ALBANY INTERNATIONAL CORP /DE/
Form 10-K
March 02, 2011

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-K

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

For the fiscal year ended: December 31, 2010
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.)
216 Airport Drive, Rochester, New Hampshire	**03867**
(Address of principal executive offices)	(Zip Code)

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

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

Title of each class	Name of each exchange on which registered
Class A Common Stock ($0.001 par value)	New York Stock Exchange

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

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes x No o

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes o No x

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

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

Large accelerated filer o   Accelerated filer x   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 Act). Yes o No x

The aggregate market value of the Common Stock held by non-affiliates of the registrant on June 30, 2010, the last business day of the registrant s most recently completed second quarter, computed by reference to the price at which Common Stock was last sold on such a date, was $447.9 million.

The registrant had 28.0 million shares of Class A Common Stock and 3.2 million shares of Class B Common Stock outstanding as of February 28, 2011.

DOCUMENTS INCORPORATED BY REFERENCE	PART
Portions of the Registrant s Proxy Statement for the Annual Meeting of Shareholders to be held on May 27, 2011	III

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Forward-Looking Statements

This annual report and the documents incorporated or deemed to be incorporated by reference in this annual report contain statements concerning 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, 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:

- conditions in the industry in which our Paper Machine Clothing segment competes or in the papermaking industry in general, along with general risks associated with economic downturns;
- failure to remain competitive in the industry in which our Paper Machine Clothing segment competes;
- failure to have profitable growth in our emerging businesses; and
- other risks and uncertainties detailed in this report.

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 the Risk Factors and Trends sections of this annual report. Statements expressing our assessments of the growth potential of various businesses are not intended as forecasts of actual future growth, and should not be relied on as such. While we believe such assessments to have a reasonable basis, such assessments are, by their nature, inherently uncertain. This release sets forth a number of assumptions regarding these assessments, including historical results and independent forecasts regarding the markets in which these businesses operate. Historical growth rates are no guarantee of future growth, and such independent forecasts could prove incorrect. Although we believe the expectations reflected in our forward-looking statements are based on reasonable assumptions, it is not possible to foresee or identify all factors that could have a material and negative impact on our future performance. The forward-looking statements included or incorporated by reference in this annual report are made on the basis of our assumptions and analyses, as of the time the statements are made, in light of our 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, we disclaim any obligations or undertaking to publicly release any updates or revisions to any forward-looking statement contained or incorporated by reference in this annual report to reflect any change in our expectations with regard thereto or any change in events, conditions, or circumstances on which any such statement is based.

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PART I

Item 1. BUSINESS

Albany International Corp. (the Registrant, the Company, we, us, or our) 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). We design, manufacture, and market paper machine clothing for each section of the paper machine. We manufacture and sell more paper machine clothing worldwide than any other company. PMC consists of large permeable and nonpermeable 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 wet sheet (more than 75% water) through the forming section. Press fabrics are designed to carry the sheet through the press section, where water is pressed from the sheet as it passes through the press nip. 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. We sell our PMC products directly to customer end-users, which are paper industry companies, some of which operate in multiple regions of the world. Our products, manufacturing processes, and distribution channels for PMC are substantially the same in each region of the world in which we operate. The sales of forming, pressing, and dryer fabrics, individually and in aggregate, accounted for more than 10% of our consolidated net sales during one year or more of the last three years.

The other reportable segments apply our core competencies in advanced textiles and materials to other industries:

The Engineered Composites segment (AEC) provides custom-designed advanced composite structures based on proprietary technology to customers in the aerospace and defense industries. AEC s largest current development program relates to the LEAP-X engine being developed by CFM International. Under this program, AEC is developing a family of composite parts, including fan blades, to be incorporated into the LEAP-X engine. In the fourth quarter of 2009, the LEAP-X engine was selected by COMAC (Commercial Aircraft Corporation of China, Ltd.) as the sole western-sourced engine for COMAC s C919 commercial aircraft. In the fourth quarter of 2010, Airbus S.A.S. announced that it will re-engine the Airbus A320 family of single-aisle commercial aircraft, and that the LEAP-X engine will be one of two engine options. Boeing is expected to announce sometime in 2011 whether it plans to re-engine the 737 or to build a completely new replacement single-aisle aircraft. While either outcome would be beneficial to AEC, each would have very different impacts on the timing and composition of the ramp-up in AEC capital investment and sales in the second half of this decade. In 2010, approximately 15% of this segment s sales were related to U.S. government contracts or programs.

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 added to its product offerings through its acquisitions of Envico Ltd. in 2010, Aktor GmbH in 2008, and R-Bac Industries in 2007. The business segment also derives revenue from aftermarket sales and service. ADS sells directly to customer end-users in certain markets, such as Sweden and Germany, while in other markets, such as the United States, it sells primarily through distributors and dealers.

The Engineered Fabrics (EF) segment derives its revenue from various industries that use fabrics and belts for industrial applications other than the manufacture of paper and paperboard. Revenue in this segment is derived from sales to the nonwovens industry, which includes the manufacture of diapers, personal care and household wipes; and to building products markets, which include the manufacture of fiberglass-reinforced roofing shingles. Other segment revenue includes sales to markets adjacent to the paper industry, and to the

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tannery and textile industries. Segment sales in the European and Pacific regions combined are almost at the same level as sales within the Americas. We generally market EF products directly to end users of the fabrics and belts.

The PrimaLoft® Products segment includes sales of insulation for outdoor clothing, gloves, footwear, sleeping bags, and home furnishings. This segment has sales operations in the United States, Europe, and Asia, through which it sells products produced by third parties according to the Company s proprietary specifications. This segment also generates a portion of its income as royalties from the licensing of its intellectual property. Approximately one-quarter of this segment s sales in each of the past two years has been to the U.S. military (for high performance outerwear). Reduced military budgets could affect sales in 2011 and beyond.

See Trends under Item 7, Management s Discussion and Analysis of Financial Condition and Results of Operations, for a discussion of general segment developments in recent years.

Following is a table of net sales by segment for 2010, 2009, and 2008.

(in thousands)	2010	2009	2008
Paper Machine Clothing	**$ 613,510**	$ 598,590	$ 727,967
Albany Door Systems	**148,587**	133,423	189,348
Engineered Fabrics	**87,510**	86,216	101,118
Engineered Composites	**41,867**	33,824	46,666
PrimaLoft® Products	**22,882**	18,992	21,418
Consolidated total	**$ 914,356**	$ 871,045	$ 1,086,517

The table setting forth certain sales, operating income, and balance sheet data that appears in Note 3, Reportable Segments and Geographic Data, of the Financial Statements, included under Item 8 of this Form 10-K, is incorporated herein.

International Operations

We maintain manufacturing facilities in Brazil, Canada, China, France, Germany, the United Kingdom, Italy, Mexico, New Zealand, South Korea, Sweden, Turkey, and the United States. We also have a 50% interest in certain companies (see Note 1 of Notes to Consolidated Financial Statements).

Our geographically diversified operations allow us to serve our markets efficiently and to provide extensive technical services to our customers. We benefit from the transfer of research and development and product innovations between geographic regions. The worldwide scope of our manufacturing and marketing efforts could also mitigate the impact of economic downturns that are limited to a geographic region.

Our global presence subjects us to certain risks, including controls on foreign exchange and the repatriation of funds. However, we have been able to repatriate earnings in excess of working capital requirements from the countries in which we operate without substantial governmental restrictions and do not foresee any material changes in our ability to continue to do so in the future. In addition, we believe that the risks associated with our operations outside the United States are no greater than those normally associated with doing business in those locations.

Technology, Working Capital, Customers, Seasonality, and Backlog

Paper machine clothing is custom designed for each user, depending on the type, size, and speed of the paper machine, the machine section, the grade of paper being produced, and the quality of the pulp stock used. Technical expertise, judgment, and experience are critical in designing the appropriate clothing for each position on the machine. As a result, we employ highly skilled sales and technical service personnel who work directly with paper mill operating management. Our technical service program gives our service engineers field access to the measurement and analysis equipment needed for troubleshooting and application engineering. Sales, service, and technical expenses are major cost components of the Company. Many employees in sales and technical functions have engineering degrees or paper mill experience. Our market leadership position reflects our commitment to technological innovation.

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Payment terms granted to paper industry customers reflect general competitive practices. Terms vary with product, competitive conditions, and the country of operation. In some markets, customer agreements require us to maintain significant amounts of finished goods inventories to assure continuous availability of paper machine clothing. Working capital and payment terms in our emerging businesses follow normal commercial practices.

Albany Door Systems provides high-performance door solutions to industrial and commercial customers. The doors are designed for applications in which frequent use requires fast opening and closing. Rapid Roll® Doors open and close very fast, can be designed to operate automatically with traffic, and have automatic breakaway and reset ability to limit impact damage. We have manufacturing locations in Germany, the United States, China, Turkey, and New Zealand. Albany Door Systems also provides aftermarket service and support for high-performance and other dock and door products from 16 sales and service centers located in Europe and Australia.

The Engineered Fabrics business is a leading supplier to the nonwovens industry (which includes the manufacture of products such as diapers, personal care and household wipes, and fiberglass-reinforced roofing shingles), the wood and cement-based building products industry, and the pulp industry. This segment has a wide range of customers, with markets that vary from industrial applications to consumer use.

Albany Engineered Composites primarily serves customers in commercial and military aircraft engine and airframe markets.

PrimaLoft® Products are marketed to customers for use in performance outerwear, high-end retail home furnishings and military applications.

Seasonal trends in sales of PMC generally results from paper mill downtime in July, August, and December, which can contribute to lower quarterly sales in the first and third quarters of each calendar year. The Albany Door Systems segment typically experiences its highest sales in the fourth quarter of the year. PrimaLoft® Products has its strongest quarters in the first half of the year. Seasonality is not a significant factor in our Engineered Fabrics or Engineered Composites segments.

Total backlog was $426.8 million, $365.1 million, and $419.6 million at December 31, 2010, 2009, and 2008, respectively. The increase in order backlog during 2010 is principally due to higher orders in our PMC and ADS segments. The backlog is generally expected to be invoiced during the next 12 months.

Research and Development

We invest in research, new product development, and technical analysis with the objective of maintaining our technological leadership in each business segment. While much research activity supports existing products, we also engage in research for new products and product enhancements. New product research has focused primarily on more sophisticated paper machine clothing and engineered fabrics and has resulted in a stream of new products and enhancements such as HYDROCROSS, AEROPOINT, SEAM HYDROCROSS, AEROPULSE, and EVM BELTS.

