FEDERAL AGRICULTURAL MORTGAGE CORP
Form 10-K/A
June 01, 2011

As filed with the Securities and Exchange Commission on
June 1, 2011

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

FORM 10-K/A
(Amendment No. 1)

(Mark One)
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

¨ 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 001-14951

FEDERAL AGRICULTURAL MORTGAGE CORPORATION
(Exact name of registrant as specified in its charter)

Federally chartered instrumentality of the United States	52-1578738
(State or other jurisdiction of incorporation or organization)	(I.R.S. employer identification number)
1133 Twenty-First Street, N.W., Suite 600, Washington, D.C.	20036
(Address of principal executive offices)	(Zip code)

(202) 872-7700

(Registrant's telephone number, including area code)

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

Title of each class	Exchange on which registered
Class A voting common stock	New York Stock Exchange
Class C non-voting common stock	New York Stock Exchange

Securities registered pursuant to Section 12(g) of the Act: Class B voting common stock

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act.

Yes ¨ No x

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 ¨ 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 ¨

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 ¨ No ¨

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (17 C.F.R. §229.405) is not contained herein, and will not be contained, to the best of the registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. x

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer	¨	Accelerated filer	x
Non-accelerated filer	¨	Smaller reporting company	¨

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes ¨ No x

The aggregate market values of the Class A voting common stock and Class C non-voting common stock held by non-affiliates of the registrant were $12,317,821 and $121,443,133, respectively, as of June 30, 2010, based upon the closing prices for the respective classes on June 30, 2010 reported by the New York Stock Exchange. For purposes of this information, the outstanding shares of Class C non-voting common stock owned by directors and executive officers of the registrant were deemed to be held by affiliates. The aggregate market value of the Class B voting common stock is not ascertainable due to the absence of publicly available quotations or prices for the Class B voting common stock as a result of the limited market for, and infrequency of trades in, Class B voting common stock and the fact that any such trades are privately negotiated transactions.

As of March 4, 2011, the registrant had outstanding 1,030,780 shares of Class A voting common stock, 500,301 shares of Class B voting common stock and 8,753,160 shares of Class C non-voting common stock.

DOCUMENTS INCORPORATED BY REFERENCE

The definitive proxy statement relating to the registrant's 2011 Annual Meeting of Stockholders (portions of which are incorporated by reference into Part II and Part III of this Annual Report on Form 10-K as described herein).

EXPLANATORY NOTE

This Amendment No. 1 to the Federal Agricultural Mortgage Corporation's Annual Report on Form 10-K for the fiscal year ended December 31, 2010, which was filed March 16, 2011, is being filed to amend and restate the following items:

- The Statements of Cash Flows in Part II, Item 8 ("Financial Statements") are being amended and restated for the full years 2009 and 2010, as set forth in the Consolidated Statements of Cash Flows and in Note 15, RESTATEMENT OF ANNUAL CONSOLIDATED STATEMENTS OF CASH FLOWS, and as described in Note 2(b), SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CASH AND CASH EQUIVALENTS AND STATEMENTS OF CASH FLOWS.
- Management's Report on Internal Control over Financial Reporting is being amended to reflect the identification of a material weakness in conjunction with the restatement.
- The Report of Independent Registered Public Accounting Firm is being amended to reflect the identification of a material weakness in conjunction with the restatement.
- Part II, Item 9A, Controls and Procedures, is being amended to address management's re-evaluation of disclosure controls and procedures and reflect the identification of a material weakness in internal control over financial reporting in conjunction with the restatement.
  - To include a complete copy of Exhibit 10.43 (a redacted version of which had previously been filed in conjunction with a request for confidential treatment) and amended exhibit schedule (Item 15).
- Part IV, Item 15 also has been amended to include the currently dated certifications from the Corporation's Principal Executive Officer and Principal Financial Officer as required by section 302 and 906 of the Sarbanes Oxley Act of 2002. The certifications are attached to this Amendment No. 1 as Exhibits 31.3, 31.4 and 32.1.

This Amendment No. 1 to the Annual Report on Form 10-K also restates the interim financial statements for the three and nine months ended September 30, 2010 and 2009, and the three and six months ended June 30, 2010 and 2009 as set forth in Note 16, RESTATEMENT OF QUARTERLY CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS (Unaudited).

The restatements impacted only the classification of items in operating activities and investing activities set forth in the consolidated statements of cash flows and had no impact on the net increase in cash and cash equivalents as previously reported. In addition, the restatements had no effect on the Corporation's Consolidated Balance Sheets, Consolidated Statements of Operations, or Consolidated Statements of Changes in Equity. This Form 10-K/A has not been updated for other events or information subsequent to the date of the filing of the original Form 10-K, except as noted above.

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Item 8. Financial Statements

MANAGEMENT'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING (AS RESTATED)

The management of Farmer Mac is responsible for establishing and maintaining adequate internal control over financial reporting, as defined in Exchange Act Rule 13a-15(f). Internal control over financial reporting is a process designed under the supervision of Farmer Mac's Chief Executive Officer and Chief Financial Officer to provide reasonable assurance regarding the reliability of financial reporting and the preparation of the Corporation's financial statements for external purposes in accordance with accounting principles generally accepted in the United States of America.

Farmer Mac's internal control over financial reporting includes those policies and procedures that: (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the Corporation; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the Corporation are being made only in accordance with authorizations of management and directors of the Corporation; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of the Corporation's assets that could have a material effect on the consolidated financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Under the supervision and with the participation of the Corporation's Chief Executive Officer and Chief Financial Officer, Farmer Mac's management assessed the effectiveness of the Corporation's internal control over financial reporting as of December 31, 2010. In making this assessment, the Corporation's management used the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) in Internal Control - Integrated Framework. Based on its evaluation under the COSO criteria, management initially concluded that the Corporation's internal control over financial reporting as of December 31, 2010 was effective. Subsequently, in second quarter 2011, management concluded that the Corporation did not maintain effective controls over the appropriate classifications of proceeds from the repayments of certain loans between operating and investing activities on the consolidated statements of cash flows. On May 10, 2011, the Corporation's Board of Directors authorized management to restate the Corporation's previously issued condensed consolidated statements of cash flows for the three, six and nine month periods ended March 31, 2010, and June 30 and September 30, 2010 and 2009, respectively, and its consolidated statements of cash flows for the years ended December 31, 2010 and 2009. Accordingly, management has concluded that the control deficiency that resulted in incorrect classifications of proceeds from the repayments of certain loans between operating and investing activities on the consolidated statements of cash flows constituted a material weakness as of December 31, 2010. Solely as a result of this material weakness, management has revised its earlier assessment and now has concluded that Farmer Mac's internal control over financial reporting was not effective as of December 31, 2010.

Farmer Mac's independent registered public accounting firm, PricewaterhouseCoopers LLP, has audited the effectiveness of the Corporation's internal control over financial reporting as of December 31, 2010, as stated in their report appearing below.

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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Stockholders of
Federal Agricultural Mortgage Corporation

In our opinion, the accompanying consolidated balance sheet as of December 31, 2010 and the related consolidated statements of operations, changes in equity, and cash flows for the year then ended present fairly, in all material respects, the financial position of the Federal Agricultural Mortgage Corporation ("Farmer Mac" or the "Company") at December 31, 2010, and the results of its operations and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America. Management and we previously concluded that Farmer Mac maintained effective internal control over financial reporting as of December 31, 2010. However, management has subsequently determined that a material weakness in internal control over financial reporting related to the incorrect classification of proceeds from the repayments of certain loans between operating and investing activities on the consolidated statement of cash flows existed as of that date. Accordingly, management's report has been restated and our present opinion on internal control over financial reporting, as presented herein, is different from that expressed in our previous report. In our opinion, the Company did not maintain, in all material respects, effective internal control over financial reporting as of December 31, 2010, based on criteria established in Internal Control - Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) because a material weakness in internal control over financial reporting related to incorrect classifications of proceeds from the repayments of certain loans between operating and investing activities on the consolidated statements of cash flows existed at that date. A material weakness is a deficiency, or a combination of deficiencies, in internal control over financial reporting, such that there is a reasonable possibility that a material misstatement of the annual or interim financial statements will not be prevented or detected on a timely basis. The material weakness referred to above is described in the accompanying Management's Report on Internal Control over Financial Reporting. We considered this material weakness in determining the nature, timing, and extent of audit tests applied in our audit of the 2010 consolidated financial statements, and our opinion regarding the effectiveness of the Company's internal control over financial reporting does not affect our opinion on those consolidated financial statements. The Company's management is responsible for these financial statements, for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting included in management's report referred to above. Our responsibility is to express an opinion on these financial statements and on Farmer Mac's internal control over financial reporting based on our integrated audit. We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement and whether effective internal control over financial reporting was maintained in all material respects. Our audit of the financial statements included examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audit also included performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinions. As discussed in Notes 2 and 15 to the consolidated financial statements, Farmer Mac has restated its 2010 consolidated financial statements to correct an error.

