
FORM 8-K

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

Date of Report: January 26, 2004
(Date of earliest event reported)

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

Delaware (State or other jurisdiction of incorporation)	0-16214 (Commission file number)	14-0462060 (IRS employer identification no.)
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1373 Broadway, Albany, New York 12204
(518) 445-2200

(Address and telephone number of the registrant's principal executive offices)

Item 12. Results of Operations and Financial Condition

On January 26, 2004, Albany International issued a news release announcing its financial results for the fiscal quarter ended December 31, 2003. A copy of the news release is furnished as Exhibit 99.1 to this report.

The information in this report shall not be deemed to be "filed" for purposes of Section 18 of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), or otherwise subject to the liability of that section, and shall not be incorporated by reference into any registration statement or other document filed under the Securities Act of 1933, as amended, or the Exchange Act, except as shall be expressly set forth by specific reference in such filing.

Signature

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 hereunto duly authorized.

ALBANY INTERNATIONAL CORP.

By: /s/ Michael C. Nahl

Name: Michael C. Nahl
Title: Senior Vice President and
Chief Financial Officer

Date: January 26, 2004

Index to Exhibits

Exhibit Number	Description of Document
99.1	News release, dated January 26, 2004 issued by Albany International Corp.

Albany International Reports 2003 Earnings Per Share of \$1.64 After
Restructuring Charges of \$0.46

Financial Highlights

- * For the full-year 2003, net income was \$1.64 per share after restructuring charges of \$0.46 per share, compared to \$1.52 per share for 2002.
- * Fourth-quarter 2003 net income was \$0.32 per share after restructuring charges of \$0.12 per share, compared to \$0.55 per share for the same period last year.
- * Net cash provided by operating activities was \$36.0 million for the fourth quarter of 2003 and \$128.1 million for the full year.

ALBANY, N.Y., Jan. 26 /PRNewswire-FirstCall/ -- Albany International Corp. (NYSE/PCX/FWB: AIN) reported 2003 net income per share of \$1.64, compared to \$1.52 for 2002. Net income for 2003 included restructuring charges of \$0.46 per share, reflecting the ongoing impact of the \$30 million cost reduction initiative announced in January of 2003. Fourth-quarter 2003 net income was \$0.32 per share after restructuring charges of \$0.12 per share, compared to \$0.55 per share for the same period last year. The following table provides key components of earnings per share:

(Per share amounts)	Fourth Quarter		Full Year	
	2003	2002	2003	2002
Earnings before restructuring charges and the cumulative effect of accounting change	\$0.44	\$0.55	\$2.10	\$1.70
Restructuring charges	-0.12	--	-0.46	--
Cumulative effect of accounting change	--	--	--	-0.18
Net income	\$0.32	\$0.55	\$1.64	\$1.52

Net sales for the fourth quarter of 2003 increased \$11.1 million, or 5.2 percent, compared to the same period last year. Excluding the effect of changes in currency translation rates, net sales were down 5.7 percent. Following is a table of fourth-quarter net sales by segment and the effect of changes in currency translation rates:

(In thousands)	Net sales as reported three months ended December 31		Increase in fourth-quarter 2003 net sales due to changes in currency translation rates
	2003	2002	
Engineered Fabrics	\$181,297	\$178,068	\$18,002
Albany Door Systems	30,155	26,937	3,967
Applied Technologies	14,806	10,166	1,350
Total	\$226,258	\$215,171	\$23,319

Gross profit was 40.2 percent of net sales in the fourth quarter of 2003, compared to 41.2 percent in the same quarter of 2002. Gross profit in the fourth quarter was negatively affected by sales mix and the increasing strength of the euro relative to the U.S. dollar, which reduced the gross profit on products exported from Europe and sold in U.S. dollars. Excluding those effects, gross profit as a percentage of net sales was 41.2 percent in the fourth quarter of 2003. For the full year, gross profit as a percentage of net sales was 41.6 percent in 2003 and 41.7 percent in 2002. As a result of a number of initiatives including efficiency improvements, the Company expects gross profit as a percentage of net sales to improve during 2004 as compared to the full-year 2003.

Fourth-quarter 2003 selling, technical, general, and research expenses increased 10.1 percent compared to the same period last year, but increased only 0.3 percent excluding the effect of changes in currency translation rates.