Product engineering and research and development expenses totaled $31.1 million in 2010, $29.6 million in 2009, and $36.6 million in 2008. In 2010, these costs were 3.4% of total company net sales including $5.1 million or about 12% of net sales spent in our AEC segment.

We conduct our major research and development in Halmstad, Sweden; Manchester, UK; Menasha, Wisconsin; Rochester, New Hampshire; and Sélestat, France. Additionally, we conduct process and product design development activities at locations in Albany, New York; Quebec, Canada; Menasha, Wisconsin; and St. Stephen, South Carolina.

We have developed, and continue to develop, proprietary intellectual property. Our intellectual property takes many forms, including patents, trademarks, and trade secrets. Our trade secrets include, among other things, manufacturing know-how, and unique processes and equipment. We aggressively protect our proprietary intellectual property, pursuing patent protection when appropriate. Our active portfolio currently contains well-over 1,100 patents, and over 100 new patents are typically granted each year. Because intellectual property in the form of patents is published, we often decide to forego patent protection and preserve some of our intellectual property as trade secrets. While we consider our total portfolio of intellectual

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property, including our patents, to be an important competitive advantage, we do not believe that any single patent is critical to the continuation our business. All brand names and product names are trade names of Albany International Corp. or its subsidiaries. We have from time to time licensed some of our patents to one or more competitors, and have been licensed under some competitors patents, in each case mainly to enhance customer acceptance of new products. The revenue from such licenses is less than 1% of consolidated net sales.

Raw Materials and Inventory

Primary raw materials for our PMC, EF, and PrimaLoft® Products are synthetic fibers and polymer monofilaments, which have generally been available from a number of suppliers. We therefore have not needed to maintain raw material inventories in excess of our current needs to assure availability. In addition, we manufacture polymer monofilaments, a basic raw material for all types of paper machine clothing, at our facility in Homer, New York, which supplies approximately 60% of our worldwide monofilament requirements. This manufacturing enhances our ability to develop proprietary products and helps balance the total supply requirements for monofilaments. Polymer monofilaments are petroleum-based products and are therefore sensitive to changes in the price of petroleum and petroleum intermediates. ADS doors are assembled from parts that are available from a large number of suppliers globally. Carbon fiber and other raw materials used by AEC are similarly widely available.

Competition

The PMC industry includes several companies that compete in all global markets, along with a number of companies that compete primarily on a regional basis. In the paper machine clothing market, we believe that we had a worldwide market share of approximately 29% in 2010, while the largest competitors each had a market share of approximately half of ours. Market shares vary depending on the country and the type of paper machine clothing produced.

While some competitors in the paper machine clothing industry tend to compete more on the basis of price, and others attempt to compete more on the basis of technology, both are significant competitive factors in this industry. We, like our competitors, provide technical support to customers through our sales and technical service personnel, including (1) consulting on performance of the paper machine, (2) consulting on paper machine configurations, both new and rebuilt, (3) selection and custom manufacture of the appropriate paper machine clothing, and (4) storing fabrics for delivery to the user. Revenues earned from these services are not significant.

The Albany Door Systems segment derives approximately two-thirds of its net sales from the sale of high-performance doors, and the remainder from aftermarket service and support. Competition for sales of high-performance doors is based on product performance and price, while competitive factors in the aftermarket business include technical service ability and proximity to the customer.

The primary competitive factor in the markets in which our Albany Engineered Composites segment competes is product performance. Our unique, proprietary capabilities in composites enable us to offer customers the opportunity to displace metal components and, in some cases, conventional composites with lower-weight, high-strength, and potentially high-temperature composites. Achieving lower weight is the key to improving fuel efficiency, and is a critical performance requirement in the aerospace industry.

For businesses within the Engineered Fabrics segment, the competitive dynamics are generally very similar to the paper machine clothing industry.

In our PrimaLoft® segment, competitive success is dependent upon superior performance of the materials in each of the applications in which we compete.

Employees

We employ approximately 5,000 persons, of whom approximately 70% are engaged in manufacturing of our products. Wages and benefits are competitive with those of other manufacturers in the geographic areas in which our facilities are located. In general, we consider our relations with employees to be excellent.

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Approximately 70 U.S. employees are union members working at two different facilities and subject to two separate collective bargaining agreements. Both agreements will remain in effect until mid-2011. A number of hourly employees outside of the United States are also members of various unions.

Executive Officers of the Registrant

The following table sets forth certain information with respect to the executive officers of the Company as of March 2, 2011:

Name	Age	Position
Joseph G. Morone	57	President and Chief Executive Officer
John B. Cozzolino	44	Chief Financial Officer and Treasurer
Ralph M. Polumbo	59	Senior Vice President Chief Operating Officer, Albany Engineered Composites
Daniel A. Halftermeyer	49	President PMC
Michael J. Joyce	47	President Applied Technologies
Robert A. Hansen	53	Senior Vice President and Chief Technology Officer
David M. Pawlick	49	Vice President Controller
Charles J. Silva, Jr.	51	Vice President General Counsel and Secretary
Dawne H. Wimbrow	53	Vice President Global Information Services and Chief Information Officer
Joseph M. Gaug	47	Associate General Counsel and Assistant Secretary

Joseph G. Morone joined the Company in 2005. He has served the Company as President and Chief Executive Officer since January 1, 2006, and President since August 1, 2005. He has been a director of the Company since 1996. From 1997 to July 2005, he served as President of Bentley University in Waltham, Massachusetts. Prior to joining Bentley, he served as the Dean of the Lally School of Management and Technology at Rensselaer Polytechnic Institute, where he also held the Andersen Consulting Professorship of Management. He currently serves as the lead director of Transworld Entertainment Corporation.

John B. Cozzolino joined the Company in 1994. He has served the Company as Chief Financial Officer and Treasurer since February 2011. From September 2010 to February 2011, he served as Vice President Corporate Treasurer and Strategic Planning/Acting Chief Financial Officer, from February 2009 to September 2010, he served as Vice President Corporate Treasurer and Strategic Planning, and from 2007 to February 2009, he served the Company as Vice President Strategic Planning. From 2000 until 2007 he served as Director Strategic Planning, and from 1994 to 2000 he served as Manager Corporate Accounting.

Ralph M. Polumbo joined the Company in 2006. He has served as Chief Operating Officer, Albany Engineered Composites, since December 2010. He previously served the Company as Chief Administrative Officer (CAO) from September 2008 to December 2010, and as Senior Vice President Human Resources from 2006 to 2008. From 2004 to April 2006 he served as Head of Human Capital for Deephaven Capital Management. From 1999 to 2004 he served as Vice President Human Resources and Business Integration for MedSource Technologies. Prior to MedSource, he held the positions of Vice President Integration and Vice President Human Resources for Rubbermaid. From 1974 to 1994, he held various management and executive positions for The Stanley Works.

Daniel A. Halftermeyer joined the Company in 1987. He has served the Company as President PMC since January 2010. He previously served the Company as Group Vice President PMC Eurasia Business Corridor from August

2008 to December 2009, Group Vice President PMC Europe from 2005 to August 2008, Vice President and General Manager North American Dryer Fabrics from 1997 to March 2005, and Technical Director Dryer Fabrics from 1993 to 1997. He held various technical and management positions in St. Stephen, South Carolina, and Sélestat, France, from 1987 to 1993.

Michael J. Joyce joined the Company in 1987. He has served as President Applied Technologies since January 2010, Group Vice President PMC Americas & Global Engineered Fabrics from January 2009 to January 2010, Group Vice President PMC Americas from March 2007 to January 2009, and Vice President Sales and Marketing North American Press Fabrics from 2002 to 2003. He held various sales, marketing,

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technical, and management positions throughout his career. Mr. Joyce also attended the Harvard Business School s Advanced Management Program.

Robert A. Hansen joined the Company in 1981. He has served the Company as Senior Vice President and Chief Technology Officer since January 2010, Vice President Corporate Research and Development from April 2006 to January 2010, and Director of Technical and Marketing Europe Press Fabrics from 2004 to April 2006. From 2000 to 2004, he served as Technical Director Press Fabrics, Göppingen, Germany. Previously he had the position of Technical Director in Dieren, The Netherlands, and had also held technical management and research and development positions in the Company s Järvenpää, Finland, and Albany, New York facilities.

David M. Pawlick joined the Company in 2000. He has served the Company as Vice President Controller since March 2008, and as Director of Corporate Accounting from 2000 to 2008. From 1994 to 2000 he served as Director of Finance and Controller for Ahlstrom Machinery, Inc. in Glens Falls, New York. Prior to 1994, he was employed as an Audit Manager for Coopers & Lybrand.

Charles J. Silva Jr. joined the Company in 1994. He has served the Company as Vice President General Counsel and Secretary since 2002. He served as Assistant General Counsel from 1994 until 2002. Prior to 1994, he was an associate with Cleary, Gottlieb, Steen and Hamilton, an international law firm with headquarters in New York City.

Dawne H. Wimbrow joined the Company in 1993. She has served the Company as Vice President Global Information Services and Chief Information Officer since September 2005. She previously served the Company in various management positions in the Global Information Systems organization. From 1980 to 1993, she worked as a consultant supporting the design, development, and implementation of computer systems for various textile, real estate, insurance, and law firms.

Joseph M. Gaug joined the Company in 2004. He has served the Company as Associate General Counsel since 2004 and as Assistant Secretary since 2006. Prior to 2004, he was a principal with McNamee, Lochner, Titus & Williams, P.C., a law firm located in Albany, New York.

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

Our Corporate Governance Guidelines, Business Ethics Policy, and Code of Ethics for the Chief Executive Officer, Chief Financial Officer, and Controller, and the charters of the Audit, Compensation, and Governance Committees of the Board of Directors are available at the Corporate Governance section of the Registrant s website (www.albint.com).

Our current reports on Form 8-K, quarterly reports on Form 10-Q, and annual reports on Form 10-K are electronically filed with the Securities and Exchange Commission (SEC), and all such reports and amendments to such reports filed subsequent to November 15, 2002, have been and will be made available, free of charge, through our website (www.albint.com) as soon as reasonably practicable after such filing. The public may read and copy any materials filed by the Company with the SEC at the SEC s Public Reference Room at 450 Fifth Street, NW, Washington, D.C. The public may obtain information on the operation of the Public Reference Room by calling the SEC at 1-800-SEC-0330. The SEC maintains a website (www.sec.gov) that contains reports, proxy, information statements, and other information regarding issuers that file electronically with the SEC.