As discussed in Note 2 to the consolidated financial statements, Farmer Mac changed the manner in which it accounts for transfers of financial assets and consolidation for variable interest entities in 2010.

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

/s/ PricewaterhouseCoopers LLP

McLean, Virginia

March 16, 2011, except for the effects of the restatement described in Notes 2 and 15 to the consolidated financial statements and the matters described in Management's Report on Internal Control over Financial Reporting, as to which the date is June 1, 2011.

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Stockholders of
Federal Agricultural Mortgage Corporation
Washington, DC

We have audited the accompanying consolidated balance sheet of Federal Agricultural Mortgage Corporation and subsidiaries ("Farmer Mac") as of December 31, 2009 and the related consolidated statements of operations, changes in equity, and cash flows for each of the two years in the period ended December 31, 2009. These financial statements are the responsibility of Farmer Mac's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, such consolidated financial statements present fairly, in all material respects, the financial position of Federal Agricultural Mortgage Corporation and subsidiaries at December 31, 2009 and the results of their operations and their cash flows for each of the two years in the period ended December 31, 2009, in conformity with accounting principles generally accepted in the United States of America.

As discussed in Note 14 to the consolidated financial statements, Farmer Mac revised its Segment Information to reflect the manner in which its chief operating decision maker had begun assessing Farmer Mac's performance and making resource allocation decisions. Farmer Mac's Segment Information from prior periods has been reclassified in accordance with the new segment financial reporting.

As discussed in Note 15 to the consolidated financial statements, the consolidated statement of cash flows for the year ended December 31, 2009 has been restated.

/s/ Deloitte & Touche LLP

McLean, Virginia
March 16, 2010
(August 4, 2010 as to Note 14 and June 1, 2011 as to Note
2(b) and Note 15)

FEDERAL AGRICULTURAL MORTGAGE CORPORATION AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS

	As of December 31,	
	2010	2009
	(in thousands)	
Assets:		
Cash and cash equivalents	$729,920	$654,794
Investment securities:		
Available-for-sale, at fair value	1,677,233	1,041,923
Trading, at fair value	86,096	89,972
Total investment securities	1,763,329	1,131,895
Farmer Mac Guaranteed Securities:		
Available-for-sale, at fair value	2,907,264	2,524,867
Trading, at fair value	-	874,129
Total Farmer Mac Guaranteed Securities	2,907,264	3,398,996
USDA Guaranteed Securities:		
Available-for-sale, at fair value	1,005,679	-
Trading, at fair value	311,765	-
Total USDA Guaranteed Securities	1,317,444	-
Loans:		
Loans held for sale, at lower of cost or fair value	1,212,065	666,534
Loans held for investment, at amortized cost	90,674	93,478
Loans held for investment in consolidated trusts, at amortized cost	1,265,663	-
Allowance for loan losses	(9,803)	(6,292)
Total loans, net of allowance	2,558,599	753,720
Real estate owned, at lower of cost or fair value	1,992	739
Financial derivatives, at fair value	41,492	15,040
Interest receivable	90,295	67,178
Guarantee and commitment fees receivable	34,752	55,016
Deferred tax asset, net	14,530	24,146
Prepaid expenses and other assets	20,297	37,289
Total Assets	$9,479,914	$6,138,813
Liabilities, Mezzanine Equity and Equity:		
Liabilities:		
Notes payable:		
Due within one year	$4,509,419	$3,662,898
Due after one year	3,430,656	1,908,713
Total notes payable	7,940,075	5,571,611
Debt securities of consolidated trusts held by third parties	827,411	-
Financial derivatives, at fair value	113,687	107,367
Accrued interest payable	57,131	39,562
Guarantee and commitment obligation	30,308	48,526
Accounts payable and accrued expenses	22,113	23,445
Reserve for losses	10,312	7,895
Total Liabilities	9,001,037	5,798,406
Commitments and Contingencies (Note 12)		
Mezzanine Equity:		
	-	144,216

Series B redeemable preferred stock, par value $1,000 per share, 150,000 shares authorized, issued and outstanding as of December 31, 2009 (redemption value $150,000,000)		
Equity:		
Preferred stock:		
Series C, par value $1,000 per share, 100,000 shares authorized, 57,578 shares issued and outstanding	57,578	57,578
Common stock:		
Class A Voting, $1 par value, no maximum authorization, 1,030,780 shares outstanding	1,031	1,031
Class B Voting, $1 par value, no maximum authorization, 500,301 shares outstanding	500	500
Class C Non-Voting, $1 par value, no maximum authorization, 8,752,711 shares outstanding as of December 31, 2010 and 8,610,918 shares outstanding as of December 31, 2009	8,753	8,611
Additional paid-in capital	100,050	97,090
Accumulated other comprehensive income	18,275	3,254
Retained earnings	50,837	28,127
Total Stockholders' Equity	237,024	196,191
Non-controlling interest - preferred stock	241,853	-
Total Equity	478,877	196,191
Total Liabilities, Mezzanine Equity and Equity	$9,479,914	$6,138,813

See accompanying notes to consolidated financial statements.

FEDERAL AGRICULTURAL MORTGAGE CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF OPERATIONS

	For the Year Ended December 31, 2010	2009
	(in thousands, except per share amounts)	
Interest income:		
Investments and cash equivalents	$27,497	$28,727
Farmer Mac and USDA Guaranteed Securities	86,742	109,779
Loans	124,472	37,987
Total interest income	238,711	176,493
Total interest expense	142,668	90,585
Net interest income	96,043	85,908
Provision for loan losses	(1,893)	(2,853
Net interest income after provision for loan losses	94,150	83,055
Non-interest income/(loss):		
Guarantee and commitment fees	24,091	31,805
(Losses)/gains on financial derivatives	(17,159)	21,297
Gains/(losses) on trading assets	5,270	43,273
Other-than-temporary impairment losses	-	(3,994
Gains on sale of available-for-sale investment securities	266	3,353
Gains on sale of loans and Farmer Mac Guaranteed Securities	-	1,581
Gains on repurchase of debt	-	-
Gain on sale of REO	10	-
Lower of cost or fair value adjustment on loans held for sale	(8,748)	(139
Other income	1,244	1,578
Non-interest income/(loss)	4,974	98,754

Non-interest expense:		
Compensation and employee benefits	17,232	13,683
General and administrative	8,564	11,167
Regulatory fees	2,243	2,100
Real estate owned operating costs, net	2,171	353
Provision for losses	2,417	2,389
Non-interest expense	32,627	29,692
Income/(loss) before income taxes	66,497	152,117
Income tax expense/(benefit)	13,797	52,517
Net income/(loss)	52,700	99,600
Less: Net income attributable to non-controlling interest - preferred stock dividends	(20,707)	-
Net income/(loss) attributable to Farmer Mac	31,993	99,600
Preferred stock dividends	(4,129)	(17,302
Loss on retirement of preferred stock	(5,784)	-
Net income/(loss) available to common stockholders	$22,080	$82,298

Earnings/(loss) per common share and dividends:

We conduct business globally and, as a result, the Company files income tax returns in the
various state and foreign jurisdictions. In the normal course of business we are subject to ex
throughout the world, including major jurisdictions such as the United States, Brazil, Canad
Mexico, and Switzerland. The open tax years in these jurisdictions range from 2000 to 201
in the U.S. and in other non-U.S. tax jurisdictions, including but not limited to Canada, Ger

It is reasonably possible that over the next twelve months the amount of unrecognized tax b
range of a net increase of $4.4 million to a net decrease of $3.0 million, from the reevaluati
arising in examinations, in appeals, or in the courts, or from the closure of tax statutes.