Operating income was \$18.1 million, compared to \$27.8 million in the fourth quarter of 2002. The following table highlights key components of operating income:

(In millions)	Fourth Quarter		Full Year	
	2003	2002	2003	2002
Operating income before reconciling items	\$21.6	\$27.8	\$108.0	\$102.1
Reconciling items:				

Restructuring charges	-5.8	--	-21.8	--
Currency effect on European exports	-1.7	--	-9.4	--
Effect of changes in currency translation rates	4.0	--	8.8	--
Operating income as reported	\$18.1	\$27.8	\$85.6	\$102.1

The decrease in fourth-quarter operating income before reconciling items is primarily attributable to lower net sales, excluding the effects of changes in currency translation rates. The decrease in net sales had the effect of reducing earnings per share by \$0.11 per share.

Other income/expense, net, was \$0.6 million of income for the quarter, compared to \$0.5 million of expense in the fourth quarter of 2002. The difference in 2003 is due principally to currency hedging activities. The Company's currency hedging program is intended to protect the U.S. dollar equivalent value of certain projected future cash flows and to partially offset the effects of volatility on its financial statements.

Fourth-quarter income tax expense was \$4.5 million in 2003, compared to \$5.2 million in 2002. In the fourth quarter of 2002, income tax expense was reduced by \$2.8 million related to the favorable resolution of certain income tax contingencies, causing the income tax rate in that quarter to be 23 percent of pre-tax income. The effective income tax rate in the fourth quarter of 2003 was 30 percent, and the Company expects the 2004 effective income tax rate not to exceed 30 percent.

For the full-year 2003, net sales were 6.5 percent higher than 2002 net sales. Excluding the effect of changes in currency translation rates, net sales were down 2.2 percent. Following is a table of net sales by segment and the effect of changes in currency translation rates:

(In thousands)	Net sales as reported year ended December 31,		Increase in 2003 net sales due to changes in currency translation rates
	2003	2002	
Engineered Fabrics	\$717,104	\$682,991	\$54,451
Albany Door Systems	99,655	91,185	13,019
Applied Technologies	52,213	41,871	3,159
Total	\$868,972	\$816,047	\$70,629

On January 8, 2004, the Company entered into a new, five-year \$460 million revolving credit facility with a group of banks. The new facility, which is unsecured, replaced a \$500 million facility that had been secured by a pledge of shares of certain subsidiaries. At the closing, the Company borrowed \$200 million under the new facility and repaid an equal amount to satisfy the old facility. Based upon the maximum leverage ratio permitted under the new facility, the Company is currently permitted to borrow an additional \$260 million.

The new credit agreement permits the Company to purchase shares of Common Stock at any time, as long as the Company's Leverage Ratio (as defined in the credit agreement) does not exceed 2.25 to 1.00 after the purchase. The agreement also permits the Company to make acquisitions, provided that the Leverage Ratio does not exceed 2.50 to 1.00 after giving effect to any such acquisition. As of December 31, 2003, the Company's Leverage Ratio under the new agreement would have been 0.97 to 1.00. In accordance with generally accepted accounting principles, the Company expects to take a charge in the first quarter of 2004 of \$0.9 million for the write-off of remaining deferred financing costs related to the old credit facility.

Net cash provided by operating activities was \$36.0 million during the fourth quarter of 2003, compared to \$49.1 million for the same period of 2002. For the full year, net cash provided by operating activities was \$128.1 million compared to \$118.8 million in 2002. Prospects for continued strong cash flows in 2004 remain good, particularly as the Company realizes additional savings from the \$30 million cost reduction program. The Company is continuing to evaluate which alternative uses of cash would be most beneficial to our shareholders.

In January 1998, the Board of Directors authorized the purchase of 3,000,000 shares of Class A Common Stock, in the open market or otherwise, at such prices as management may from time to time consider to be advantageous, and 1,616,900 shares were purchased. No purchases have been made under this authorization since October 1, 1998. Management remains authorized to purchase up to 1,383,100 shares without further announcement.