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Item 1A. RISK FACTORS

The Company s business, operations, and financial condition are subject to various risks. Some of these risks are described below and in the documents incorporated by reference, and investors should take these risks into account in evaluating any investment decision involving the Company. This section does not describe all risks applicable to the Company, its industry or business, and it is intended only as a summary of certain material factors.

There are a number of factors inhibiting revenue growth in the Company s Paper Machine Clothing segment

Significant consolidation and rationalization in the paper industry in recent years reduced global consumption of PMC in certain markets. Developments in digital media have adversely affected demand for newsprint and for printing and writing grades of paper in North America and Europe, which has had, and could continue to have, an adverse effect on demand for PMC in those markets. At the same time, technological advances in papermaking, including in PMC, while contributing to the papermaking efficiency of customers, have in some cases lengthened the useful life of our products and reduced the number of pieces required to produce the same volume of paper. These factors have had, and in future are likely to have, an adverse effect on PMC sales, and to keep the rate of any future growth in PMC sales lower than the rate of growth in paper production.

The market for paper machine clothing in recent years was characterized by increased price competition, especially in Europe, which negatively affected the Company s net sales and operating results. The Company expects price competition to remain intense in all PMC markets during periods of customer consolidation, plant closures, or when major contracts are being renegotiated.

The basic papermaking process, while it has undergone dramatic increases in efficiency and speed, has always relied on PMC. In the event that a paper machine builder or other person were to develop a commercially viable manner of paper manufacture that did not require PMC, sales of the Company s products in this segment could be expected to decline significantly.

The recent recession had a significant impact on our customers and our business during 2008 and 2009; a recurrence, or lingering effects of general economic uncertainty, could negatively affect our customers and adversely affect our results of operations

The global recession had a significant negative effect on the Company and the markets in which it competes. A return of economic weakness, or a reversal or weakening of the current economic recovery, could have an adverse impact on the Company s business and results of operations.

The Company identifies in this section a number of risks, the effects of which may be exacerbated by an unfavorable economic climate. For example, unfavorable global economic and paper industry conditions may lead to greater consolidation and rationalization within the paper industry, further reducing global consumption of PMC. Reduced consumption of PMC could in turn increase the risk of greater price competition within the PMC industry, and greater efforts by competitors to gain market share at the expense of the Company. The Albany Door Systems segment derives most of its revenue from the sale of high-performance doors, the purchase of which are normally capital expenditures, which some customers may forego or postpone if economic conditions are weak. Sales in the Company s other business segments may also be adversely affected by unfavorable economic conditions.

Weak or unstable economic conditions also increase the risk that one or more of our customers could be unable to pay outstanding accounts receivable, whether as the result of bankruptcy or an inability to obtain working capital financing from banks or other lenders. In such a case, we could be forced to write off such accounts, which could have a material adverse effect on our operating results, financial condition, and/or liquidity. Furthermore, many of our businesses design and manufacture products that are custom-designed for a specific customer application, at a specific location. In the event of a customer liquidity issue, the Company could also be required to write off amounts that are included in inventories.

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The Company may fail to adequately protect its proprietary technology, which would allow competitors or others to take advantage of its research and development efforts.

Proprietary trade secrets are a source of competitive advantage in each of our segments. If our trade secrets were to become available to competitors, it could have a negative impact on our competitive strength. We employ measures to maintain the confidential nature of these secrets, including maintaining employment and confidentiality agreements; maintaining clear policies intended to protect such trade secrets; educating our employees about such policies; clearly identifying proprietary information subject to such agreements and policies; and vigorously enforcing such agreements and policies. Despite such measures, our employees, consultants, and third parties to whom such information may be disclosed in the ordinary course of our business may breach their obligations not to reveal such information, and any legal remedies available to us may be insufficient to compensate our damages.

Some of the Company s competitors in the Paper Machine Clothing segment have the capability to make and sell paper machines and papermaking equipment as well as other engineered fabrics

Although customers historically have viewed the purchase of paper machine clothing and the purchase of paper machines as separate purchasing decisions, the ability to coordinate research and development efforts, and to market machines and fabrics together could be perceived as providing a competitive advantage. This underscores the importance of the Company s ability to maintain the technical competitiveness and value of the Company s products, and a real or perceived failure to do so could have a material adverse effect on the Company s business, financial condition, and results of operations.

Moreover, the Company cannot predict how the nature of competition in this segment may continue to evolve as a result of future consolidation among the Company s competitors, or consolidation involving the Company s competitors and other suppliers to the Company s customers.

In addition to the general risks that the Company already faces outside the U.S., the Company now conducts more of its manufacturing operations in emerging markets than it did in the past, which could involve many uncertainties for the Company

The Company currently has manufacturing facilities outside the U.S. In 2010, 62.9% of consolidated net sales were generated by the Company s non-U.S. subsidiaries. Operations outside of the U.S. are subject to a number of risks and uncertainties, including: risks that governments may impose limitations on the Company s ability to repatriate funds; governments may impose withholding or other taxes on remittances and other payments to the Company, or the amount of any such taxes may increase; an outbreak or escalation of any insurrection or armed conflict may occur; governments may seek to nationalize the Company s assets; or governments may impose or increase investment barriers or other restrictions affecting the Company s business. In addition, emerging markets pose other uncertainties, including the protection of the Company s intellectual property, pressure on the pricing of the Company s products, and risks of political instability. The occurrence of any of these conditions could disrupt the Company s business or prevent it from conducting business in particular countries or regions of the world.

Conditions in the paper industry have required, and could further require, the Company to reorganize its operations, which could result in significant expense and could pose risks to the Company s operations

During the last several years, the Company was engaged in significant restructuring that included the closing of a number of manufacturing operations in North America, Europe, and Australia. Restructuring activities were intended to match the Company s manufacturing capacity to shifting global demand, and also to improve the efficiency of administrative processes. Future shifting of customer demand, the need to reduce costs, or other factors could cause the Company to determine in the future that additional restructuring steps are required. Restructuring involves risks such as employee work stoppages, slowdowns, or strikes, which can threaten uninterrupted production, maintenance of high product quality, meeting of customers delivery deadlines, and maintenance of administrative processes. Increases in output in remaining manufacturing operations can likewise impose stress on these remaining facilities as they undertake the manufacture of greater volume and, in some cases, a greater variety of products. Competitors can be quick to attempt to exploit these situations. Although the Company considers these risks, plans each step of the process carefully, and works to reassure customers who could be affected by any such matters that their requirements will continue to be met, the Company could lose customers and associated revenues if the Company fails to plan properly or if the foregoing tactics are ineffective.

The Company may experience supply constraints due to the Company s reliance on a limited number of suppliers

The Company has relied on a number of suppliers of polymer fiber and monofilaments, key raw materials that the Company uses in the manufacture of paper machine clothing. For the Company s European and Asian production facilities, the Company purchases most of its monofilament from third parties. For the Company s North American production facilities, the Company currently produces a significant portion of the Company s own monofilament needs. While the Company has always been able to meet its raw material needs in the past, the limited number of producers of polymer monofilaments creates the potential for disruption in supply. In addition, if the Company s own monofilament production facility were to shut down or cease production for any reason, including due to natural disaster, labor problems, or otherwise, there is no guarantee that the Company would be able to replace any shortfall. Lack of supply, delivery delays, or quality problems relating to supplied raw materials could harm the Company s production capacity and make it difficult to supply the Company s customers with products on time, which could have a negative impact on the Company s business, financial condition, and results of operations.

Inflation as a result of changes in prices of commodities and labor costs may adversely impact our financial results of operations.

The Company is a significant user of petroleum-based products and metal components required for the manufacture of our products. The Company also relies on the labor market in many regions of the world to meet our operational requirements. Increases in the prices of such commodities or in labor costs, particularly in regions that are experiencing higher-levels of inflation, could increase our costs, and we may not be able to fully offset the effects through productivity improvements and cost reduction programs.

The Company is exposed to the risk of increased expense in health-care related costs

We are largely self-insured for some employee and business risks, including health care and workers compensation programs in the United States. Losses under all of these programs are accrued based upon estimates of the ultimate liability for claims reported and an estimate of claims incurred but not reported, with assistance from third-party actuaries and service providers. However, these liabilities are difficult to assess and estimate due to unknown factors, including the severity of an illness or injury and the number of incidents not reported. The accruals are based upon known facts and historical trends, and management believes such accruals to be adequate. The Company also maintains stop-loss insurance policies to protect against catastrophic claims above certain limits. If actual results significantly differ from estimates, our financial condition, results of operations, and cash flows could be materially impacted by losses under these programs, as well as higher stop-loss premiums in future periods.

At December 31, 2010, the Company had outstanding long-term debt totaling $423.6 million. The Company may not be able to repay its outstanding debt in the event that default provisions are triggered due to a breach of loan covenants

Existing borrowing agreements contain a number of covenants and financial ratios that the Company is required to satisfy. The most restrictive of these covenants pertain to asset dispositions and prescribed leverage and interest coverage ratios. Any breach of any such covenants or restrictions would result in a default under such agreements that would permit the lenders to declare all borrowings under such agreements to be immediately due and payable and, through cross default provisions, could entitle other lenders to accelerate their loans. In such an event, the Company would need to modify or restructure all or a portion of such indebtedness. Depending on prevailing economic conditions, the Company might find it difficult to modify or restructure on attractive terms, or at all, and any modification, restructuring, or refinancing would, in the current environment, likely result in additional fees and higher interest expenses.

We may incur a substantial amount of additional indebtedness in the future, or we be unsuccessful in identifying cost-effective strategies for the repatriation of cash to repay debt. As of December 31, 2010, the

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Company had borrowed $237.0 million under its $390 million revolving credit facility. Any additional indebtedness incurred could increase the risks associated with substantial leverage. These risks include limiting the Company s ability to make acquisitions or capital expenditures to grow the Company s business, limiting the Company s ability to withstand business and economic downturns, limiting the Company s ability to invest the Company s operating cash flow in the Company s business, and limiting the Company s ability to pay dividends. In addition, any such indebtedness could contain terms that are more restrictive than the Company s current facilities.

There can be no assurance that the expected sales growth in the Engineered Composites segment will be realized

Management expects that the Engineered Composites segment will experience significant growth in net sales during the next several years. In order to support this growth, management expects increases in fixed costs and investments, which will likely result in this segment being cash-flow negative through the first half of this decade.