The Company previously recognized current and deferred tax benefits of approximately $2
income tax returns filed in Germany related to a 1999 reorganization that have been challen
authorities in the course of an audit. In 2008 the German Federal Tax Court (FTC) denied t
a case involving German tax laws relevant to our reorganization. One of these cases involv
the ruling in that case, the FTC acknowledged that the German law in question may be viol
principles and referred the issue to the European Court of Justice (ECJ) for its determinatio
2009, the ECJ issued an opinion in this case that is generally favorable to the other taxpaye
the FTC for further consideration. In May 2010, the FTC

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released its decision, in which it resolved certain tax issues that may be relevant to our audi lower court for further development. In 2012, the lower court decided in favor of the taxpay the findings to the FTC. On July 2, 2014, the FTC conducted a hearing in the aforemention taxpayer, and the taxpayer lost. The final written decision of the FTC was published during 2014. Although the decision of the FTC in the case is not determinative of the outcome in c conclusion of this matter as an opportunity to approach the German tax authorities with the We were required to pay tax and interest of approximately $14.5 million to the German tax our appeal position. In anticipation of a settlement, a portion of the prepaid taxes and intere tax assets were adjusted downward by $6.3 million in the third quarter of 2014 and by $5.8 2015. The recognition of the uncertain tax position in deferred tax assets was partially offse allowance that offset the deferred tax assets. The remaining tax benefits sustained on the bo benefits that were recognized in earlier tax years. Included in the range above are approxim that will continue to be challenged by the German tax authorities if the terms of the anticipa

8. Earnings Per Share

The amounts used in computing earnings per share and the weighted average number of sha securities are as follows:

(in thousands, except market price and earnings per share)	Three months ended September 30, 2015	2014	N Se 20
Net income attributable to the Company	**$9,658**	$11,812	**$1**
Weighted average number of shares:			
Weighted average number of shares used in calculating basic net income per share	**32,012**	31,848	**31**
Effect of dilutive stock-based compensation plans:			
Stock options	**43**	98	**63**
Weighted average number of shares used in calculating diluted net income per share	**32,055**	31,946	**32**
Average market price of common stock used for calculation of dilutive shares	**$33.89**	$37.20	**$3**
Earnings per share attributable to Company shareholders:			
Basic	**$0.30**	$0.37	**$0**
Diluted	**$0.30**	$0.37	**$0**

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9. Accumulated Other Comprehensive Income/ (Loss)

The table below presents changes in the components of AOCI for the period December 31,

(in thousands)	Translation adjustments		Pension an postretiren liability adjustment
December 31, 2014	**($55,240**	**)**	**($51,666**
Other comprehensive income/(loss) before reclassifications	(44,316	)	1,735
Interest expense related to swaps reclassified to the Statement of Income, net of tax	-		-
Pension and postretirement liability adjustments reclassified to Statement of Income, net of tax	-		714
Net current period other comprehensive income/(loss)	(44,316	)	2,449
September 30, 2015	**($99,556**	**)**	**($49,217**

The table below presents changes in the components of AOCI for the period December 31,

(in thousands)	Translation adjustments		Pension ar postretire liability adjustmer
December 31, 2013	**($138**	**)**	**($48,383**
Other comprehensive income/(loss) before reclassifications	(30,703	)	998
Interest expense related to swaps reclassified to the Statement of Income, net of tax	-		-
Pension and postretirement liability adjustments reclassified to Statement of Income, net of tax	-		421
Net current period other comprehensive income/(loss)	(30,703	)	1,419
September 30, 2014	**($30,841**	**)**	**($46,964**

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The table below presents the expense/(income) amounts reclassified, and the line items of t
were affected for the periods ended September 30, 2015 and 2014.

(in thousands)	Three mor September 2015
Pretax Derivative valuation reclassified from Accumulated Other Comprehensive Income/(loss):	
Payments made on interest rate swaps included in Income before taxes(a)	**$587**
Income tax effect	**(229)**
Effect on net income due to items reclassified from Accumulated Other Comprehensive Income/(loss)	**$358**
Pretax pension and postretirement liabilities reclassified from Accumulated Other Comprehensive Income/(loss):	
Amortization of prior service credit	**($1,110)**
Amortization of net actuarial loss	**1,462**
Total pretax amount reclassified (b)	**352**
Income tax effect	**(123)**
Effect on net income due to items reclassified from Accumulated Other Comprehensive Income/(loss)	**$229**

(a) Included in Interest expense.

(b) These accumulated other comprehensive income/ (loss) components are included in the pension cost (see Note 4).

10. Accounts Receivable

Accounts receivable includes trade receivables and revenue in excess of progress billings o
Albany Engineered Composites business. The Company maintains allowances for doubtful
resulting from the inability of its customers to make required payments. The Company dete
historical write-off experience, customer-specific facts and economic conditions. If the fina
customers were to deteriorate, resulting in an impairment of their ability to make payments
required.

As of September 30, 2015 and December 31, 2014, Accounts receivable consisted of the fo

(in thousands)	September 30, 2015	December 31, 2014
Trade and other accounts receivable	**$132,749**	$136,479
Bank promissory notes	**15,858**	17,426
Revenue in excess of progress billings	**12,134**	13,045
Allowance for doubtful accounts	**(8,833)**	(8,713)
Total accounts receivable	**$151,908**	$158,237

In connection with certain sales in Asia Pacific, the Company accepts a bank promissory no
notes may be presented for payment at maturity, which is less than one year.

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11. Inventories

Inventories are stated at the lower of cost or market, and are valued at average cost, net of r inventory are raw materials, labor, supplies, and allocable depreciation and overhead. The C possible impairment in the value of inventories. Such reserves can be specific to certain inv judgments about the overall condition of the inventory. General reserves are established ba applied to aged inventories, or for inventories that are slow-moving. If actual results differ inventory write-downs may be necessary. These general reserves for aged inventory are rel the inventory is sold.

As of September 30, 2015 and December 31, 2014, inventories consisted of the following:

(in thousands)	**September 30, 2015**	**December 31, 2014**
Raw materials	**$28,971**	$27,006
Work in process	**45,253**	43,512
Finished goods	**36,041**	36,756
Total inventories	**$110,265**	$107,274

12. Goodwill and Other Intangible Assets

Goodwill and intangible assets with indefinite useful lives are not amortized, but are tested Goodwill represents the excess of the purchase price over the fair value of the net tangible acquired in each business combination. Our reporting units are consistent with our operatin

Determining the fair value of a reporting unit requires the use of significant estimates and a growth rates, operating margins, discount rates, and future market conditions, among others assets are reviewed for impairment whenever events, such as significant changes in the bus changes in product offerings, or other circumstances indicate that the carrying amount may

To determine fair value, we utilize two market-based approaches and an income approach. approaches, we utilize information regarding the Company as well as publicly available inc earnings multiples and sales multiples. Under the income approach, we determine fair valu flows of each reporting unit, discounted by an estimated weighted-average cost of capital, inherent risk of a reporting unit and the rate of return an outside investor would expect to e

The entire balance of goodwill on our books is attributable to the Machine Clothing busine the Company applied the qualitative assessment approach in performing its annual evaluati that no impairment provision was required. There were no amounts at risk due to the large carrying values.

