laws in connection with any offer by the Company to purchase the Notes.

Section 4.02. *Repurchase at Option of Holders Upon a Fundamental Change.*

(a) If there shall occur a Fundamental Change at any time prior to maturity of the Notes, then the Holder shall have the right, at its option, to require the Company to repurchase the Notes for cash, or any portion thereof that is an integral multiple of $1,000 principal amount, on the date (the "**Fundamental Change Repurchase Date**") specified by the Company that is not less than twenty (20) Business Days and not more than thirty five (35) Business Days after the date of the Fundamental Change Company Notice (as defined below) at a repurchase price equal to 100% of the principal amount thereof, together with accrued and unpaid interest thereon to, but excluding, the Fundamental Change Repurchase Date (the "**Fundamental Change Repurchase Price**"). If such Fundamental Change Repurchase Date falls after a Record Date for the payment of interest, and on or prior to the corresponding Interest Payment Date, the Company shall instead pay the principal amount to the Holder surrendering the Notes for repurchase pursuant to this Section 4.02, and pay the full amount of accrued and unpaid interest payable on such Interest Payment Date to the Holder on the close of business on the corresponding Record Date. Repurchases of Notes under this Section 4.02 shall be made, at the option of the holder thereof, upon:

(i) delivery to the Company by the Holder of a duly completed notice in the form set forth on the attached Exhibit II (the "**Fundamental Change Repurchase Notice**") prior to the close of business on the second Business Day prior to the Fundamental Change Repurchase Date; and

(ii) delivery of the Notes to the Company at any time after delivery of the Fundamental Change Repurchase Notice (together with all necessary endorsements), such delivery being a condition to receipt by the Holder of the Fundamental Change Repurchase Price therefore; *provided* that such Fundamental Change Repurchase Price shall be so paid pursuant to this Section 4.02 only if the Note so delivered to the Company shall conform in all respects to the description thereof in the related Fundamental Change Repurchase Notice.

The Fundamental Change Repurchase Notice shall state:

(A) the certificate numbers of Notes to be delivered for purchase;

(B) the portion of the principal amount of the Notes to be repurchased, which must be $1,000 or an integral multiple thereof; and

(C) that the Notes are to be repurchased by the Company pursuant to the applicable provisions of the Notes;

Any purchase by the Company contemplated pursuant to the provisions of this Section 4.02 shall be consummated by the delivery of the consideration to be received by the Holder promptly following the later of the Fundamental Change Repurchase Date and the time of the delivery of the Notes.

Notwithstanding anything herein to the contrary, the Holder delivering the Fundamental Change Repurchase Notice contemplated by this Section 4.02 shall have the right to withdraw, in whole or in part, such Fundamental Change Repurchase Notice at any time prior to the close of business on the second Business Day prior to the Fundamental Change Repurchase Date by delivery of a written notice of withdrawal to the Company in accordance with Section 4.03 below.

(b) As promptly as practicable after the occurrence of the effective date for a Fundamental Change, and in no event more than five Business Days after the effective date of the Fundamental Change, the Company shall mail to the Holder a notice (the "**Fundamental Change Company Notice**") of the effective date of the Fundamental Change and of the repurchase right at the option of the Holder arising as a result thereof. Such mailing shall be by first class mail.

Each Fundamental Change Company Notice shall specify:

(i) the events causing the Fundamental Change;

(ii) the effective date of the Fundamental Change;

(iii) the last date on which the Holder may exercise the repurchase right;

(iv) the Fundamental Change Repurchase Price;

(v) the Fundamental Change Repurchase Date;

(vi) that the Holder must exercise the repurchase right on or prior to the close of business on the Fundamental Change Repurchase Date (the "**Fundamental Change Expiration Time**");

(vii) that the Holder shall have the right to withdraw the Notes surrendered prior to the Fundamental Change Expiration Time; and

(viii) the procedures that the Holder must follow to require the Company to repurchase its Notes.

No failure of the Company to give the foregoing notices and no defect therein shall limit the Holder's repurchase rights or affect the validity of the proceedings for the repurchase of the Notes pursuant to this Section 4.02.