Future growth and long-term success in the Engineered Composites segment will depend, in part, on the success of new commercial and military aircraft programs. We are currently working with our customers on projects to supply components for a number of commercial, general aviation, and military aircraft programs. The Company may not be successful in obtaining contracts, or the Company may not be successful in the execution of contracts it obtains.

In cases where the Company secures contracts, cancellation, reductions, or delays of orders or contracts by our customers in any of these programs could also have a material adverse effect on revenues and earnings in this segment in any period. Such events could also result in the write-off of deferred charges that have been accumulated in anticipation of future revenue streams.

The Company must successfully maintain and/or upgrade its information technology systems

The Company relies on various information technology systems to manage its operations. The Company is currently implementing modifications and upgrades to its systems, including replacing legacy systems with successor systems, making changes to legacy systems, and acquiring new systems with new functionality. For example, the Company began its implementation of the SAP enterprise resource planning system in the fourth quarter of 2006. This implementation subjects the Company to inherent costs and risks associated with replacing and changing these systems, including impairment of the Company s ability to fulfill customer orders, potential disruption of the internal control structure, substantial capital expenditures, demands on management time, and other risks of delays or difficulties in transitioning to new systems. These systems implementations may not result in productivity improvements at a level that outweighs the costs of implementation, or at all. Any information technology system disruptions, if not anticipated and appropriately mitigated, could have an adverse effect on the Company s business and operations.

Fluctuations in currency exchange rates could adversely affect the Company s business, financial condition, and results of operations

We operate our business in many regions of the world, and currency rate movements can have a significant effect on operating results. Changes in exchange rates can result in revaluation gains and losses that are recorded in Selling, Technical, General and Research expenses or Other income/expense, net. Revaluation gains and losses occur when our business units have intercompany or third-party trade receivable or payable balances in a currency other than their local reporting (or functional) currency. Operating results can also be affected by the translation of sales and costs, for each non-U.S. subsidiary, from the local functional currency to the U.S. dollar. The translation effect on the income statement is dependent on our net income or expense position in each non-U.S. currency in which we do business. A net income position exists when sales realized in a particular currency exceed expenses paid in that currency; a net expense position exists if the opposite is true.

The Company is subject to legal proceedings and legal compliance risks, and has been named as defendant in a large number of suits relating to the actual or alleged exposure to asbestos-containing products

We are subject to a variety of legal proceedings. Pending proceedings that the Company determines are material are disclosed in Item 3, Legal Proceedings, of this annual report. Litigation is an inherently unpredictable process and unanticipated negative outcomes are always possible. An adverse outcome in any period could have an adverse impact on the Company s operating results for that period.

We are also subject to a variety of legal compliance risks. While we believe that we have adopted appropriate risk management and compliance programs, the global and diverse nature of our operations means that legal compliance risks will continue to exist and related legal proceedings and other contingencies, the outcome of which cannot be predicted with certainty, are likely to arise from time to time. Failure to resolve successfully any legal proceedings related to compliance matters could have an adverse impact on our results in any period.

A substantial portion of the Company s assets includes goodwill, and impairment in the value of the Company s goodwill could adversely affect the Company s assets and net income

Goodwill represented 9.0% and 8.9% of the Company s total assets as of December 31, 2010 and 2009, respectively. In 2008, the Company recorded noncash charges of $72.7 million for impairment of goodwill, which was primarily due to adverse financial market conditions that caused a significant decrease in the market multiples and increase in the discount rates used in the impairment analysis.

The Company reviews goodwill and other long-lived assets 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 value may not be recoverable. The Company performs a test for goodwill impairment at least annually, in the second quarter of each year. If the Company were required to record additional impairment charges in future periods, it would have the effect of decreasing the Company s earnings (or increasing the Company s losses), and the Company s stock price could decline as a result.

Changes in performance of pension plan assets and assumptions used to estimate our pension and postretirement benefit costs and liabilities could adversely affect our liabilities and net income

We have pension and postretirement benefit costs and liabilities that are developed from actuarial valuations. As of December 31, 2010, liabilities under our defined benefit pension plans exceeded plan assets by $119.8 million ($44.7 million for the U.S. plan, $75.1 million for non-U.S. plans). Additionally, the liability for unfunded postretirement welfare benefits in the United States totaled $72.1 million.

We currently expect 2011 employer contributions under those plans to be approximately $18.5 million. Inherent in these valuations are key assumptions, including discount rates and return on plan assets, which are updated on an annual basis. We are required to consider current market conditions, including changes in interest rates, in making these assumptions. Changes in the related pension and postretirement benefit costs or credits may occur in the future due to changes in actual performance of pension plan investments and the assumptions used in the valuations. The amount of annual pension plan funding and annual expense is subject to many variables, including the investment return on pension plan assets and interest rates. Weakness in investment returns and low interest rates could result in higher benefit plan expense and the need to make greater pension plan contributions in future years.

Changes in or interpretations of tax rules, structures, country profitability mix, and regulations may adversely affect our effective tax rates

We are a United States based multinational company subject to tax in the United States and foreign tax jurisdictions. Unanticipated changes in our tax rates, or tax policies of the countries in which we operate, could affect our future results of operations. Our future effective tax rates could be unfavorably affected by changes in or interpretation of tax rules and regulations in the jurisdictions in which we do business, by structural changes in the Company s businesses, by unanticipated decreases in the amount of revenue or earnings in countries with low statutory tax rates, or by changes in the valuation of our deferred tax assets and liabilities.

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The Company has substantial deferred tax assets that could become impaired and result in a charge to earnings

The Company has a net deferred tax asset in several tax jurisdictions, including a U.S. asset of approximately $79.7 million at December 31, 2010. Realization of this and other deferred tax assets is dependent upon many factors, including generation of future income in specific countries. Lower than expected operating results, organizational changes, or changes in tax laws could result in those deferred tax assets becoming impaired, thus resulting in a charge to earnings.

Our business could be adversely affected by adverse outcomes of pending tax matters

The Company is currently under audit in U.S. and non-U.S. taxing jurisdictions, and the Company s position on certain tax matters relating to Germany and Canada are being contested by tax authorities in those countries. (These matters are discussed Note 8 of Notes to Consolidated Financial Statements.) While the Company believes that its positions are correct and that it has reserved adequately for such matters, a final adverse outcome with respect to one or more of these matters could have a material adverse impact on the Company s results in any period in which they occur.

The Company s insurance coverage may be inadequate to cover other significant risk exposures

In addition to asbestos-related claims, the Company may be exposed to other liabilities related to the products and services we provide. The Engineered Composites segment is engaged in designing, developing, and manufacturing components for commercial jet aircraft and defense and technology systems and products. The Company expects this portion of the business to grow in future periods. Although the Company maintains insurance for the risks associated with this business, there can be no assurance that the amount of our insurance coverage will be adequate to cover all claims or liabilities. In addition, there can be no assurance that insurance coverage will continue to be available to the Company in the future at a cost that is acceptable. Any material liability not covered by insurance could have a material adverse effect on the Company s business, financial condition, and results of operations.

Legal, technological, political, and scientific developments regarding climate change may create new risks for the Company

Although the Company has not determined that existing or pending laws and regulations related to the environment are reasonably likely to have a material effect on its financial condition or results of operation, it is possible that various proposed legislative or regulatory initiatives related to climate change such as cap-and-trade systems, increased limits on emissions of greenhouse gases, or other measures could in the future have a material impact on customers in each of our segments. For example, customers in the paper industry could be required to incur greater costs in order to comply with such initiatives, which could have an adverse impact on their profitability or viability. This could in turn lead to further changes in the structure of the paper industry that could reduce demand for our products. The Company also relies on electric power provided by public utilities to operate its facilities. Any increased costs experienced by such providers could be passed along to the Company and other power consumers in the form of higher rates, which could have a negative impact on our profitability.

Changes in or interpretations of tax rules, structures, country profitability mix,and regulations may adversely affect o

The Standish family has a significant influence on our company and could prevent transactions that might be in the best interests of our other stockholders

As of December 31, 2010, J. Spencer Standish and related persons (including Christine L. Standish and John C. Standish, both directors of the Company) and Thomas R. Beecher Jr., as sole trustee of trusts for the benefit of descendants of J. Spencer Standish, held in the aggregate shares entitling them to cast approximately 54% of the combined votes entitled to be cast by all stockholders of the Company. The Standish family has significant influence over the management and affairs and matters requiring stockholder approval, including the election of directors and approval of significant corporate transactions. The Standish family currently has, in the aggregate, sufficient voting power to elect all of our directors and determine the outcome of any shareholder action requiring a majority vote. This could have the effect of delaying or preventing a change in control or a merger, consolidation, or other business combination at a premium price, even though it might be in the best interest of our other stockholders.

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We are a controlled company within the meaning of the Corporate Governance Rules of the New York Stock Exchange (the NYSE) and qualify for, and rely on, certain exemptions from corporate governance requirements applicable to other listed companies

As a result of the greater than 50% voting power of the Standish family described above, we are a controlled company within the meaning of the rules of the NYSE. Therefore, we are not required to comply with certain corporate governance rules that would otherwise apply to us as a listed company on the NYSE. Specifically, we have elected to avail ourselves of the provision exempting a controlled company from the requirement that the Board of Directors include a majority of independent directors (as defined by the rules of the NYSE) and the requirement that the Compensation and Governance Committees each be composed entirely of independent directors. Should the interests of the Standish family differ from those of other stockholders, the other stockholders would not be afforded such protections as might otherwise exist if our Board of Directors, or these Committees, were controlled by directors who were independent of the Standish family or our management.

Item 1B. UNRESOLVED STAFF COMMENTS

None.

Item 2. PROPERTIES

Our principal manufacturing facilities are located in Brazil, Canada, China, France, Germany, Italy, Mexico, New Zealand, South Korea, Sweden, Turkey, the United Kingdom, and the United States. The aggregate square footage of our operating facilities in the United States and Canada is approximately 2.4 million square feet, of which 2.2 million square feet are owned and 0.2 million square feet are leased. Our facilities located outside the United States and Canada comprise approximately 3.3 million square feet, of which 3.2 million square feet are owned and 0.1 million square feet are leased. We consider these facilities to be in good condition and suitable for our purpose. The capacity associated with these facilities is adequate to meet production levels required and anticipated through 2010.