We are continuing to amortize certain patents, trade names, customer contracts and technol
The changes in intangible assets and goodwill from December 31, 2014 to September 30, 2

(in thousands)	December 31, 2014	Amortization	Currency Translation	September 2015
Amortized intangible assets:				
AEC trade names	$29	($3)	$-	**$26**
AEC customer contracts	202	(152)	-	**50**
AEC technology	154	(18)	-	**136**
Total amortized intangible assets	$385	($173)	$-	**$212**
Unamortized intangible assets:				
Goodwill	$71,680	$-	($4,090)	**$67,590**

Estimated amortization expense of intangibles for the years ending December 31, 2015 thro

Year	Annual amortization (in thousands)
2015	$231
2016	29
2017	29
2018	29
2019	29

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13. Financial Instruments

Long-term debt, principally to banks and bondholders, consists of:

(in thousands, except interest rates)

Private placement with a fixed interest rate of 6.84%, due 2015 and 2017

Credit agreement with borrowings outstanding at an end of period interest rate of 2.36% in 2015 and 2.69% in 2014 (including the effect of interest rate hedging transactions, as described below), due in 2020

Various notes and mortgages relative to operations principally outside the United States, at an average end of period rate of 5.5% in 2015 and 2014, due in varying amounts through 2021

Long-term debt

Less: current portion

Long-term debt, net of current portion

A note agreement and guaranty ("Prudential Agreement") was originally entered into in Oc
Insurance Company of America, and certain other purchasers, with interest at 6.84% and a
2017. The remaining obligation under the Prudential Agreement of $100 million has a man
due on October 25, 2015, and the final payment is due October 25, 2017. At the noteholder
may also be required in connection with certain asset dispositions or financings. The notes
without a premium, under certain market conditions. The Prudential Agreement contains cu
affirmative covenants, negative covenants, and events of default, comparable to those in ou
agreement (as described below). The Prudential Agreement has been amended a number of
2015, in order to maintain terms comparable to our current principal credit facility. For disc
to measure the fair value of outstanding debt on a recurring basis. As of September 30, 201
approximately $106.5 million, and was measured using active market interest rates, which
fair value measurement purposes.

On June 18, 2015, we entered into a $400 million, unsecured Five-Year Revolving Credit F
Agreement"), under which $170 million of borrowings were outstanding as of September 3
replaced a $330 million five-year credit agreement entered into in 2013. The applicable inte
the Credit Agreement is, as it was under the former agreement, LIBOR plus a spread, based
of borrowing. At the time of the last borrowing on September 16, 2015, the spread was 1.3
pricing grid, which ranges from 1.25% to 1.75%, based on our leverage ratio.

Our ability to borrow additional amounts under the Credit Agreement is conditional upon t
well as the absence of any material adverse change (as defined in the Credit Agreement). B

ratio and our Consolidated EBITDA (as defined in the Credit Agreement), and without mod
agreements, as of September 30, 2015, we would have been able to borrow an additional $2
Agreement.

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On July 16, 2010, we entered into interest rate hedging transactions that had the effect of fi
effective interest rate (before addition of the spread) on $105 million of the indebtedness. T
effective interest rate on $105 million of indebtedness at 2.04%, plus the applicable spread.
16, 2015.

On May 20, 2013, we entered into interest rate hedging transactions for the period July 16,
These transactions have the effect of fixing the LIBOR portion of the effective interest rate
on $110 million of indebtedness drawn under the Credit Agreement at the rate of 1.414% d
terms of these transactions, we pay the fixed rate of 1.414% and the counterparties pay a fl
one-month LIBOR rate at each monthly calculation date, which on September 16, 2015 wa
fix the effective interest rate on $110 million of indebtedness at 1.414%, plus the applicabl
On September 16, 2015, the all-in-rate on the $110 million of debt was 2.789%

On July 16, 2015, we entered into interest rate hedging transactions for the period March 1
These transactions have the effect of fixing the LIBOR portion of the effective interest rate
on $120 million of indebtedness drawn under the Credit Agreement at the rate of 2.43% du
of these transactions, we pay the fixed rate of 2.43% and the counterparties pay a floating r
LIBOR rate at each monthly calculation date, which on September 16, 2015 was 0.2100%.
effective interest rate on $120 million of indebtedness at 2.43%, plus the applicable spread,

These interest rate swaps are accounted for as a hedge of future cash flows, as further desc
Consolidated Financial Statements. No cash collateral was received or pledged in relation t

Under the Credit Agreement and Prudential Agreement, we are currently required to maint
the agreements) of not greater than 3.50 to 1.00 and minimum interest coverage (as define

As of September 30, 2015, our leverage ratio was 1.29 to 1.00 and our interest coverage rat
purchase our Common Stock or pay dividends to the extent our leverage ratio remains at o
make acquisitions with cash provided our leverage ratio would not exceed 3.50 to 1.00 afte
acquisition.

Indebtedness under each of the Prudential Agreement and the Credit Agreement is ranked e
unsecured senior debt.

We were in compliance with all debt covenants as of September 30, 2015.

14. Fair-Value Measurements

Fair value is defined as the exchange price that would be received for an asset or paid to tra
the principal or most advantageous market for the asset or liability in an orderly transaction
the measurement date. Accounting principles establish a hierarchy for inputs used in measu
the use of observable inputs and minimizes the use of unobservable inputs by requiring tha
used when available. Level 3 inputs are unobservable data points for the asset or liability, a
there is little, if any, market activity for the asset or liability. In 2015 we reclassified land a
manufacturing facility in Germany as Asset held for sale in the

accompanying Consolidated Balance Sheets. As of September 30, 2015 and December 31,
assets of $5.1 million and $9.1 million, respectively. The value as of September 30, 2015 w
preliminary offers from active market participants.

The following table presents the fair-value hierarchy for our Level 1 and Level 2 financial
liabilities measured at fair value on a recurring basis:

	September 30, 2015				**December 31, 2**	
	Quoted prices in active markets	**Significant other observable inputs**		**Unobservable inputs**	Quoted prices in active markets	S c c i
(in thousands)	**(Level 1)**	**(Level 2)**		**(Level 3)**	(Level 1)	(
Fair Value						
Assets:						
Cash equivalents	**$16,043**	**$-**		**$-**	$14,096	$
Asset held for sale				**5,112**		
Prepaid expenses and other current assets:						
Foreign currency options	**104**	**-**		**-**	69	-
Other Assets:						
Common stock of unaffiliated foreign public company	**817**	**-**		**-**	701	-
Liabilities:						
Other noncurrent liabilities:						
Interest rate swaps	**-**	**(3,765**	**)[(a)]**		-	(

(a) Net of $6.5 million receivable floating leg and $10.3 million liability fixed leg
(b) Net of $4.3 million receivable floating leg and $5.7 million l

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

The common stock of the unaffiliated foreign public company is traded in an active market
measured at fair value using closing stock prices and are recorded in the Consolidated Bala
securities are classified as available for sale, and as a result any unrealized gain or loss is re
Equity section of the Consolidated Balance Sheets rather than in the Consolidated Stateme
is sold or impaired, gains and losses are reported on the Consolidated Statements of Incom
be impaired when a decline in fair value is judged to be other than temporary.

Foreign currency instruments are entered into periodically, and consist of foreign currency
contracts that are valued using quoted prices in active markets obtained from independent p
instruments are measured using market foreign exchange prices and are recorded in the Co
Other current assets and Accounts

payable, as applicable. Changes in fair value of these instruments are recorded as gains or l (income)/expenses, net.

When exercised, the foreign currency instruments are net settled with the same financial ins them. For all positions, whether options or forward contracts, there is risk from the possible institution to meet the terms of the contracts and the risk of unfavorable changes in interest reduce the value of the instruments. We seek to control risk by evaluating the creditworthin monitoring the currency exchange and interest rate markets while reviewing the hedging ris compliance with our internal guidelines and policies.

We operate our business in many regions of the world, and currency rate movements can ha operating results.

Changes in exchange rates can result in revaluation gains and losses that are recorded in Se Administrative expenses or Other (income)/expenses, net. Revaluation gains and losses occ cash, intercompany (recorded in Other (income)/expenses, net) or third-party trade (recorde Administrative expenses) receivable or payable balances in a currency other than their loca currency.