(c) Notwithstanding the foregoing, the Notes may not be repurchased by the Company at the option of the Holder upon a Fundamental Change if the principal amount of the Notes has been accelerated, and such acceleration has not been rescinded, on or prior to the Fundamental Change Repurchase Date (except in the case of an acceleration resulting from a default by the Company in the payment of the Fundamental Change Repurchase Price with respect to the Notes).

(d) In connection with any purchase offer, the Company will (to the extent applicable):

(i) comply with the provisions of Rule 13e-4, Rule 14e-1 and any other tender offer rules under the Exchange Act,

(ii) file a Schedule TO or any successor or similar schedule, if required under the Exchange Act, and

(iii) otherwise comply with all federal and state securities laws in connection with any offer by the Company to purchase the Notes.

Section 4.03. *Withdrawal of Repurchase Notice or Fundamental Change Repurchase Notice.*

A Repurchase Notice or Fundamental Change Repurchase Notice, as the case may be, may be withdrawn by means of a written notice of withdrawal delivered to the Company at any time prior to the close of business on the second Business Day prior to the Repurchase Date or prior to the close of business on the second Business Day prior to the Fundamental Change Repurchase Date, as the case may be, specifying:

(i) the certificate number of the Notes in respect of which such notice of withdrawal is being submitted,

(ii) the principal amount of the Notes with respect to which such notice of withdrawal is being submitted, and

(iii) the principal amount, if any, of such Notes that remains subject to the original Repurchase Notice or Fundamental Change Repurchase Notice, as the case may be, which portion must be in principal amounts of $1,000 or an integral multiple of $1,000.

Section 4.04. *Payment of Repurchase Price or Fundamental Change Repurchase Price.*

Payment for the Notes surrendered for repurchase (and not withdrawn) prior to the Repurchase Date or Fundamental Change Expiration Time will be made promptly after the later of (x) the Repurchase Date or Fundamental Change Repurchase Date, as the case may be, with respect to such Notes (provided the Holder has satisfied the conditions in Sections 4.01 and 4.02, as applicable) and (y) the time of the delivery of such Notes to the Company by the Holder in the manner required by Section 4.01 or Section 4.02, as applicable, by wire transfer of immediately available funds to the account of the Holder.

(a) Following the Repurchase Date or Fundamental Change Repurchase Date, as the case may be, (i) the Notes will cease to be outstanding, (ii) interest will cease to accrue on the Notes, and (iii) all other rights of the Holder will terminate (other than the right to receive the Repurchase Price or Fundamental Change Repurchase Price, as the case may be, and previously accrued but unpaid interest upon delivery of the Notes).

(b) Upon surrender of a Note that is to be repurchased in part pursuant to Section 4.01 or 4.02, the Company shall execute and deliver to the Holder a new Note in an authorized denomination equal in principal amount to the unrepurchased portion of the Note surrendered.

EXHIBIT I

[FORM OF REPURCHASE NOTICE]

To: Albany International Corp.

The undersigned registered owner of this Note hereby requests and instructs Albany International Corp. to repay the entire principal amount of this Note, or the portion thereof (that is $1,000 principal amount or an integral multiple thereof) below designated, in accordance with the terms and conditions of the Annex referred to in this Note at the Repurchase Price to the registered holder hereof.

The certificate numbers of the Notes to be repurchased are as set forth below:

Dated: ___________________________

____

Signature(s) _____________________________________

Social Security or Other Taxpayer Identification Number

Principal amount to be repaid (if less than all): $______ ,000

NOTICE: The above signature(s) of the holder(s) hereof must correspond with the name as written upon the face of the Note in every particular without alteration or enlargement or any change whatever.

[FORM OF FUNDAMENTAL CHANGE REPURCHASE NOTICE]

To: Albany International Corp.

The undersigned registered owner of this Note hereby acknowledges receipt of a notice from Albany International Corp. (the "**Company**") as to the occurrence of a Fundamental Change with respect to the Company and requests and instructs the Company to repay the entire principal amount of this Note, or the portion thereof (that is $1,000 principal amount or an integral multiple thereof) below designated, in accordance with the applicable provisions of the Annex referred to in this Note, together with accrued and unpaid interest, to, but excluding, such date, to the registered holder hereof.