Item 3. LEGAL PROCEEDINGS

Asbestos Litigation

Albany International Corp. 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 that we previously manufactured. We 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.

We were defending against 5,158 claims as of February 11, 2011. This compares with 5,170 such claims as of October 29, 2010, 7,343 claims as of July 23, 2010, and 7,464 claims as of April 29, 2010. These suits allege a variety of lung and other diseases based on alleged exposure to products that we previously manufactured.

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 Dismissed,	New Claims	Closing Number of	Amounts Paid

	Claims	Settled, or Resolved		Claims	(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	18,385	9,482	42	8,945	88
2010	8,945	3,963	188	5,170	159
2011 to date	5,170	28	16	5,158	40

We anticipate that additional claims will be filed against the Company and related companies in the future, but are 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 our products. Pleadings and discovery responses in those cases in which work histories have been provided indicate claimants with paper mill exposure in approximately 15% of the total claims filed against the Company to date, and only a portion of those claimants have alleged time spent in a paper mill to which we are believed to have supplied asbestos-containing products.

The significant increase in the number of dismissed claims during 2009 and early 2010 is in large part the result of changes in the administration of claims assigned to the multidistrict litigation panel of the federal district courts (the MDL). Beginning in May 2007 the MDL issued a series of administrative orders intended to expedite the resolution of pending cases. Those orders provided a process to allow defendants to move for dismissal of claims that were noncompliant or were not being prosecuted. While there is no way to anticipate how many plaintiffs may attempt to refile their claims, that process resulted in the dismissal of numerous claims, either voluntarily or involuntarily. As of February 11, 2011, 758 claims remained against the Company in the MDL. This compares to 12,758 claims that were pending at the MDL as of February 6, 2009. Of these remaining 758 MDL claims, 429 were originally filed in state courts in Mississippi.

With respect to claims remaining at the MDL, the court has begun issuing scheduling orders that contain deadlines for the completion of discovery. The discovery conducted pursuant to these scheduling orders may yield more relevant information regarding work histories and the basis, if any, for a plaintiff s claim against the Company. The Company believes that the effects of this process may not be fully known or realized for some time. We therefore do not currently believe a meaningful estimate can be made regarding the range of possible loss with respect to the claims remaining at the MDL, although this conclusion could change as the MDL s efforts to advance resolution of these claims progresses.

As of February 11, 2011, the remaining 4,400 claims pending against the Company were pending in a number of jurisdictions other than the MDL. 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 we are believed to have supplied asbestos-containing products. For these reasons, we expect the percentage of these remaining claimants able to demonstrate time spent in a paper mill to which we supplied asbestos-containing products during a period in which our asbestos-containing products were in use to be considerably lower than the total number of pending claims. In addition, over half of these remaining 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, we do not believe a meaningful estimate can be made regarding the range of possible loss with respect to these remaining claims.

It is our position and the position of 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 our synthetic products was encapsulated in a resin-coated yarn woven into the interior of the fabric, further reducing the likelihood of fiber release. While we believe we have meritorious defenses to these claims, we have settled certain of these cases for amounts we consider reasonable given the facts and circumstances of each case. Our insurer, Liberty Mutual, has defended each case and funded settlements under a standard reservation of rights. As of February 11, 2011, we had resolved, by means of settlement or dismissal, 35,519 claims. The total cost of resolving all claims was $7.045 million. Of this amount, almost 100% was paid by our 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 we should be able to access.

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 7,868 claims as of February 11, 2010. This compares with 7,869 such claims as of October 28, 2010, 7,907 claims as of July 23, 2010 and April 29, 2010, and compares with 7,905 such claims as of February 16, 2010.

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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	1,182	730	9,114	0
2007	9,114	462	88	8,740	0
2008	8,740	86	10	8,664	0
2009	8,664	760	3	7,907	0
2010	7,907	47	9	7,869	0
2011 to date	7,869	1	0	7,868	0

We 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 February 11, 2011, Brandon has resolved, by means of settlement or dismissal, 9,719 claims for a total of $0.2 million. 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 February 11, 2011, 6,821 (or approximately 81%) of the claims pending against Brandon were pending in Mississippi. For the same reasons set forth above with respect to Albany s claims, as well as the fact that no amounts have been paid to resolve any Brandon claims since 2001, we do 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). We 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. We deny 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, we have successfully moved for dismissal in a number of actions.

While we do 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 our understanding of the insurance policies available, how settlement amounts have been allocated to various

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policies, our 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, we currently do not anticipate any material liability relating to the resolution of the aforementioned pending proceedings in excess of existing insurance limits. Consequently, we currently do 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 we cannot predict the number and timing of future claims, based on the foregoing factors and the trends in claims against us to date, we do not anticipate that additional claims likely to be filed against us in the future will have a material adverse effect on our financial position, results of operations, or cash flows. We are aware that litigation is inherently uncertain, especially when the outcome is dependent primarily on determinations of factual matters to be made by juries.

NAFTA Audits

The Company s affiliate in Mexico was recently notified by Mexican customs authorities that it expected to issue demands for duties on certain imports of PMC from the Company and the Company s affiliate in Canada for which the Company has claimed duty-free treatment under the North American Free Trade Agreement (NAFTA).

The notices result from a decision by the Mexican Servicio de Administración Tributaria (SAT) to invalidate NAFTA certificates provided by the Company on products shipped to its Mexican affiliate during the years 2006 through 2008. The Demand Notices arose from an SAT audit during 2010, at the conclusion of which the SAT determined that the Company had failed to provide documentation sufficient to show that the certificates were validly issued, and declared the certificates issued during this period to be invalid. The Company believes that the certificates of origin were valid and properly issued and has commenced administrative appeals with SAT disputing its resolutions.

The import duties identified in such notices to date are approximately US $2.5 million, and relate to only a portion of the shipments covered by the invalidated certificates.

In the event of an adverse ruling at the conclusion of the administrative appeal process, the Company would have an opportunity to appeal the outcome in Mexican Tax Court, during which it would have an opportunity to present evidence to establish the that shipments in question were of U.S. and Canadian origin and entitled to the benefits of NAFTA. As all of the shipments covered by the invalidated certificates were, in fact, of U.S. or Canadian origin, the Company expects that it will be able to demonstrate that the certificates were validly issued. The Company has been advised by counsel that, if this is the case, then the Tax Court is likely to revoke the SAT invalidation actions and rule in favor of the Company.

In the unlikely event that the Company were not to prevail, however, then it could become subject to additional demand notices for the balance of the shipments during the period from 2006 through 2008 covered by the invalidated certificates. If such demand notices were to be issued for all the shipments so covered, then the Company could be liable for duties aggregating between US $8.0 and $10.0 million. The Company has also been advised by counsel that SAT would likely seek additional antidumping duties and penalties which could increase these amounts by up to 900%, but that the possibility that SAT would succeed in obtaining such additional duties and penalties is remote. The Company also does not believe that it faces any material risk of certificates being invalidated with respect to any period other than the 2006 through 2008 audit period. For this reason, the Company does not feel that this matter is likely to have a material adverse effect on the Company s financial position, results of operations and cash flows.

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PART II

Item 5. MARKET FOR THE REGISTRANT S COMMON EQUITY, RELATED STOCKHOLDER MATTERS, AND ISSUER PURCHASES OF EQUITY SECURITIES

Our common stock is principally traded on the New York Stock Exchange under the symbol AIN. As of December 31, 2010, there were approximately 6,200 beneficial owners of our common stock, including employees owning shares through our 401(k) defined contribution plan. Our cash dividends and the high and low common stock prices per share were as follows:

Quarter Ended	March 31	June 30	September 30	December 31
2010				
Cash dividends per share	$ 0.12	$ 0.12	$ 0.12	$ 0.12
Class A Common Stock prices:				
High	$ 23.27	$ 25.73	$ 20.89	$ 25.62
Low	$ 18.32	$ 16.00	$ 15.06	$ 18.68
2009				
Cash dividends per share	$ 0.12	$ 0.12	$ 0.12	$ 0.12
Class A Common Stock prices:				
High	$ 13.72	$ 14.69	$ 20.53	$ 22.87
Low	$ 5.05	$ 7.95	$ 10.05	$ 16.39

Restrictions on dividends and other distributions are described in Note 13 of the Notes to Consolidated Financial Statements (see Item 8).

Disclosures of securities authorized for issuance under equity compensation plans and the performance graph are included under Item 12 of this Form 10-K.

In August 2006, we announced that the Board of Directors authorized management to purchase up to 2 million additional shares of our Class A Common Stock. The Board s action authorized management to purchase shares from time to time, in the open market or otherwise, whenever it believes such purchase to be advantageous to our shareholders, and it is otherwise legally permitted to do so. Management has made no share purchases under that authorization.

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Item 6. SELECTED FINANCIAL DATA

The following selected historical financial data have been derived from our Consolidated Financial Statements (see Item 8). The data should be read in conjunction with those financial statements and Management s Discussion and Analysis of Financial Condition and Results of Operations (see Item 7).

(in thousands, except per share amounts)	2010	2009	2008	2007	2006
Summary of Operations					
Net sales (1)	**$914,356**	$871,045	$1,086,517	$1,051,903	$986,827
Cost of goods sold (1) (2) (3)	**569,100**	576,745	724,484	679,612	599,857
Restructuring and other (2) (3)	**3,750**	72,445	38,653	27,625	5,936
Goodwill and intangible impairment charge (3) (4)			73,316		
Operating income/(loss) (1) (3)	**81,184**	(38,198)	(68,615)	33,196	90,583
Interest expense, net (5)	**17,240**	20,627	23,477	19,232	12,441
Income/(loss) from continuing operations (1) (3) (5)	**64,458**	(23,458)	(83,925)	11,137	57,139
(Loss)/income from discontinued operations (6)		(10,000)	6,479	1,851	(1,030)
Net income/(loss) (3) (5)	**37,636**	(33,458)	(77,446)	12,988	56,109
Basic income/(loss) from continuing operations per share (3) (5)	**2.07**	(0.77)	(2.82)	0.38	1.92
Basic net income/(loss) per share (3) (5)	**1.21**	(1.09)	(2.60)	0.44	1.88
Diluted net income/(loss) per share (3) (5)	**1.21**	(1.09)	(2.60)	0.44	1.85
Dividends declared per share	**0.48**	0.48	0.47	0.43	0.39
Weighted average number of shares outstanding basic	**31,072**	30,612	29,786	29,421	29,803
Capital expenditures	**27,334**	38,262	129,499	149,215	84,452
Financial position					
Cash	**$122,301**	$97,466	$106,571	$73,305	$68,237
Cash surrender value of life insurance		49,135	47,425	43,701	41,197
Property, plant and equipment, net	**488,121**	514,475	536,576	525,853	409,056
Total assets (3) (5)	**1,278,293**	1,345,149	1,403,750	1,524,239	1,305,892
Current liabilities	**165,855**	188,164	210,177	242,840	200,255
Long-term debt	**423,647**	483,922	508,386	419,926	323,794
Total noncurrent liabilities (5) (7)	**686,178**	734,372	761,944	684,633	604,720
Total liabilities (3) (5) (7)	**852,033**	922,536	972,121	927,473	804,975
Shareholders equity (3) (4) (5) (7)	**426,260**	422,613	431,629	596,766	500,917

(1) In 2008, we sold our Filtration Technologies business. Previously reported data for net sales, cost of sales, and operating income for years prior to 2008 have been adjusted to reflect only the activity from continuing operations.