Comments on Operations

Chairman and Chief Executive Officer Frank Schmeler commented, "Despite a

very difficult business environment, which adversely affected our sales and earnings results for the fourth quarter, the Company reported improved earnings for the full year. Although stronger economic indicators were reported in some geographic regions during the fourth quarter, our paper and paperboard customers continued to reduce capacity and limit production. The resulting impact on demand for our products adversely affected sales of engineered fabrics. Sales of high-performance doors were similarly affected as industrial customers continued constraints on capital spending. The Company continued to focus on new product introductions in our Engineered Fabrics and High Performance Door segments during the quarter. The new developments should provide new value opportunities for our customers and benefits for our businesses. Net sales in our Applied Technologies segment improved for both the quarter and the full year and also reflected the effect of new product developments. The Company's strong full-year results reflect our continuing ability to generate cash and control costs, despite challenging business conditions and the additional efforts required to successfully implement the restructuring program.

"On January 22, 2004, we announced a manufacturing consolidation plan affecting two paper machine clothing facilities in Europe. Under the plan, we would discontinue the manufacture of dryer fabrics at our facility in Bury, England, but would continue making process belts in that location. The production of dryer fabrics would be relocated to our recently expanded and modernized dryer fabric facility in Finland. In addition, we would discontinue all manufacturing at our press fabric and forming fabric plants in Dieren, the Netherlands, and relocate this production to other Albany International plants. These actions are subject to consultation with works councils and trade unions in accordance with local law. Subject to compliance with the local law, we expect these actions to be completed during the third quarter of 2004.

Engineered Fabrics

(This segment includes Paper Machine Clothing (PMC), used in the manufacture of paper and paperboard products, and Engineered Products for the nonwovens and pulp industries.)

"Fourth-quarter net sales for the Engineered Fabrics segment increased 1.8 percent compared to the same period last year. Excluding the effect of changes in currency translation rates, fourth-quarter net sales decreased 8.3 percent compared to the same period in 2002. Although the operating rates of the paper and paperboard industries might be expected to rise as a result of the reductions in capacity produced by their consolidations, reported operating rates in the United States improved only slightly for paper and declined for paperboard. In Europe, operating rates remained soft.

Albany Door Systems

(This segment includes sales of High Performance Doors and replacement door parts to a wide variety of industrial customers and door service.)

"Economic conditions continue to have an adverse affect on sales of our high-performance doors. Compared to the fourth quarter of 2002, sales in this segment increased 11.9 percent, but decreased 2.8 percent excluding the effect of changes in currency translation rates. Door sales remained sluggish as increases in our customers' capital spending have yet to materialize. The ongoing cost reduction activities had a positive impact on segment earnings.

Applied Technologies

(This segment includes a diverse collection of materials and structural-component businesses including insulation for personal outerwear and home furnishings (PrimaLoft); specialty materials and composite structures for aircraft and other applications (Techniweave); specialty filtration products for wet and dry applications (Industrial Process Technologies); industrial insulation products (High Performance Materials); and products for high-temperature personal protection and aerospace applications (Advanced Thermal Protection).)

"Fourth-quarter 2003 net sales in the Applied Technologies segment increased 45.6 percent compared to the same period last year and increased 32.4 percent excluding the effect of changes in currency translation rates. New products and market opportunities are driving growth in this segment. For example, the expansion of PrimaLoft(R) premium synthetic insulation into the European and Japanese markets is providing continued growth for this product. Fourth-quarter results for the segment benefited from the effects of implemented cost reductions.

Looking Ahead

"Although the reported improvements in the general economy have not yet

resulted in significant improvements in our customers' markets, we maintain a cautiously optimistic view of 2004. Further improvements in efficiency, and opportunities for new product and process development, should result from our restructuring activities. Their successful completion will require the continued best efforts and full support of all of our people. As previously reported, we expect significant charges associated with these restructuring steps to occur in the first and second quarters of 2004.

"Our paper and paperboard customers are asking us to assist them in improving their operations through paper machine clothing improvements. They understand the significant impact that improved PMC products can have on the quality of paper and paperboard and on the cost and efficiency of the paper and paperboard manufacturing processes. Among the strategic objectives for all of our businesses is the continued search for solutions that will benefit both our customers and our shareholders.

"The Company expects capital expenditures to total approximately \$55 million in 2004. Investments in new equipment are intended principally to maximize the benefits of the relocation of production to centralized locations. Depreciation for 2004, after giving effect to proposed plant closures, is projected to be approximately \$50 million, and amortization is projected to be approximately \$5 million.