The certificate numbers of the Notes to be repurchased are as set forth below:

Dated: ___________________________

____

Signature(s) _____________________________________

____

Social Security or Other Taxpayer Identification Number

Principal amount to be repaid (if less than all): $______ ,000

NOTICE: The above signature(s) of the holder(s) hereof must correspond with the name as written upon the face of the Note in every particular without alteration or enlargement or any change whatever.

ANNEX B

[Form of Securities Purchase Agreement]

EXHIBIT (10.5)

This is an AMENDMENT AGREEMENT, dated as of April 6, 2009 (this "Amendment Agreement"), under the Securities Purchase Agreement, dated as of April 3, 2009 (the "Purchase Agreement"), by and between J.P. Morgan Securities Inc. (the "Noteholder") and Albany International Corp. (the "Company" and together with the Noteholder, the "Parties"). Capitalized terms used but not otherwise defined herein shall have the meaning assigned to them in the Purchase Agreement.

WHEREAS, the Parties entered into the Purchase Agreement pursuant to which the Noteholder agreed to sell, and the Company agreed to purchase, a fixed amount of $93,984,000 in aggregate principal amount of the Company's 2.25% Senior Notes due 2026 (the "Securities") for the Purchase Price (as defined in the Purchase Agreement) per Security; and

WHEREAS, the Parties have agreed to make certain amendments to the terms and conditions of the Purchase Agreement to reflect that the Noteholder shall sell, and the Company shall purchase, an amount up to $93,984,000 in aggregate principal amount of the Securities owned by the Noteholder on the Closing Date, and certain other changes

NOW, THEREFORE, for good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the Parties hereto agree as follows:

1. Agreement. The Noteholder agrees to sell, and the Company agrees to purchase, all but not less than all of the Securities held by the Noteholder on the Closing Date, subject to the terms and conditions in the Purchase Agreement.

2. Amendments. The Purchase Agreement is hereby amended such that:

   2.1. each reference to "$93,984,000" shall read "up to $93,984,000"; and

   2.2. the reference to "April 8, 2009" in Section 8 (*Termination*) shall read "April 9, 2009".

3. Miscellaneous.

   3.1. Effectiveness. The provisions of this Amendment Agreement shall become effective as of the date when this Amendment Agreement shall have been duly executed and delivered by each of the Parties.

   3.2. Effect of the Amendment. This Amendment Agreement supplements and amends the Purchase Agreement and shall be a part, and subject to all the terms, thereof. Except as expressly supplemented or amended hereby, the Purchase Agreement shall continue in full force and effect.

   3.3. References to the Agreement. All references in the Purchase Agreement to "this Agreement," "hereunder," "hereof" or words of like import referring to the Purchase Agreement, and all references in each other document executed or delivered in connection therewith to "the Securities Purchase Agreement," "thereunder," "thereof" or words of like import referring to the Purchase Agreement, shall be deemed a reference to the Purchase Agreement as amended hereby.

3.4. Governing Law. This Amendment shall be governed by, and construed in accordance with, the laws of the State of New York. The Parties waive any right to trial by jury in any action, proceeding or counterclaim arising out of or relating to this Amendment Agreement or any transaction related hereto to the fullest extent permitted by applicable law.

3.5. Effect of Headings. The section headings herein are for convenience only and shall not affect the construction hereof.

3.6. Counterparts. The Parties may sign any number of copies of this Amendment Agreement. Each signed copy shall be an original, but all of them shall represent the same agreement. Delivery of an executed counterpart of a signature page to this Amendment Agreement by electronic or facsimile transmission shall be effective as delivery of a manually executed counterpart of this Amendment Agreement.

[Remainder of page intentionally left blank]

IN WITNESS WHEREOF, the Parties hereto have executed this Amendment Agreement on the date first written above.

ALBANY INTERNATIONAL CORP.