(2) During the period 2006 through 2010, we recorded restructuring and other charges related to cost reduction initiatives.

(3) In 2010, in order to correct accounting errors at our subsidiary in France, we revised previously reported results, as described in Note 2 of the Notes to the Consolidated Financial Statements (see Item 8).

(4) In 2008, a Goodwill impairment charge of $72.7 million was recorded, as well as an Intangible impairment charge of $1.0 million for customer contracts.

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(5) In 2009, we adopted new accounting guidance for convertible debt instruments that may be settled in cash upon conversion, which required certain retrospective adjustments to the years 2008, 2007, and 2006. During 2009, we entered into agreements to exchange a portion of these convertible debt instruments for cash plus an equivalent amount of our Senior Notes (New Notes). In each case, we simultaneously entered into additional agreements to purchase the New Notes, which resulted in $52.0 million of pretax gains on early retirement of debt.

(6) In 2009, there was a $10.0 million purchase price adjustment related to the sale of the Filtration business, which was also paid during the year.

(7) In 2006, we adopted the new accounting guidance related to defined benefit pension and other postretirement plans, which resulted in a $59.6 million increase in pension liabilities and a $41.5 million decrease in shareholders equity.

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ITEM 7. 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, our Consolidated Financial Statements and the accompanying Notes. In addition, the results of operations below reflect previously reported revisions, as described in Note 2 to our Consolidated Financial Statements.

Overview

After a period of intense restructuring, the Company has become a portfolio of businesses, each with roots in advanced textiles and materials processing: Paper Machine Clothing (PMC), Albany Door Systems (ADS), Engineered Fabrics, PrimaLoft® Products, and Albany Engineered Composites, Inc. (AEC).

PMC remains the Company s core business segment and primary generator of cash. While the paper industry in our traditional geographic markets has suffered from well-documented overcapacity in the publication grades, especially newsprint, the industry is still expected to grow on a global basis, driven by demand for packaging and tissue grades, as well as the expansion of paper consumption and production in Asia and South America. Although we no longer consider the PMC industry as having significant growth potential, our PMC business has significant prospects for long-term cash-generation. We feel we are now well-positioned in this industry, with high-quality, low-cost production in growth markets, substantially lower fixed costs in mature markets, and continued strength in new product development and field services. We seek to maintain the cash-generating potential of this business by maintaining the low costs that we achieved through restructuring, and competing vigorously by using our differentiated products and services to reduce our customers total cost of operation and improve their paper quality.

During the recession, we focused on reducing fixed costs in each of the ADS, Engineered Fabrics, and Primaloft Products businesses. As global economies have improved, we hope to accelerate growth in these businesses with new products and by expanding our markets geographically, while preserving the margin improvements achieved during the downturn.

We believe that AEC provides the greatest growth potential, both near and long term, for our Company. Our goal is to develop AEC into a second core business by the end of this decade. Our strategy is to grow organically by focusing our proprietary technology on high-value aerospace and defense applications that cannot be served effectively by conventional composites. AEC supplies a number of customers in the aerospace industry. AEC s most significant aerospace customer is the SAFRAN Group, for whom we make braces for the Boeing 787 main landing gear, outer guide vanes for the CFM-56 engine, and fan blades and other components for the LEAP-X engine. AEC is also developing other new and potentially significant products for airframe (both civilian and military) and land-based defense applications.

Consolidated Results of Operations

Net sales

The following table summarizes our net sales by business segment:

(USD in thousands)	Years ended December 31, 2010	2009	2008
Paper Machine Clothing	**$ 613,510**	$ 598,590	$ 727,967
Albany Door Systems	**148,587**	133,423	189,348
Engineered Fabrics	**87,510**	86,216	101,118
Engineered Composites	**41,867**	33,824	46,666
PrimaLoft® Products	**22,882**	18,992	21,418
Total	**$ 914,356**	$ 871,045	$ 1,086,517
% change	**5.0%**	-19.8 %	

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2010 vs. 2009

Changes in currency translation rates had the effect of decreasing net sales by $3.3 million during 2010 as compared to 2009.

Excluding the effect of changes in currency translation rates, 2010 net sales increased 5.3% as compared to 2009.

Sales volume in 2010 increased in all of our business segments as worldwide economic conditions improved.

Orders and backlog in 2010 grew in each of our business segments, with the exception of AEC.

2009 vs. 2008

Changes in currency translation rates had the effect of decreasing net sales by $29.4 million in 2009 as compared to 2008.

Excluding the effect of changes in currency translation rates, 2009 net sales decreased 17.1% as compared to 2008.

Sales volume decreased significantly as orders declined in all of our business segments in comparison to 2008, reflecting the impact of the severe worldwide recession, especially in North America and Europe.

Backlog

Total backlog was $426.8 million, $365.1 million, and $419.6 million at December 31, 2010, 2009, and 2008, respectively. The increase in order backlog during 2010 is principally due to higher orders in our PMC and ADS segments. The backlog is generally expected to be invoiced during the next 12 months.

Outlook

The performance of our PMC and ADS segments and the Airbus re-engine decision in our AEC segment, made 2010 a very positive year for our Company; 2010 sales and order trends suggest a short-term outlook for continued improvement in year-over-year performance; and the underlying strategic strength demonstrated by each of our businesses during the year strengthens our confidence for the long term. As a result, we are well-positioned to continue to generate the cash needed to sustain our core business, and expand our growth businesses.

Gross Profit

The following table summarizes gross profit by business segment:

(USD in thousands)	Years ended December 31, 2010	2009	2008
Paper Machine Clothing	**$ 260,909**	$ 223,207	$ 268,203
Albany Door Systems	**50,493**	41,014	60,774
Engineered Fabrics	**29,516**	28,427	34,331
Engineered Composites	**(2,608)**	(2,487)	(6,122)
PrimaLoft® Products	**12,790**	8,853	9,551
Unallocated	**(5,844)**	(4,714)	(5,094)
Total	**$ 345,256**	$ 294,300	$ 361,643
% of Net Sales	**37.8%**	33.8%	33.3%

The increase in gross profit during 2010 was principally due to the net effect of the following:

$14.6 million increase due to higher company-wide sales reflecting growth and recovery in global economies, particularly in Asia.

$9.7 million increase due to higher profitability in our emerging businesses, as cost reduction initiatives and process improvements took effect.

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$7.3 million increase due to lower depreciation, primarily in our PMC business.
$11.6 million increase due to lower costs associated with PMC equipment relocation and idle capacity related to restructuring.
$12.9 million increase due to cost savings related to prior restructuring activities.
$1.6 million decrease due to inventory write-offs in our AEC segment.
$1.6 million decrease due to inventory write-offs in our PMC machinery building facility in France.

The decrease in gross profit during 2009 was principally due to the net effect of the following:

$64.9 million decrease due to lower total company sales as a result of the global recession.
$2.6 million decrease due to lower profitability in our ADS and EF businesses.
$7.9 million decrease due to higher costs associated with idle capacity in our PMC businesses related to plant closures as part of restructuring plans.
$3.2 million increase due to a write-off of inventory in our AEC business related to the Eclipse Aviation bankruptcy in 2008.
$4.4 million increase due to lower returns and allowance related to the resolution of quality issues in our process belts product line.
$7.0 million increase due to lower machinery relocation costs related to plant closures as part of restructuring plans.
$2.0 million decrease due to higher depreciation, primarily in our PMC business.

Selling, Technical, General, and Research (STG&R)

The following table summarizes STG&R by business segment:

(USD in thousands)	Years ended December 31, 2010	2009	2008
Paper Machine Clothing	**$ 104,846**	$ 118,736	$ 150,435
Albany Door Systems	**37,893**	37,002	43,192
Engineered Fabrics	**15,157**	15,975	19,939
Engineered Composites	**5,638**	3,875	12,875
PrimaLoft® Products	**6,180**	5,103	6,265
Research	**26,064**	23,849	21,004
Unallocated	**64,544**	55,513	64,579
Total	**$ 260,322**	$ 260,053	$ 318,289
% of Net Sales	**28.5%**	29.9 %	29.3 %

STG&R expenses for 2010 were flat with 2009, principally due to the net effect of the following:

Social costs increased $9.3 million, principally due to an increase of $9.2 million in U.S. pension and postretirement costs, which are included in unallocated expense. That increase in cost is principally due to amortization of the loss on pension assets that occurred in 2008, and lower expected investment return on U.S. pension assets.
Depreciation and amortization increased by $1.5 million related to ramping up amortization of capitalized SAP costs.
Revaluation of nonfunctional currency assets and liabilities provided a gain of $0.4 million compared to a loss of $2.7 million in 2009. The change to revaluation gains was principally due to the U.S. dollar strengthening against the euro, and the resulting effects on nonfunctional currency trade receivables and payables.
Gains on sales of buildings totaled $9.4 million in 2010.

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Income associated with company-held life insurance policies was zero in 2010 due to the redemption of those policies, and was $4.0 million in 2009; this income was included in unallocated expense.

SAP implementation expense, which is included in unallocated expense, decreased $1.4 million in 2010.

Global information expense, included in unallocated expense, decreased $1.6 million due to lower data and communication line costs.

The increase in research expense was due to activities that support the growth in our AEC segment.

The decrease in STG&R expenses during 2009 was principally due to the net effect of the following:

Wages decreased $18.6 million, principally due to effects of restructuring and cost reduction initiatives.

Social costs decreased $15.0 million, principally due to the proportional decrease in wages and a $2.7 million decrease in U.S. pension and postretirement costs, which are included in unallocated expense.