Operating results can also be affected by the translation of sales and costs, for each non-U.S functional currency to the U.S. dollar. The translation effect on the Consolidated Statement net income or expense position in each non-U.S. currency in which we do business. A net i realized in a particular currency exceed expenses paid in that currency; a net expense positi

The interest rate swaps are accounted for as hedges of future cash flows. The fair value of c derived from a discounted cash flow analysis based on the terms of the contract and the inte in Other assets and/or Other noncurrent liabilities in the Consolidated Balance Sheets. Unre swaps flow through the caption Derivative valuation adjustment in the Shareholders' equity Balance Sheets, to the extent that the hedges are highly effective. As of September 30, 2015 determined to be highly effective hedges of interest rate cash flow risk. Any gains and losse portion of the hedges will be recognized in the current period in earnings. Amounts accumu income are reclassified as Interest expense, net when the related interest payments (that is, t transactions) affect earnings. Interest expense related to the swaps totaled $1.5 million for t September 30, 2015 and $1.4 million for the nine month period ended 2014.

Gains/ (losses) related to changes in fair value of derivative instruments that were recognize net in the Statements of Income were as follows:

(in thousands)	Three months ended September 30, 2015	2014	Nine months e September 30 2015	20
Derivatives not designated as hedging instruments				
Foreign currency options	**$25**	($142)	**$150**	$

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15. Contingencies

Asbestos Litigation

Albany International Corp. is a defendant in suits brought in various courts in the United St they have suffered personal injury as a result of exposure to asbestos-containing products th We produced asbestos-containing paper machine clothing synthetic dryer fabrics marketed 1976 and used in certain paper mills. Such fabrics generally had a useful life of three to twe

We were defending 3,773 claims as of September 30, 2015.

The following table sets forth the number of claims filed, the number of claims settled, dism 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 Num of Claims
2005	29,411	6,257	1,297	24,451
2006	24,451	6,841	1,806	19,416
2007	19,416	808	190	18,798
2008	18,798	523	110	18,385
2009	18,385	9,482	42	8,945
2010	8,945	3,963	188	5,170
2011	5,170	789	65	4,446
2012	4,446	90	107	4,463
2013	4,463	230	66	4,299
2014	4,299	625	147	3,821
As of September 30, 2015	**3,821**	**102**	**54**	**3,773**

We anticipate that additional claims will be filed against the Company and related compani predict the number and timing of such future claims.

Exposure and disease information sufficient to meaningfully estimate a range of possible lo typically not available until late in the discovery process, and often not until a trial date is i demand has been received. For these reasons, we do not believe a meaningful estimate can possible loss with respect to pending or future claims.

While we believe we have meritorious defenses to these claims, we have settled certain cla reasonable given the facts and circumstances of each case. Our insurer, Liberty Mutual, has settlements under a standard reservation of rights. As of September 30, 2015 we had resolv dismissal, 37,327 claims. The total cost of resolving all claims was $9.3 million. Of this am our insurance carrier. The Company’s insurer has confirmed that although the coverage lim 23) primary insurance policies have been exhausted, there still remains approximately $3 m other applicable primary policies, and $140 million in coverage under excess umbrella cov available with respect to current and future asbestos claims.

Brandon Drying Fabrics, Inc. (“Brandon”), a subsidiary of Geschmay Corp., which is a sub
separate defendant in many of the asbestos cases in which Albany is named as a defendant.
7,713 claims as of September 30, 2015.

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The following table sets forth the number of claims filed, the number of claims settled, dism
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 Num of Claims
2005	9,985	642	223	9,566
2006	9,566	1,182	730	9,114
2007	9,114	462	88	8,740
2008	8,740	86	10	8,664
2009	8,664	760	3	7,907
2010	7,907	47	9	7,869
2011	7,869	3	11	7,877
2012	7,877	12	2	7,867
2013	7,867	55	3	7,815
2014	7,815	87	2	7,730
As of September 30, 2015	**7,730**	**18**	**1**	**7,713**

We acquired Geschmay Corp., formerly known as Wangner Systems Corporation, in 1999.
subsidiary of Geschmay Corp. In 1978, Brandon acquired certain assets from Abney Mills
textile manufacturer. Among the assets acquired by Brandon from Abney were assets of Al
Brandon Sales, Inc. which had sold, among other things, dryer fabrics containing asbestos r
Although Brandon manufactured and sold dryer fabrics under its own name subsequent to t
fabrics contained asbestos. Because Brandon did not manufacture asbestos-containing prod
believe that it was the legal successor to, or otherwise responsible for obligations of Abney
manufactured by Abney, it believes it has strong defenses to the claims that have been asse
30, 2015, Brandon has resolved, by means of settlement or dismissal, 9,893 claims for a tot
insurance carriers initially agreed to pay 88.2% of the total indemnification and defense cos
subject to the standard reservation of rights. The remaining 11.8% of the costs had been bo
2004, Brandon's insurance carriers agreed to cover 100% of indemnification and defense c
the standard reservation of rights, and to reimburse Brandon for all indemnity and defense c
related to these proceedings.

For the same reasons set forth above with respect to Albany's claims, as well as the fact tha
resolve any Brandon claims since 2001, we do not believe a meaningful estimate can be ma
possible loss with respect to these remaining claims.

In some of these asbestos cases, the Company is named both as a direct defendant and as th
Vernon Mills ("Mount Vernon"). We acquired certain assets from Mount Vernon in 1993. C
caused by asbestos-containing products alleged to have been sold by Mount Vernon many y
Mount Vernon is contractually obligated to indemnify the Company against any liability ar
deny any liability for products sold by Mount Vernon prior to the acquisition of the Mount
contractual indemnification obligations, Mount Vernon has assumed the defense of these cl
successfully moved for dismissal in a number of actions.

Although we do not believe, based on currently available information and for the reasons st
estimate of a range of possible loss can be made with respect to such

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claims, based on our understanding of the insurance policies available, how settlement amo various policies, our settlement experience, the absence of any judgments against the Comp paper mill claims to total claims filed, and the defenses available, we currently do not antic relating to the resolution of the aforementioned pending proceedings in excess of existing i

Consequently, we currently do not anticipate, based on currently available information, tha aforementioned proceedings will have a material adverse effect on the financial position, re flows of the Company. Although we cannot predict the number and timing of future claims and the trends in claims against us to date, we do not anticipate that additional claims likely future will have a material adverse effect on our financial position, results of operations, or litigation is inherently uncertain, especially when the outcome is dependent primarily on de to be made by juries.

16. Changes in Shareholders' Equity

The following table summarizes changes in Shareholders' Equity:

(in thousands)	**Common Stock Class A and B**	**Additional paid in capital**	**Retained earnings**	**Accumulated items of other comprehensive income**	**Trea stock**
December 31, 2014	**$40**	**$418,972**	**$456,105**	**($107,767)**	**($25**
Net income	-	-	19,699	-	-
Compensation and benefits paid or payable in shares	-	1,118	-	-	-
Options exercised	-	2,401	-	-	-
Shares issued to Directors'	-	76	-	-	90
Dividends declared	-	-	(15,991)	-	-
Cumulative translation adjustments	-	-	-	(44,316)	-
Pension and postretirement liability adjustments	-	-	-	2,449	-
Derivative valuation adjustment	-	-	-	(1,435)	-
September 30, 2015	**$40**	**$422,567**	**$459,813**	**($151,069)**	**($25**

17. Recent Accounting Pronouncements

In May 2014, an accounting update was issued that replaces the existing revenue recognitio with customers. In July 2015, the FASB agreed to defer by one year, the mandatory effecti recognition standard. This accounting update is effective for reporting periods beginning af

adoption is permitted but not before the original effective date, which is for reporting perio
2016. We have not determined the impact of this update on our financial statements.