By: /s/ Michael C. Nahl
Name: MICHAEL C. NAHL
Title: EXECUTIVE VP & CEO

J.P. MORGAN SECURITIES INC.

By: /s/ Michael O'Donovan
Name: MICHAEL O'DONOVAN
Title: MANAGING DIRECTOR

EXHIBIT (10.6)

This is an AMENDMENT AGREEMENT, dated as of April 6, 2009 (this "Amendment Agreement"), under the Exchange Agreement, dated as of April 3, 2009 (the "Exchange Agreement"), by and between J.P. Morgan Securities Inc. (the "Noteholder") and Albany International Corp. (the "Company" and together with the Noteholder, the "Parties"). Capitalized terms used but not otherwise defined herein shall have the meaning assigned to them in the Exchange Agreement.

WHEREAS, the Parties entered into the Exchange Agreement pursuant to which the Noteholder agreed to exchange a fixed amount of $93,984,000 in aggregate principal amount of the Company's 2.25% Convertible Senior Notes due 2026 (the "Convertible Notes") for (i) an equivalent amount of the Company's 2.25% Senior Notes due 2026 plus (ii) the Cash Payment (as defined in the Exchange Agreement) per Convertible Note; and

WHEREAS, the Parties have agreed to make certain amendments to the terms and conditions of the Exchange Agreement to reflect that the Noteholder and the Company shall exchange an amount up to $93,984,000 in aggregate principal amount of the Convertible Notes owned by the Noteholder on the Closing Date and certain other changes

NOW, THEREFORE, for good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the Parties hereto agree as follows:

1. Agreement. The Noteholder and the Company agree to exchange all but not less than all of the Convertible Notes held by the Noteholder on the Closing Date, subject to the terms and conditions in the Exchange Agreement.

2. Amendments. The Exchange Agreement is hereby amended such that:

   2.1. each reference to "$93,984,000" shall read "up to $93,984,000"; and

   2.2. the reference to "April 8, 2009" in Section 7.1 (*Termination*) shall read "April 9, 2009".

3. Miscellaneous.

   3.1. Effectiveness. The provisions of this Amendment Agreement shall become effective as of the date when this Amendment Agreement shall have been duly executed and delivered by each of the Parties.

   3.2. Effect of the Amendment. This Amendment Agreement supplements and amends the Exchange Agreement and shall be a part, and subject to all the terms, thereof. Except as expressly supplemented or amended hereby, the Exchange Agreement shall continue in full force and effect.

   3.3. References to the Agreement. All references in the Exchange Agreement to "this Agreement," "hereunder," "hereof" or words of like import referring to the Exchange Agreement, and all references in each other document executed or delivered in connection therewith to "the Exchange Agreement," "thereunder," "thereof" or words of like import referring to the Exchange Agreement, shall be deemed a reference to the Exchange Agreement as amended hereby.

3.4. Governing Law. This Amendment shall be governed by, and construed in accordance with, the laws of the State of New York. The Parties waive any right to trial by jury in any action, proceeding or counterclaim arising out of or relating to this Amendment Agreement or any transaction related hereto to the fullest extent permitted by applicable law.

3.5. Effect of Headings. The section headings herein are for convenience only and shall not affect the construction hereof.

3.6. Counterparts. The Parties may sign any number of copies of this Amendment Agreement. Each signed copy shall be an original, but all of them shall represent the same agreement. Delivery of an executed counterpart of a signature page to this Amendment Agreement by electronic or facsimile transmission shall be effective as delivery of a manually executed counterpart of this Amendment Agreement.

[Remainder of page intentionally left blank]

IN WITNESS WHEREOF, the Parties hereto have executed this Amendment Agreement on the date first written above.

ALBANY INTERNATIONAL CORP.

By: /s/ Michael C. Nahl
Name: MICHAEL C. NAHL
Title: EXECUTIVE VP & CEO

J.P. MORGAN SECURITIES INC.