Bad debt expense was lower by $14.7 million, principally due to accounts receivable write-offs associated with the Eclipse Aviation bankruptcy during 2008.

Travel expense decreased $11.7 million and professional/outside consulting fees decreased $8.5 million due to company-wide cost reduction initiatives.

SAP implementation expense decreased $9.0 million, which are included in unallocated expense.

Rents and lease expense decreased $1.7 million due to an increase in plant space utilization.

Depreciation and amortization increased by $3.2 million related to increased amortization of capitalized SAP costs.

Revaluation of nonfunctional currency assets and liabilities resulted in a loss of $2.7 million compared to a gain of $6.1 million in 2008. The change to revaluation gains was principally due to the U.S. dollar weakening against the euro, and the resulting effects on nonfunctional currency trade receivables and payables.

Global information expense, included in unallocated expense, increased $1.9 million due to higher data and communication line costs.

Research expense increased $3.1 million, related to higher material and labor costs.

SAP Implementation

In 2006, we announced a plan to migrate our global enterprise resource planning system to SAP. SAP implementation expenses were $4.5 million, $5.9 million, and $14.9 million in 2010, 2009, and 2008, respectively. The decrease from 2008 to 2009 represents the drop-off of startup costs experienced during the early stages of the project. The final major implementation is expected in the first half of 2011. These expenses were not allocated to the reportable segments because they are the result of company-wide initiatives.

Operating Income

The following table summarizes operating income/(loss) by business segment:

(USD in thousands)	Years ended December 31, 2010	2009	2008
Paper Machine Clothing	**$ 152,359**	$ 37,530	$ 35,005
Albany Door Systems	**12,597**	(259)	16,635
Engineered Fabrics	**13,302**	8,141	(3,517)
Engineered Composites	**(9,176)**	(6,653)	(26,931)
PrimaLoft® Products	**6,610**	3,689	3,104
Research expense	**(26,064)**	(23,849)	(22,783)
Unallocated expenses	**(68,444)**	(56,797)	(70,128)
Total	**$ 81,184**	$ (38,198)	$ (68,615)

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In addition to the items discussed above affecting gross profit and STG&R, operating income in all years presented was reduced by restructuring costs, and operating income in 2008 was reduced by $73.3 million due to goodwill write-offs.

Restructuring Expense and Goodwill and Intangible Write-offs

The following table summarizes restructuring expense and goodwill and intangible write-offs by business segment:

(USD in thousands)	Restructuring Expense			Goodwill and Intangible Write-offs
Years ended December 31,	2010	2009	2008	2008
Paper Machine Clothing	**$ 3,705**	$ 66,941	$ 34,173	$ 48,590
Albany Door Systems	**3**	4,271	945	
Engineered Fabrics	**1,057**	4,311	156	17,753
Engineered Composites	**930**	291	972	6,973
PrimaLoft® Products		61	182	
Research expense			1,779	
Unallocated expenses	**(1,945)**	(3,430)	446	
Total	**$ 3,750**	$ 72,445	$ 38,653	$ 73,316

Restructuring

Restructuring expenses for all years presented are the result of previously announced restructuring and performance improvement plans affecting each of our reportable segments. The restructuring activities over the past three years were driven by the need for us to balance our manufacturing capacity with anticipated demand. We also took actions to reduce costs and to create process efficiencies within STG&R.

PMC restructuring activities include closure or significant reductions of manufacturing in Canada, France, Finland, Germany, Sweden, Australia, and the United States. Additionally, we incurred restructuring charges related to the centralization of our European administrative functions. Restructuring expense included provisions for property, plant, and equipment impairments of $1.2 million in 2010, $8.6 million in 2009, and $9.9 million in 2008. Restructuring related to dissolving a joint venture investment located in South Africa resulted in income of $0.4 million, and impairment provisions resulted in expense of $5.1 million in 2009. The process of closing manufacturing facilities in Europe and North America resulted in idle capacity costs of $2.6 million, $12.1 million, and $4.2 million in 2010, 2009, and 2008, respectively. We expect no idle capacity costs during 2011 associated with previously announced restructuring plans.

Our ADS business had restructuring expense in 2009 as the result of employee reductions, primarily in Lippstadt, Germany. Those terminations were part of our initiatives to reduce operating costs. The 2008 restructuring expense in ADS was due to our decision to close our door manufacturing facility in Halmstad, Sweden, as part of a plan to match our manufacturing capacity with business demands.

Our EF business was affected by restructuring expense during 2010 and 2009 related to our announced plan to discontinue manufacturing at our plant in Gosford, Australia. Other employee terminations in our EF manufacturing facilities in Europe and the United States, which are part of our company-wide initiative to reduce operating costs, contributed to restructuring expense during 2010 and 2009.

Research had restructuring expense in 2008 as a result of our announcement in April 2008 to shut-down our Mansfield, Massachusetts, facility and consolidate technical and manufacturing operations located there into other facilities in Europe and North America.

We also took actions to reduce our Corporate overhead expenses during 2009 and 2008, which resulted in net restructuring charges of income of $3.4 million during 2009 and expense of $0.4 million in 2008. Those restructuring charges are net of curtailment gains of $6.4 million in 2009 and $2.5 million in 2008, which are related to our pension and postretirement benefit plans. 2010 restructuring in unallocated expense was income of $1.9 million due to curtailment gains from our postretirement benefit plan associated with previously announced plant closures in the United States.

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Goodwill and Intangible Write-offs

As a result of a broad decline in equity markets and our Company s market capitalization, we performed an interim goodwill impairment test in the fourth quarter of 2008. As a result of that test, we recorded a goodwill impairment charge of $72.3 million. 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 impairment charge was driven by adverse financial market conditions that caused a significant decrease in market multiples and our Company s share price, and increases to discount rates.

Also in 2008, we recorded a charge of $1.0 million for a customer relationship intangible impairment related to Eclipse Aviation; this charge is included in our AEC segment.

Other Earnings Items

(USD in thousands)	Years ended December 31, 2010	2009	2008
Interest expense, net	**$ 17,240**	$ 20,627	$ 23,477
Other (income)/expense, net	**(514)**	(49,871)	296
Income tax expense/(benefit)	**26,882**	14,376	(7,892)
Equity in earnings/(losses) in associated companies	**60**	(128)	571
(Loss)/gain from discontinued operations		(10,000)	5,322
Income tax (benefit) from discontinued operations			(1,157)
Net income/(loss)	**$ 37,636**	($33,458)	($77,446)

Interest Expense, net

The decrease in interest expense, net in every year presented reflects lower average levels of debt outstanding. During 2010, we renegotiated our revolving credit agreement and entered into an interest rate swap agreement that fixes the interest rate on a portion of the debt. Interest expense is expected to be higher in 2011 as a result of the new agreements. See Capital Resources section below for further discussion of borrowings and interest rates.

Other (Income)/Expense, net

Other (income)/expense, net included the following:

Foreign currency revaluations of intercompany balances resulted in gains of $4.6 million, $2.2 million, and $0.1 million in 2010, 2009, and 2008, respectively. The changes in the gains are principally due to the U.S. dollar s relative strength against euro, Canadian dollar, Australian dollar, and Japanese yen.

Extinguishment of debt during 2009 resulted in gains totaling $52.0 million.

Amortization of capitalized debt issuance costs were $0.7 million, $0.6 million, and $1.3 million in 2010, 2009, and 2008, respectively.

Debt issuance costs were $2.9 million, $2.7 million, and $1.1 million in 2010, 2009, and 2008, respectively. The increase from 2008 to 2009 is due to fees associated with a letter-of-credit (LOC) that is required by the Canadian government until pending tax issues are resolved. We expect to resolve our tax issues with Canada during the second half of 2011, which will result in lower LOC fees.

Income Tax Expense/(Benefit)

The income tax expense during 2010 includes the following:

$3.7 million of expense due to gains from building sales.
$3.2 million of expense due to the current and future repatriation of earnings from other foreign subsidiaries.
$9.4 million of expense due to the redemption of our company-owned life insurance policies.

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$2.3 million of benefit due to the repatriation of prior year s earnings from our subsidiary in Mexico, which is a discrete item.

$0.5 million of benefit resulting from other discrete income tax adjustments.

Income tax expense during 2009 includes the following:

$20.3 million of expense from gains on note buybacks.

$5.3 million of expense from the provision for/resolution of tax audits and contingencies, which are discrete items.

$0.6 million of expense resulting from other discrete income tax adjustments.

Income tax expense during 2008 includes the following:

$3.6 million of expense from a change in our postretirement plan, which is a discrete item.

$2.9 million of expense from the provision for/resolution of tax audits and contingencies, which are discrete items.

$4.8 million of expense resulting from other discrete income tax adjustments.

Discontinued Operations

In 2008, we sold our Filtration Technologies business for approximately $45.0 million, which resulted in a 2008 pretax gain of $5.4 million. In 2009 we recorded a charge of $10.0 million representing a purchase price adjustment related to our sale of the Filtration Technologies business, which was paid during 2009. The charge results from an agreement for us to return a portion of the original $45.0 million purchase price to the purchaser in exchange for a release of certain future claims under the related sale agreement. In accordance with the applicable accounting guidance for the impairment or disposal of long-lived assets, the results of operations, including the proceeds from the purchase price adjustment of this business, have been reported as income/loss from discontinued operations for all periods presented. Cash flows of the discontinued operation were combined with cash flows from continuing operations in the consolidated statements of cash flows. The activities of this business are reported as a discontinued operation in 2009 and 2008.

Segment Results of Operations

Paper Machine Clothing Segment
Business Environment and Trends

PMC is our primary business segment and accounted for nearly 67% of our consolidated revenues during 2010. PMC is purchased primarily by manufacturers of paper and paperboard.

According to data published by RISI, Inc., paper and paperboard production decreased severely during 2009 and 2008 due to the global recession. The decline was especially pronounced in North America and Europe driven mainly by declining demand for newsprint and certain printing and writing grades. Paper and paperboard production recovered somewhat during 2010, but global production still remains well below pre-recession levels. According to RISI, global production is expected to grow at an annual rate of 3.3% over the next five years, driven primarily by secular demand increases in the Asia and South America, with stabilization in the mature markets of Europe and North America.