In January 2015, an accounting update was issued which eliminates the concept of extraord
This accounting update is effective for reporting periods beginning after December 15, 201
adoption of this update to have a significant effect on our financial statements, absent any f
have qualified for extraordinary item presentation under the prior guidance.

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In February 2015, amended accounting guidance was issued which changes the evaluation
regarding whether they should consolidate limited partnerships and similar entities, or whet
maker or service provider, or whether they are held by related parties. This accounting upd
periods beginning after December 15, 2015. We do not expect the adoption of this update t
financial statements.

In April 2015 and August 2015, accounting updates were issued which requires that debt is
types of recognized debt liability be presented in the balance sheet as a direct deduction of
minor netting down of our assets and liabilities. This accounting update is effective for repo
December 15, 2015. We do not expect the adoption of this update to have an effect on our f

In April 2015, an accounting update was issued which clarifies that if a license is acquired
computing arrangement, then the license should be accounted for in the same manner as oth
accounting update is effective for reporting periods beginning after December 15, 2015. W
this update to have a significant effect on our financial statements.

In May 2015, an accounting update was issued which eliminates the requirement to categor
hierarchy if their fair value is measured at net asset value (NAV) per share. This accounting
periods beginning after December 15, 2015. We do not expect the adoption of this update t
financial statements.

In July 2015, an accounting update was issued simplifying the measurement of inventory fr
to lower of cost net realizable value. This accounting update eliminates the requirement for
cost or net realizable value less normal profit margin measurements. This accounting updat
periods beginning after December 15, 2016. We do not expect the adoption of this update t
financial statements.

In September 2015, an accounting update was issued which eliminates the requirement for
adjust the financial statements for measurement-period adjustments that occur in periods af
consummated. This accounting update is effective for reporting periods beginning after De
expect the adoption of this update to have a significant effect on our financial statements.

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

Management's Discussion and Analysis ("MD&A") is intended to help the reader understa financial condition of the Company. MD&A is provided as a supplement to, and should be Consolidated Financial Statements and the accompanying Notes.

Forward-looking statements

This quarterly report and the documents incorporated or deemed to be incorporated by refe contain statements concerning our future results and performance and other matters that are within the meaning of Section 27A of the Securities Act and Section 21E of the Securities I amended (the "Exchange Act"). The words "believe," "expect," "intend," "estimate," "anti variations of such words or similar expressions are intended, but are not the exclusive mear statements. Because forward-looking statements are subject to risks and uncertainties, (incl set forth in the Company's most recent Annual Report on Form 10-K or prior Quarterly Re results may differ materially from those expressed or implied by the forward-looking stater

There are a number of risks, uncertainties, and other important factors that could cause actu from the forward-looking statements, including, but not limited to:

- Conditions in the industries in which our Machine Clothing segment competes, including t general risks associated with economic downturns;
- Recent declines in demand for paper in certain regions and market segments could continu anticipated, and growth in demand in other segments or regions could be lower or slower t
- Failure to achieve or maintain anticipated profitable growth in our Albany Engineered Co
- Other risks and uncertainties detailed in this report.

Further information concerning important factors that could cause actual events or results t forward-looking statements can be found in "Business Environment and Trends" sections c the "Risk Factors" section of our most recent Annual Report on Form 10-K. While we beli reasonable basis, such assessments are, by their nature, inherently uncertain. This report set regarding these assessments, including projected timing and volume of demand for aircraft Such assumptions could prove incorrect. Although we believe the expectations reflected in are based on reasonable assumptions, it is not possible to foresee or identify all factors that negative impact on our future performance. The forward-looking statements included or inc report are made on the basis of our assumptions and analyses, as of the time the statements experience and perception of historical conditions, expected future developments, and othe appropriate under the circumstances.

Except as otherwise required by the federal securities laws, we disclaim any obligations or any updates or revisions to any forward-looking statement contained or incorporated by ref any change in our expectations with regard thereto or any change in events, conditions or c statement is based.

Overview

Our reportable segments, Machine Clothing (MC) and Albany Engineered Composites (AE
advanced textiles and materials processing capabilities, and compete on the basis of proprie
that is grounded in those core capabilities. As a result, technology and manufacturing advar
other.

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The Machine Clothing segment is the Company's long-established core business and prima
paper and paperboard industry in our traditional geographic markets has suffered from well
publication grades, the industry is still expected to grow slightly on a global basis, driven b
tissue grades, as well as the expansion of paper consumption and production in Asia and So
now well-positioned in these markets, with high-quality, low-cost production in growth ma
costs in mature markets, and continued strength in new product development, field services
Although we consider the market for Machine Clothing as having flat growth potential, the
generator of cash, and we seek to maintain the cash-generating potential of this business by
we achieved through restructuring, and competing vigorously by using our differentiated pr
our customers' total cost of operation and improve their paper quality.

We believe that AEC provides the greatest growth potential, both near and long term, for o
grow organically by focusing our proprietary technology on high-value aerospace and defe
served effectively by conventional composites. We are also pursuing opportunities outside
applications for the automotive industry. AEC (including Albany Safran Composites, LLC
SAFRAN Group owns a 10 percent noncontrolling interest) supplies a number of customer
AEC's largest aerospace customer is the SAFRAN Group. Through ASC, AEC develops ar
components to SAFRAN, with the most significant program at present being the productio
components for the LEAP engine. AEC (through ASC and otherwise) is also developing ot
significant composite products for aerospace (engine and airframe) applications.

Consolidated Results of Operations

Net sales

The following table summarizes our net sales by business segment:

	Three months ended September 30,				**Nine months ended September 30,**	
(in thousands, except percentages)	**2015**	**2014**	% Change		**2015**	**2014**
Machine Clothing	**$154,522**	$157,891	-2.1	%	**$463,577**	$494,788

Albany Engineered Composites	**24,267**	21,970	10.5 %	**68,825**	58,898
Total	**$178,789**	$179,861	-0.6 %	**$532,402**	$553,686

Three month comparison

- Changes in currency translation rates had the effect of decreasing net sales by $9.5 million as compared to 2014.
- Excluding the effect of changes in currency translation rates:
- Net sales increased 4.7% compared to the same period in 2014.
- Net sales in MC increased 3.8%, principally due to global strength in the packaging and pu in publication grades.
- Net sales in AEC increased 11.2%, principally due to growth in the LEAP program.

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Nine month comparison

- Changes in currency translation rates had the effect of decreasing net sales by $31.6 millio 2015 as compared to 2014.
- Excluding the effect of changes in currency translation rates:
- Net sales increased 1.9% compared to the same period in 2014.
- Net sales in MC decreased 0.1%. Regionally, declines in North America were offset by hi declines in publication grades were offset by higher sales in packaging and pulp grades.
- Net sales in AEC increased 18.4% due to growth in the LEAP program, which includes th quarter of 2014 resulting from a change in invoicing terms, which created a temporary lag

Gross Profit

The following table summarizes gross profit by business segment:

	Three months ended September 30,		Nine months ended September 30,	
(in thousands, except percentages)	**2015**	**2014**	**2015**	**2014**
Machine Clothing	**$74,721**	$66,117	**$218,084**	$213,326
Albany Engineered Composites	**1,438**	2,855	**(9,891)**	6,506
Corporate expenses	**(415)**	(353)	**(1,173)**	(1,061)
Total	**$75,744**	$68,619	**$207,020**	$218,771
% of Net sales	**42.4 %**	38.2 %	**38.9 %**	39.5 %

Three month comparison

The increase in gross profit, compared to the same period in 2014, was principally due to th

- MC gross profit was $74.7 million, or 48.4% of net sales, compared to $66.1 million, or 4 The increase in MC gross profit was attributable to very good capacity utilization and stro changes in currency translation rates had a significant effect on MC net sales, it had only a profit.
- AEC gross profit was $1.4 million in Q3 2015, compared to $2.9 million in Q3 2014, as g was offset by continued weak profitability in legacy programs.