"Our focus on delivering value contributed to improved returns for our shareholders and benefits to our customers in 2003. Some customers have identified millions of dollars in savings through the application of our value-driven products and services. We intend to maintain and sharpen this focus during 2004."

The Company plans a live webcast to discuss fourth-quarter and full-year 2003 earnings on Tuesday, January 27, 2004, at 9:00 a.m. Eastern Time. For access, go to www.albint.com.

Albany International is the world's largest producer of paper machine clothing and high-performance doors with manufacturing plants in 15 countries and sales worldwide. Additional information about the Company and its businesses and products is available at www.albint.com.

This release contains certain items that may be considered to be non-GAAP financial measures. Such items are provided because management believes that, when presented together with the GAAP items to which they relate, they can provide additional useful information to investors regarding the registrant's financial condition, results of operations, and cash flows. 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.

Forward-looking statements in this release or in the webcast, including statements about future sales, earnings, cash flows, possible uses for cash, pricing, markets, cost reductions, new products and process improvements, paper industry consolidation and outlook, capital expenditures, tax rates, and depreciation and amortization are made pursuant to the safe harbor provisions of the Private Securities Litigation Reform Act of 1995. Such statements are based on current expectations and are subject to various risks and uncertainties, including, but not limited to, economic conditions affecting the paper industry and other risks and uncertainties set forth in the Company's 2002 Annual Report to Shareholders and subsequent filings with the Securities and Exchange Commission.

ALBANY INTERNATIONAL CORP.
CONSOLIDATED STATEMENTS OF INCOME AND RETAINED EARNINGS
(unaudited)
(in thousands except per share data)

Three Months Ended			Year Ended	
December 31,			December 31,	
2003	2002		2003	2002
\$226,258	\$215,171	Net sales	\$868,972	\$816,047
135,346	126,473	Cost of goods sold	507,786	475,765
90,912	88,698	Gross profit	361,186	340,282
67,047	60,907	Selling, technical, general and research expenses	253,821	238,194
5,752	-	Restructuring	21,751	-
18,113	27,791	Operating income	85,614	102,088
3,758	4,363	Interest expense, net	15,074	17,536
		Other (income)/expense,		

(570)	496	net	662	5,003
		Income before income		
14,925	22,932	taxes	69,878	79,549
4,478	5,225	Income taxes	15,720	25,041
		Income before associated		
10,448	17,707	companies	54,158	54,508
		Equity in earnings of		
88	62	associated companies	(103)	270
		Income before cumulative		
10,536	17,769	effect of change in		
		accounting principle	54,055	54,778
		Cumulative effect of		
-	-	change in accounting		
		principle, net of taxes	-	(5,837)
10,536	17,769	Net income	54,055	48,941
		Retained earnings,		
425,217	371,621	beginning of period	387,609	345,273
(2,346)	(1,781)	Dividends declared	(8,257)	(6,605)
\$433,407	\$387,609	Retained earnings,	\$433,407	\$387,609
		end of period		
		Earnings per share - basic:		
		Income before cumulative		
		effect of change in		
\$0.32	\$0.55	accounting principle	\$1.64	\$1.70
		Cumulative effect of change		
0.00	0.00	in accounting principle	0.00	(0.18)
\$0.32	\$0.55	Net income	\$1.64	\$1.52
		Earnings per share - diluted:		
		Income before cumulative		
		effect of change in		
\$0.31	\$0.54	accounting principle	\$1.61	\$1.68
		Cumulative effect of change		
0.00	0.00	in accounting principle	0.00	(0.18)
\$0.31	\$0.54	Net income	\$1.61	\$1.50
		Average number of shares		
		used in basic earnings		
33,437	32,366	per share computations	32,889	32,126
		Average number of shares		
		used in diluted earnings		
34,168	32,707	per share computations	33,514	32,635
\$0.07	\$0.055	Dividend per share	\$0.25	\$0.205