By: /s/ Michael O'Donovan
Name: MICHAEL O'DONOVAN
Title: MANAGING DIRECTOR

EXHIBIT (10.7)

This is a SECOND AMENDMENT AGREEMENT, dated as of April 6, 2009 (this "Second Amendment"), under the Securities Purchase Agreement, dated as of April 3, 2009 (the "Purchase Agreement"), as amended by the Amendment Agreement, dated as of April 6, 2009 (the "Amended Purchase Agreement") by and between J.P. Morgan Securities Inc. (the "Noteholder") and Albany International Corp. (the "Company" and together with the Noteholder, the "Parties"). Capitalized terms used but not otherwise defined herein shall have the meaning assigned to them in the Purchase Agreement.

WHEREAS, the Parties entered into the Purchase Agreement pursuant to which the Noteholder agreed to sell, and the Company agreed to purchase, a fixed amount of $93,984,000 in aggregate principal amount of the Company's 2.25% Senior Notes due 2026 (the "Securities") for the Purchase Price (as defined in the Purchase Agreement) per Security;

WHEREAS, the Parties entered into an amendment pursuant to which the Parties agreed that the Noteholder shall sell, and the Company shall purchase, an amount up to $93,984,000 in aggregate principal amount of the Securities owned by the Noteholder on the Closing Date, and certain other changes; and

WHEREAS, the Parties have agreed to make certain amendments to the terms and conditions of the termination provision of the Amended Purchase Agreement.

NOW, THEREFORE, for good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the Parties hereto agree as follows:

1. Amendments. The Amended Purchase Agreement is hereby amended such that

   1.1. each reference to "up to $93,984,000" shall read "up to $94,984,000";

   1.2. the following provision shall be added as Section 2(d):

   > "The Parties understand and agree that multiple closings may occur on successive business days following the initial closing. If such multiple closings occur, each such successive closing shall occur in the same manner and subject to the conditions to closing contained herein with respect to the Securities subject to the initial closing."

   1.3. Section 8 (*Termination*) is replaced in its entirety with the following provision:

   > "In the event the Exchange Agreement is terminated pursuant to the terms thereof, or the Exchange does not occur for any other reason by 5:00PM (New York City time) on April 21, 2009, either party may terminate this Agreement by notice to the other party."

2. Miscellaneous.

2.1. Effectiveness. The provisions of this Second Amendment shall become effective as of the date when this Second Amendment shall have been duly executed and delivered by each of the Parties.

2.2. Effect of the Second Amendment. This Second Amendment supplements and amends the Amended Purchase Agreement and shall be a part, and subject to all the terms, thereof. Except as expressly supplemented or amended hereby, the Amended Purchase Agreement shall continue in full force and effect.

2.3. References to the Agreement. All references in the Purchase Agreement to "this Agreement," "hereunder," "hereof" or words of like import referring to the Purchase Agreement, and all references in each other document executed or delivered in connection therewith to "the Securities Purchase Agreement," "thereunder," "thereof" or words of like import referring to the Purchase Agreement, shall be deemed a reference to the Amended Purchase Agreement as amended hereby.

2.4. Governing Law. This Second Amendment shall be governed by, and construed in accordance with, the laws of the State of New York. The Parties waive any right to trial by jury in any action, proceeding or counterclaim arising out of or relating to this Second Amendment or any transaction related hereto to the fullest extent permitted by applicable law.

2.5. Effect of Headings. The section headings herein are for convenience only and shall not affect the construction hereof.

2.6. Counterparts. The Parties may sign any number of copies of this Second Amendment. Each signed copy shall be an original, but all of them shall represent the same agreement. Delivery of an executed counterpart of a signature page to this Second Amendment by electronic or facsimile transmission shall be effective as delivery of a manually executed counterpart of this Second Amendment.

[Remainder of page intentionally left blank]

IN WITNESS WHEREOF, the Parties hereto have executed this Second Amendment on the date first written above.

ALBANY INTERNATIONAL CORP.

By: /s/ Michael C. Nahl
Name: MICHAEL C. NAHL
Title: EXECUTIVE VP & CEO

J.P. MORGAN SECURITIES INC.