Shifting demand for paper, across different paper grades as well as across geographical regions, triggered the elimination of a large number of older, less efficient machines in areas with significant established capacity, primarily in the mature markets of Europe and North America. At the same time newer, faster, and more efficient machines were being installed in areas of growing demand. Recent technological advances in PMC, while contributing to the papermaking efficiency of customers, have lengthened the useful life of many of our products and had an adverse impact on overall PMC demand. These factors help to explain why PMC revenue growth has not kept pace with the rate of growth in paper production.

Our strategy for meeting the challenges of shifting demand has been (a) to grow share in these mature markets with new products and technology, and (b) to adjust our manufacturing footprint to align with global demand through a company-wide three-year restructuring and performance-improvement program, which included significant investment in Asia and South America. While the restructuring program is largely completed, we will to continue to use new products and technology to drive share growth in mature markets, while we offset the effects of inflation through continuous productivity improvement.

During the process of adjusting our manufacturing footprint to align with global demand, we incurred significant restructuring charges as we reduced PMC manufacturing capacity in the United States, Canada, Germany, Finland, France, and Australia. We also incurred costs for idle capacity and equipment relocation that were related to the shutdown of these plants, and underutilized costs related to the new PMC plant in China. Expenses related to these items were included in Cost of Goods Sold in the periods in which they were incurred. In addition, we incurred restructuring charges related to the centralization of PMC administrative functions in Europe, and reorganization of our research and development function that has improved our ability to bring value-added products to market faster.

Economic conditions over the past three years have had a significant impact on the structure of the global PMC industry. The ability to make and sell paper machines and PMC together could be perceived as providing a competitive advantage, and during the recent recession two of our competitors were acquired by paper machine builders. One of our competitors filed for bankruptcy and reorganized itself, reducing some of the indebtedness on its balance sheet. Some of the aggressive pricing practices that contributed to price erosion during the recession seem to have abated, as prices have remained relatively stable over the past few quarters. Future price erosion, especially in the mature markets of Europe and North America, remains a risk. We would expect such risk to be greatest were there to be any return to recession or general economic uncertainty, or if there is any future secular reduction in demand for certain printing and writing paper grades. The Company s strategy for responding to these developments is to continue to create higher quality, higher performing products and services that deliver greater value to our customers.

Review of Operations

(USD in thousands)	Years ended December 31, 2010	2009	2008
Net sales	**$ 613,510**	$ 598,590	$ 727,967
% change from prior year	**2.5%**	-17.8 %	
Gross profit	**260,909**	223,207	268,203
% of net sales	**42.5%**	37.3 %	36.8 %
Operating income	**152,359**	37,530	35,005
Backlog	**364,125**	313,167	370,604
% change from prior year	**16.3%**	-15.5 %	

Net Sales

2010 vs. 2009

Changes in currency translation rates had the effect of decreasing 2010 sales by $1.9 million.
Excluding the effect of changes in currency translation rates, 2010 sales increased 2.8%.
The increase in 2010 sales was primarily in Asia and other emerging regions.
Sales were relatively flat in North America and Europe as those markets stabilized during the year.
2010 net sales increased by $2.2 million due to lower sales returns and allowances accruals, primarily due to the resolution of quality issues in our pressing fabrics product-line.

2009 vs. 2008

Changes in currency translation rates had the effect of decreasing 2009 sales by $17.2 million.
Excluding the effect of changes in currency translation rates, 2009 sales decreased 15.4%.
The decrease principally relates to the broad economic weakness that began during the second half of 2008.

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Sales were lower in every region, with the exception of South America, which grew 8.2% over 2008.
Sales in North America and Europe were 12.9% and 30.7% lower than 2008.
Sales in Asia were significantly lower in Q1 2009 as compared Q4 2008, but grew sequentially and ended with Q4 2009 sales at higher-level than any quarter in 2008.
2009 net sales increased by $2.5 million due to lower sales returns and allowances accruals, primarily due to the resolution of quality issues in our process belts product line.

Gross Profit

The increase in 2010 gross profit was principally due to the net effect of the following:

$6.3 million increase due to higher sales.
$12.3 million increase due to lower idle capacity.
$1.0 million increase due to lower machinery and equipment relocation costs.
$5.9 million increase due to lower depreciation expense.
$12.9 million increase due to lower manufacturing costs as a result of prior year restructuring activities and cost reduction initiatives.

The decrease in 2009 gross profit was principally due to the net effect of the following:

$54.1 million decrease due to lower sales.
$7.9 million decrease due to higher idle capacity.
$7.0 million increase due to lower machinery and equipment relocation costs.
$5.0 million increase due to lower underutilization costs representing primarily negative production variances with the startup of our plant in Hangzhou, China.

Operating Income

The increase in 2010 operating income was principally due to the net effect of the following:

$37.7 million increase due to higher gross profit.
Revaluation of nonfunctional currency assets and liabilities provided a gain of $1.8 million compared to a loss of $2.0 million in 2009. The change to revaluation gains was principally due to the U.S. dollar strengthening against the euro, and the resulting effects on nonfunctional currency trade receivables and payables.
$9.4 million increase due to gains on building sales.
$63.2 million increase due to lower restructuring costs.

The decrease in 2009 operating income was principally due to the net effect of the following:

$45.0 million decrease due to lower gross profit.
$13.0 million increase due to lower wages.
$6.8 million increase due to lower social cost in proportion to lower wages.
$5.0 million increase due to lower bad debt expense.
$5.7 million increase due to lower travel expense.
$1.3 million increase due to lower rent expense.
$32.8 million decrease due to higher restructuring expense.
2008 included $48.6 million in goodwill write-offs.

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Outlook

At the end of 2010, prices in this segment were stable, with orders and order-to-sales ratios higher than at the end of 2009. In the longer term, the strength of this business in all of the growth regions and grades of the global paper industry makes it well positioned to sustain strong cash flow generation. Barring a resurgence of price erosion, our ability to sustain year-over-year profitability in this segment will be determined by our ability to offset inflation in the cost of labor and materials while continuing to provide our customers with superior products and service.

Albany Door Systems Segment
Business Environment and Trends

ADS derives approximately 70% of its revenue from the sale of high-performance doors, with the balance derived from aftermarket parts and service which carry a higher profit margin. Geographically, approximately two-thirds of segment revenue comes from our European operations. Historically, sales volume in this segment has been tightly connected to gross domestic product, which is the principal driver of the change in sales from 2008 to 2010. As the global economy emerges from the recession, our priorities in this segment are:

Acceleration of new product introduction, which represents a major source of competitive advantage
Expansion of our aftermarket business
Geographic expansion

Review of Operations

(USD in thousands)	Years ended December 31,		
	2010	2009	2008
Net sales	**$ 148,587**	$ 133,423	$ 189,348
% change from prior year	**11.4%**	-29.5 %	
Gross profit	**50,493**	41,014	60,774
% of net sales	**34.0%**	30.7 %	32.1 %
Operating income	**12,597**	(259)	16,635
Backlog	**19,174**	10,674	16,411
% change from prior year	**79.6%**	-35.0 %	

Net Sales

2010 vs. 2009

Changes in currency translation rates had the effect of decreasing 2010 sales by $1.0 million.
Excluding the effect of changes in currency translation rates, 2010 sales increased 12.1%.
Sales of new products and aftermarket sales were increased 11.5% and 11.2%, respectively, as economies improved in North America and Europe.
Sales in this segment were helped by increased capital investment and repairs projects that were delayed due to lack of confidence in global markets and liquidity problems during 2009.
Half of the increase in new products sales was in North America, while the other half was split between Europe and Asia.
More than half of the increase in aftermarket sales was experienced in Europe, primarily Germany.

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2009 vs. 2008

Changes in currency translation rates had the effect of decreasing 2009 sales by $8.2 million.
Excluding the effect of changes in currency translation rates, 2009 sales decreased 25.2%.
Sales of new products were 34.8% lower during 2009 as customers spent less on capital expenditure due to the weakness of the overall economy.
New product sales were lower in every quarter during 2009 as compared with Q4 2008, with some improvement during Q4 2009 as compared to the first three quarters of the year, which is consistent with normal seasonal patterns.
In comparison to 2008, aftermarket sales were 17.3% lower in 2009 and remained lower in the first three quarters of 2009, increasing to a level during Q4 2009 consistent with the sales level in Q4 2008.
The sales trends in North America and Europe were similar, with sales in the first three quarters of 2009 showing continuing weakness followed by increases in Q4 2009.

Gross Profit

The increase in 2010 gross profit was principally due to the net effect of the following:

$4.7 million increase due to higher sales.
$4.4 million increase in profitability due to prior year restructuring and process improvement initiatives.
$0.4 million increase due to lower machinery and equipment relocation costs.
The decrease in 2009 was principally due to the net effect of the following:

$18.0 million decrease due to lower sales.
$1.4 million decrease in profitability due to lower aftermarket sales, which carry a higher level of margin.
$0.4 million decrease due to higher machinery and equipment relocation costs.

Operating Income

The increase in 2010 operating income was principally due to the following:

$9.5 million increase due to higher gross profit.
$0.4 million increase due to lower bad debt expense.
$4.3 million increase due to lower restructuring costs.
The decrease in 2009 operating income was principally due to the net effect of the following:

$19.8 million decrease due to lower gross profit.
$4.2 million increase due to lower wages in selling and technical costs.
$0.9 million increase due to lower travel expenses.
$3.3 million decrease due to higher restructuring costs.

Outlook

Strong sales and stronger order backlog during 2010, as compared to 2009, along with past performance trends in this segment suggests that ADS revenues should continue to strengthen as GDP in Germany and the U.S. improves, with sales following the normal seasonal pattern of highs in Q4 and lows in Q2 and Q3.

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Engineered Fabrics Segment
Business Environment and Trends

EF manufactures products similar to PMC, but for customers in industries other than paper. The largest portion of revenue in this segment is derived from sales to the nonwovens industry, which includes the manufacture of diapers, personal care and household wipes. Other markets that are served by this segment are businesses adjacent to the paper industry, and manufacturers of tannery, textile and building products Segment sales in the European and Pacific regions combined are almost at the same level as sales within the Americas.

Review of Operations

(USD in thousands)	Years ended December 31, 2010	2009	2008
Net sales	**$ 87,510**	$ 86,216	$ 101,118
% change from prior year	**1.5%**	-14.7 %	
Gross profit	**29,516**	28,427	34,331
% of net sales	**33.7%**	33.0 %	34.0 %
Operating income	**13,302**	8,141	(3,517)
Backlog	**23,493**	17,315	20,361
% change from prior year	**35.7%**	-15.0 %	