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

	December 31, 2003	December 31, 2002
ASSETS		
Cash and cash equivalents	\$78,822	\$18,799
Accounts receivable, net	151,157	135,339
Note receivable	21,814	20,075
Inventories:		
Finished goods	93,787	90,766
Work in process	53,936	44,763
Raw material and supplies	29,805	28,534
	177,528	164,063
Deferred taxes	33,314	43,439
Prepaid expenses	8,067	7,173
Total current assets	470,702	388,888
Property, plant and equipment, net	370,280	346,073
Investments in associated companies	5,278	4,849
Intangibles	15,790	16,274
Goodwill	159,543	137,146
Deferred taxes	70,450	65,574

Cash surrender value of life insurance policies	32,399	29,282
Other assets	21,274	23,435
Total assets	\$1,145,716	\$1,011,521
LIABILITIES AND SHAREHOLDERS' EQUITY		
Notes and loans payable	\$5,250	\$12,224
Accounts payable	35,080	39,624
Accrued liabilities	122,550	101,510
Current maturities of long-term debt	1,949	1,914
Income taxes payable and deferred	20,475	31,222
Total current liabilities	185,304	186,494
Long-term debt	214,894	221,703
Other noncurrent liabilities	153,811	168,765
Deferred taxes and other credits	37,052	33,961
Total liabilities	591,061	610,923
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 32,548,938 in 2003 and 28,983,057 in 2002	33	29
Class B Common Stock, par value \$.001 per share; authorized 25,000,000 shares; issued and outstanding 3,236,476 in 2003 and 5,607,576 in 2002	3	6
Additional paid in capital	280,734	255,484
Retained earnings	433,407	387,609
Accumulated items of other comprehensive income:		
Translation adjustments	(65,613)	(147,400)
Derivative valuation adjustment	(8,840)	(13,592)
Pension liability adjustment	(39,579)	(35,962)
	600,145	446,174
Less treasury stock (Class A), at cost (2,190,038 shares in 2003 and 2,193,793 shares in 2002)	45,490	45,576
Total shareholders' equity	554,655	400,598
Total liabilities and shareholders' equity	\$1,145,716	\$1,011,521

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

	Year Ended December 31,	
	2003	2002
OPERATING ACTIVITIES		
Net income	\$54,055	\$48,941
Adjustments to reconcile net income to net cash provided by operating activities:		
Equity in earnings of associated companies	103	(270)
Depreciation	51,003	47,478
Amortization	5,091	5,385
Provision for deferred income taxes, other credits and long-term liabilities	(6,908)	(21,094)
Provision for impairment of buildings and equipment	11,390	-
Provision for impairment of goodwill	-	5,837
Increase in cash surrender value of life insurance	(1,998)	(569)
Unrealized currency transaction gains	(8,286)	(1,933)
Gain on disposition of assets	(678)	(2,688)
Shares contributed to ESOP	5,398	4,635
Tax benefit of options exercised	2,289	1,672

Changes in operating assets and liabilities:

Accounts receivable	17,819	14,737
Sale of accounts receivable	(2,134)	7,237
Note receivable	(1,739)	1,028
Inventories	3,171	17,687
Prepaid expenses	(894)	(1,885)
Accounts payable	(4,544)	(10,653)
Accrued liabilities	12,457	(5,671)
Income taxes payable	(9,294)	8,346
Other, net	1,777	605
Net cash provided by operating activities	128,078	118,825
INVESTING ACTIVITIES		
Purchases of property, plant and equipment	(52,564)	(31,678)
Purchased software	(1,072)	(1,465)
Proceeds from sale of assets	6,814	6,373
Repayments of loans from life insurance policies	-	(25,934)
Premiums paid for life insurance policies	(1,118)	(1,159)
Net cash used in investing activities	(47,940)	(53,863)
FINANCING ACTIVITIES		
Proceeds from borrowings	45,833	60,208
Principal payments on debt	(59,709)	(106,446)
Dividends paid	(7,692)	(6,391)
Proceeds from options exercised	17,559	14,950
Net cash used in financing activities	(4,009)	(37,679)
Effect of exchange rate changes on cash flows	(16,106)	(14,637)
Increase in cash and cash equivalents	60,023	12,646
Cash and cash equivalents at beginning of year	18,799	6,153
Cash and cash equivalents at end of period	\$78,822	\$18,799

SOURCE Albany International

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01/26/2004

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/Web site: <http://www.albint.com> /

(AIN)

CO: Albany International

ST: New York

IN: PAP FAS HOU

SU: ERN CCA