By: /s/ Jeff Zajkowski
Name: JEFF ZAJKOWSKI
Title: MANAGING DIRECTOR

EXECUTION COPY

EXHIBIT (10.8)

This is a SECOND AMENDMENT AGREEMENT, dated as of April 6, 2009 (this "Second Amendment"), under the Exchange Agreement, dated as of April 3, 2009 (the "Exchange Agreement"), as amended by the Amendment Agreement, dated as of April 6, 2009 (the "Amended Exchange Agreement"), by and between J.P. Morgan Securities Inc. (the "Noteholder") and Albany International Corp. (the "Company" and together with the Noteholder, the "Parties"). Capitalized terms used but not otherwise defined herein shall have the meaning assigned to them in the Exchange Agreement.

WHEREAS, the Parties entered into the Exchange Agreement pursuant to which the Noteholder agreed to exchange a fixed amount of $93,984,000 in aggregate principal amount of the Company's 2.25% Convertible Senior Notes due 2026 (the "Convertible Notes") for (i) an equivalent amount of the Company's 2.25% Senior Notes due 2026 plus (ii) the Cash Payment (as defined in the Exchange Agreement) per Convertible Note;

WHEREAS, the Parties entered into an amendment pursuant to which the Parties agreed to make certain amendments to the terms and conditions of the Exchange Agreement to reflect that the Noteholder and the Company shall exchange an amount up to $93,984,000 in aggregate principal amount of the Convertible Notes owned by the Noteholder on the Closing Date and certain other changes; and

WHEREAS, the Parties have agreed to make certain amendments to the terms and conditions of the Amended Exchange Agreement.

NOW, THEREFORE, for good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the Parties hereto agree as follows:

1. Amendment. The Amended Exchange Agreement is hereby amended such that

   1.1. each reference to "up to $93,984,000" shall read "up to $94,984,000";

   1.2. the following provision shall be added as Section 1.2(d):

   > "The Parties understand and agree that multiple closings may occur on successive business days following the initial closing. If such multiple closings occur, each such successive closing shall occur in the same manner and subject to the conditions to closing contained herein with respect to the Convertible Notes subject to the initial closing."

   1.3. Section 7.1(e) shall be replaced in its entirety with the following provision:

   "by either Party on or after 5:00PM (New York City time) on April 21, 2009."

2. Miscellaneous.

2.1. Effectiveness. The provisions of this Second Amendment shall become effective as of the date when this Second Amendment shall have been duly executed and delivered by each of the Parties.

2.2. Effect of the Amendment. This Second Amendment supplements and amends the Amended Exchange Agreement and shall be a part, and subject to all the terms, thereof.

Except as expressly supplemented or amended hereby, the Amended Exchange Agreement shall continue in full force and effect.

2.3. References to the Agreement. All references in the Exchange Agreement to "this Agreement," "hereunder," "hereof" or words of like import referring to the Exchange Agreement, and all references in each other document executed or delivered in connection therewith to "the Exchange Agreement," "thereunder," "thereof" or words of like import referring to the Exchange Agreement, shall be deemed a reference to the Amended Exchange Agreement as amended hereby.

2.4. Governing Law. This Second Amendment shall be governed by, and construed in accordance with, the laws of the State of New York. The Parties waive any right to trial by jury in any action, proceeding or counterclaim arising out of or relating to this Second Amendment or any transaction related hereto to the fullest extent permitted by applicable law.

2.5. Effect of Headings. The section headings herein are for convenience only and shall not affect the construction hereof.

2.6. Counterparts. The Parties may sign any number of copies of this Second Amendment. Each signed copy shall be an original, but all of them shall represent the same agreement. Delivery of an executed counterpart of a signature page to this Second Amendment by electronic or facsimile transmission shall be effective as delivery of a manually executed counterpart of this Second Amendment.

[Remainder of page intentionally left blank]

IN WITNESS WHEREOF, the Parties hereto have executed this Second Amendment on the date first written above.

ALBANY INTERNATIONAL CORP.

By: /s/ Michael C. Nahl
Name: MICHAEL C. NAHL
Title: EXECUTIVE VP & CEO

J.P. MORGAN SECURITIES INC.