Nine month comparison

The decrease in gross profit, compared to the same period in 2014, was principally due to th

- A $4.8 million increase in MC, principally due to better capacity utilization and cost reduc
- A decrease in AEC gross profit principally due to a charge of $14.0 million for a revision i BR 725 program which is a long term manufacturing contract in the Boerne, Texas facility

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

The following table summarizes STG&R by business segment:

	Three months ended September 30,		Nine months ended September 30,	
(in thousands, except percentages)	**2015**	**2014**	**2015**	**2014**
Machine Clothing	**$29,047**	$31,843	**$93,186**	$106,870
Albany Engineered Composites	**5,630**	5,668	**16,744**	15,361
Corporate expenses	**11,507**	11,031	**34,131**	33,746
Total	**$46,184**	$48,542	**$144,061**	$155,977
% of Net sales	**25.8 %**	27.0 %	**27.1 %**	28.2 %

Three month comparison

STG&R expenses decreased $2.4 million, compared to the same period in 2014, principally
following:

- The decline in STG&R results principally from the effects of changes in currency translati
- Revaluation of nonfunctional currency assets and liabilities resulted in third-quarter gains million in 2014.

Nine month comparison

STG&R expenses decreased $11.9 million, compared to the same period in 2014, principal
following:

- Revaluation of nonfunctional currency assets and liabilities resulted in gains of $4.5 millio 2015 and gains of $1.6 million in the comparable period of 2014.
- AEC STG&R increased $1.4 million, principally due to increased research activity.
- The remainder of the decrease was principally due to the effects of changes in cu

Research and Development

The following table summarizes expenses associated with internally funded research and d
segment:

(in thousands)	Three months ended September 30, 2015	2014	Nine months ended September 30, 2015	2014
Machine Clothing	**$4,775**	$4,510	**$14,350**	$14,532
Albany Engineered Composites	**2,769**	3,593	**8,547**	8,179
Corporate expenses	**190**	159	**674**	550
Total	**$7,734**	$8,262	**$23,571**	$23,261

Restructuring Expense

In addition to the items discussed above affecting gross profit and STG&R, operating incor
costs of $13.9 million in the first nine months of 2015 and $4.1 million in the comparable p

The following table summarizes restructuring expense by business segment:

(in thousands)	Three months ended September 30, 2015	2014	Nine months ended September 30, 2015	2014
Machine Clothing	**$3,717**	$968	**$13,929**	$3,127
Albany Engineered Composites	**-**	(49)	**-**	931
Total	**$3,717**	$919	**$13,929**	$4,058

During the first quarter of 2015, the Company announced a plan to discontinue manufactur
manufacturing facility in Göppingen, Germany. The restructuring program was driven by t
manufacturing capacity with demand. In April 2015, we reached agreement on the restructu

Council. Approximately 50 employees were terminated under this plan, and the estimated s
the first quarter. In the third quarter of 2015, we recorded a charge of $3.2 million related to
building to the estimated fair market value. Cost savings associated with this action will rec
periods. We expect the annual cost savings associated with this restructuring, expected to b
2015, to be approximately $4 million to $5 million.

For more information on our restructuring charges, see Note 5 to the Consolidated Financia
incorporated herein by reference.

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Operating Income

The following table summarizes operating income by business segment:

(in thousands)	Three months ended September 30, 2015	2014	Nine months ended September 30, 2015	2014
Machine Clothing	**$41,956**	$33,308	**$110,969**	$103,329
Albany Engineered Composites	**(4,191)**	(2,765)	**(26,635)**	(9,785)
Corporate expenses	**(11,922)**	(11,385)	**(35,304)**	(34,808)
Total	**$25,843**	$19,158	**$49,030**	$58,736

Other Earnings Items

(in thousands)	Three months ended September 30, 2015	2014	Nine mont ended September 2015	20
Interest expense, net	**$2,671**	$2,486	**$8,049**	$8
Other expense/(income), net	**1,249**	(1,864)	**784**	(4,
Income tax expense	**12,243**	6,762	**20,398**	21
Net income/(loss) attributable to the noncontrolling interest	**22**	(38)	**100**	(8

Interest Expense, net

For the first nine months of 2015, Interest expense, net, decreased $0.1 million compared to more information on borrowings and interest rates, see Note 13 to the Consolidated Financi incorporated herein by reference.

Other Expense/(Income), net

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

Three month comparison

- Foreign currency revaluations of intercompany balances resulted in losses of $1.0 million and gains of $1.9 million in the comparable period of 2014.

Nine month comparison

- Foreign currency revaluations of intercompany balances resulted in losses of $0.4 million 2015 and gains of $3.8 million in the comparable period of 2014.
- Sale of the Company's total equity investment in an unaffiliated company resulted in a gai
- In the first nine months of 2014, we recorded an insurance recovery gain of $1.1 million.

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Income Tax

The Company has operations which constitute a taxable presence in 19 countries outside of countries except one had income tax rates that were lower than the United States federal ta reported. The jurisdictional location of earnings is a significant component of our effective on our overall income tax expense.

Three month comparison

The Company's effective tax rates for the third quarter of 2015 and 2014 were 55.8% and 3 is affected by recurring items, such as the income tax rate in the U.S. and in non-U.S. juris earned in those jurisdictions. The tax rate is also affected by U.S. tax costs on foreign earni repatriated to the U.S., and by discrete items that may occur in any given year but are not c

Significant items that impacted the tax rates in the third quarter of 2015 included the follow effect of each item as a percentage of Income before income taxes):

- The income tax rate on continuing operations, excluding discrete items, was 38.0%.
- A $4.5 million (20.6%) discrete income tax expense related to provisions for and settleme
- A $1.0 million (4.4%) net tax expense due to changes in/establishment of uncertain tax po
- A $1.0 million (-4.6%) net tax benefit related to a change in the estimated tax rate for the
- A $0.6 million (-2.6%) net tax benefit related to adjustments to prior year tax liabilities.

Significant items that impacted the third quarter of 2014 tax rate included the following:

- The income tax rate on continuing operations, excluding discrete items, was 34.9%.
- In response to a recent unfavorable outcome in the tax court pertaining to another taxpaye Company, a tax charge of $7.1 million (38.3%) primarily related to this action was recogn taken in prior years.
- A net tax benefit was recognized in the amount of $6.8 million (-36.5%) primarily due to t
- A $0.2 million (1.1%) net expense related to adjustments to prior year estimated tax liabili benefit for the effect of a change in the estimated tax rate for the year.

Nine month comparison

The Company's effective tax rate for the first nine-month periods of 2015 and 2014 were 5

Significant items that impacted the 2015 tax rate included the following (percentages reflec
percentage of income excluding the building insurance gain and before income taxes):

- The income tax rate on continuing operations, excluding discrete items, was 38.0%.
- A $4.5 million (11.2%) discrete income tax expense related to provisions for and settlemen

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- A $1.2 million (2.9%) net tax expense due to changes in/establishment of uncertain tax po
- A $0.5 million (-1.4%) net tax benefit related to other discrete items.

Significant items that impacted the 2014 tax rate included the following:

- The income tax rate on continuing operations, excluding discrete items, was 34.9%.
- A net charge of $1.3 million (2.4%) for the resolution of and provision for income tax con
- A $0.5 million (0.8%) net charge for adjustments to estimated prior year tax liabilities.
- An adjustment of $0.4 million (0.8%) for a change to the beginning of year valuation allov

Segment Results of Operations

Machine Clothing Segment

Business Environment and Trends

MC is our primary business segment and accounted for 88 percent of our consolidated reve of 2015. Machine Clothing products are purchased primarily by manufacturers of paper anc

According to RISI, Inc., global production of paper and paperboard is expected to grow at a 2% over the next five years, driven primarily by secular demand increases in Asia and Sout the mature markets of Europe and North America.

Shifting demand for paper, across different paper grades as well as across geographical reg elimination of papermaking capacity in areas with significant established capacity, primaril Europe and North America. At the same time, the newest, most efficient machines are bein demand, including Asia and South America generally, as well as tissue and towel paper gra technological advances in paper machine clothing, while contributing to the papermaking e lengthened the useful life of many of our products and had an adverse impact on overall pa

The Company’s manufacturing and product platforms position us well to meet these shiftin and geographic regions. Our strategy for meeting these challenges continues to be to grow products and technology, and to maintain our manufacturing footprint to align with global effects of inflation through continuous productivity improvement.