By: /s/ Jeff Zajkowski
Name: JEFF ZAJKOWSKI
Title: MANAGING DIRECTOR

EXHIBIT (31.1)
CERTIFICATION PURSUANT TO
RULE 13A-14 OF THE SECURITIES EXCHANGE ACT OF 1934,
AS ADOPTED PURSUANT TO
SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Joseph G. Morone, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Albany International Corp.;

2. Based on my knowledge, this quarterly report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this quarterly report;

3. Based upon my knowledge, the financial statements, and other financial information included in this quarterly report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this quarterly report;

4. The registrant’s other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15 (e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and we have:

   a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this quarterly report is being prepared;

   b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   c) Evaluated the effectiveness of the registrant’s disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report, based on such evaluation; and

   d) Disclosed in this report any change in the registrant’s internal control over financial reporting that occurred during the registrant’s most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, the registrant’s internal control over financial reporting, and

5. The registrant’s other certifying officers and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant’s auditors and the audit committee of registrant’s board of directors:

   a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting, which are reasonably likely to adversely affect the registrant’s ability to record, process, summarize, and report financial data and

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

Date: May 7, 2009

By /s/ Joseph G. Morone
Joseph G. Morone
President and Chief Executive Officer
(Principal Executive Officer)

EXHIBIT (31.2)
CERTIFICATION PURSUANT TO
RULE 13A-14 OF THE SECURITIES EXCHANGE ACT OF 1934,
AS ADOPTED PURSUANT TO
SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Michael C. Nahl, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Albany International Corp.;

2. Based on my knowledge, this quarterly report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this quarterly report;

3. Based upon my knowledge, the financial statements, and other financial information included in this quarterly report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this quarterly report;

4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15 (e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and we have:

   a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this quarterly report is being prepared;

   b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report, based on such evaluation; and

   d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting, and

5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of registrant's board of directors:

   a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting, which are reasonably likely to adversely affect the registrant's ability to record, process, summarize, and report financial data and

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

Date: May 7, 2009

By /s/ Michael C. Nahl
Michael C. Nahl
Executive Vice President and Chief Financial Officer
(Principal Financial Officer)

EXHIBIT (32.1)
CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report of Albany International Corp. (the Company) on Form 10-Q for the period ending March 31, 2009, as filed with the Securities and Exchange Commission on the date hereof (the Report), Joseph G. Morone, President and Chief Executive Officer, and Michael C. Nahl, Executive Vice President and Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that:

(1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities and Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Dated: May 7, 2009

By /s/ Joseph G. Morone
Joseph G. Morone
President and Chief Executive Officer
(Principal Executive Officer)

By /s/ Michael C. Nahl
Michael C. Nahl
Executive Vice President and Chief Financial Officer
(Principal Financial Officer)

EXHIBIT (99.1)
MARKET RISK SENSITIVITY – AS OF DECEMBER 31, 2008

The Company has market risk with respect to foreign currency exchange rates and interest rates. The market risk is the potential loss arising from adverse changes in these rates as discussed below.

The Company has manufacturing plants and sales transactions worldwide and therefore is subject to foreign currency risk. This risk is composed of both potential losses from the translation of foreign currency financial statements and the remeasurement of foreign currency transactions. To manage this risk, the Company periodically enters into forward exchange contracts either to hedge the net assets of a foreign investment or to provide an economic hedge against future cash flows. The total net assets of non-U.S. operations and long-term intercompany loans denominated in non-functional currencies subject to potential loss amount to approximately $755 million. The potential loss in fair value resulting from a hypothetical 10% adverse change in quoted foreign currency exchange rates amounts to $75.5 million. Furthermore, related to foreign currency transactions, the Company has exposure to non-functional currency balances totaling $116.6 million. This amount includes, on an absolute basis, exposures to foreign currency assets and liabilities. On a net basis, the Company had approximately $27.9 million of foreign currency liabilities as of December 31, 2008. As currency rates change, these non-functional currency balances are revalued, and the corresponding adjustment is recorded in the income statement. A hypothetical change of 10% in currency rates could result in an adjustment to the income statement of approximately $2.8 million. Actual results may differ.