We have incurred significant restructuring charges in recent periods as we reduced Machin capacity in the United States, Germany, France, Canada, and Sweden.

Review of Operations

(in thousands, except percentages)	Three months ended September 30, 2015	2014	Nine months ended September 30, 2015	2014
Net sales	**$154,522**	$157,891	**$463,577**	$494,788
Gross profit	**74,721**	66,117	**218,084**	213,326
% of net sales	**48.4 %**	41.9 %	**47.0 %**	43.1 %
Operating income	**41,956**	33,308	**110,969**	103,329

Net Sales

Three month comparison

- Changes in currency translation rates had the effect of decreasing 2015 sales by $9.4 milli
- Excluding the effect of changes in currency translation rates, sales increased 3.8% compar Sales in the publication grades declined in every region of the world, but the decline was n performance across all of our growth grades and regions. Asia and South America grew m weakness in those regions; North America rebounded back to normal levels, despite much and Europe was stable.

Nine month comparison

- Changes in currency translation rates had the effect of decreasing sales during the first nin million.
- Excluding the effect of changes in currency translation rates, sales decreased 0.1% 2014. Regionally, declines in North America were offset by higher sales in Asia. C grades were offset by higher sales in packaging and pulp grades.

Gross Profit

Three and nine month comparison

·

The increase in third quarter MC gross profit was attributable to very good capacity utiliza
Even though changes in currency translation rates had a significant effect on MC net sales
effect on gross profit.

· Gross profit margins increased from 43.1 percent to 47.0 percent in the first nine months o
period in 2014, principally due to restructuring and currency translation effects. Changes i
significant effect on MC net sales but had only a minor negative effect on gross profit.

Operating Income

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

Three month comparison

· Gross profit increased $8.6 million principally due to the reasons described above.

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- Restructuring charges of $3.7 million in the third quarter of 2015, compared to $1.0 millio
- Revaluation of nonfunctional currency assets and liabilities resulted in third quarter gains million in 2014.
- Lower STG&R expenses principally resulting from the effects of changes in currency tran

Nine month comparison

- Gross profit increased $4.8 million principally due to better capacity utilization and cost re
- Restructuring charges of $13.9 million for the first nine months of 2015, compared to $3.1
- Revaluation of nonfunctional currency assets and liabilities resulted in gains of $4.5 millio 2015 as compared to $1.8 million of gains in 2014.
- The remainder of the decrease in STG&R expenses was principally due to the effect of ch rates.

Albany Engineered Composites Segment

Business Environment and Trends

AEC, including ASC, provides highly engineered advanced composite structures based on customers primarily in the aerospace and defense industries. AEC's largest program relates engine, which is scheduled to enter into service in 2016. AEC, through ASC, is the exclusi composite fan blades and cases for this program under a long-term supply contract. In 201 this segment's sales were related to U.S. government contracts or programs.

Review of Operations

Net Sales

(in thousands, except percentages)	**Three months ended September 30, 2015**	**Three months ended September 30, 2014**	**Nine months ended September 30, 2015**	**Nine months ended September 30, 2014**
Net sales	**$24,267**	$21,970	**$68,825**	$58,898
Gross profit/(loss)	**1,438**	2,855	**(9,891)**	6,506
% of net sales	**5.9 %**	13.0 %	**-14.4 %**	11.0 %
Operating loss	**(4,191)**	(2,765)	**(26,635)**	(9,785)

Three and nine month comparisons

- 2015 AEC sales increased due to growth in the LEAP program.
- Approximately half of AEC sales were related to LEAP production activities, which were temporary lag due to start-up and inventory effects.

Gross Profit

Three and nine month comparisons

- In Q3 2015, Gross profit was $1.4 million, compared to $2.9 million in Q3 2014, as gross offset by continued weak profitability in legacy programs.

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· Year to date gross profit declined in 2015 principally due to the $14.0 million charge for th

Long-term contracts

AEC has contracts with certain customers, including its contract for the LEAP program, wh
cost, plus a defined profit margin. Revenue earned under these arrangements accounted for
44.1 percent of total revenue for the first nine months of 2015 and 2014, respectively.

In addition, AEC has long-term fixed price contracts. In accounting for those contracts, we
expected at the completion of the contract and recognize a pro-rata share of that profit durin
using a cost-to-cost or units of delivery approach. Changes in estimated contract profitabilit
profit when the change occurs, which could have a significant favorable or unfavorable effe
any reporting period. As noted above, we recorded a charge of $14.0 million in the second
estimated costs of our BR 725 contract. Excluding that charge, changes in contract estimate
million in the first nine months of 2015, but reduced gross profit by $0.6 million in the sam

The table below provides a summary of long-term fixed price contracts that were in process

	Nine months ended September 30,	
(in thousands)	**2015**	**2014**
Revenue earned during period	**$12,443**	$11,329
Total value of contracts in process	**29,745**	21,475
Revenue recognized to date	**26,401**	12,017
Revenue to be recognized in future periods	**3,344**	9,458

Operating Loss

Three and nine month comparison

· The third quarter operating loss was higher in 2015 principally due to the lower gross prof
· The year to date operating loss increased in 2015 due to the $14.0 million BR 725 charge a
programs.

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Liquidity and Capital Resources

Cash Flow Summary

	Nine months ended September 30,	
(in thousands)	**2015**	**2014**
Net income	**$19,799**	$33,644
Depreciation and amortization	**45,281**	47,741
Changes in working capital	**(9,882)**	(18,804)
Fair value adjustment on available-for-sale assets	**3,225**	-
Gain on disposition of assets	**(1,056)**	(961)
Changes in long-term liabilities, deferred taxes and other credits	**937**	95
Other operating items	**941**	2,285
Net cash provided by operating activities	**59,245**	64,000
Net cash used in investing activities	**(37,481)**	(45,649)
Net cash used in financing activities	**(17,197)**	(34,696)
Effect of exchange rate changes on cash flows	**(12,589)**	(10,860)
Decrease in cash and cash equivalents	**(8,022)**	(27,205)
Cash and cash equivalents at beginning of year	**179,802**	222,666
Cash and cash equivalents at end of period	**$171,780**	$195,461

Operating activities

Cash provided by operating activities was $59.2 million for the first nine months of 2015, c same period of 2014. Changes in working capital for the first nine months of 2015 resulted million compared to $18.8 million in 2014. Changes in Accounts receivable resulted in a us 2015, compared to providing cash of $9.9 million. That reduced cash flow in 2015 was prin sales and collections. Other, net cash flows provided $6.3 million of cash in 2015 comparec in 2014, reflecting the build-up of costs on the BR 725 program in 2014, followed by the w Accrued liabilities resulted in an improvement of cash of $0.9 million in 2015 compared to 2014 principally due to high restructuring payments in 2014. Cash paid for income taxes w million for the first nine months of 2015 and 2014, respectively.

At September 30, 2015, we had $171.8 million of cash and cash equivalents, of which $148 subsidiaries outside of the United States. As disclosed in Note 7 contained in Item 1, “Note Statements”, we determined that all but $59.4 million of this amount (which represents the be repatriated to the United States at some point in the future) is intended to be utilized by t

indefinite period of time. Our current plans do not anticipate that we will need additional fu
operations to fund our domestic operations or satisfy debt obligations in the United States. I
to be needed to fund operations in the U.S., and if associated accruals for U.S. tax have not
would be required to accrue and pay additional U.S. taxes to repatriate these funds.

Investing Activities

Capital spending for equipment and software was $40.3 million for the first nine months of
the lease buyout of the building in Rochester, New Hampshire, which houses the Company
research and development center.

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Financing Activities

Dividends have been declared each quarter since the fourth quarter of 2001. Decisions with
will be paid, and the amount of the dividend, are made by the Board of Directors each quar
declares cash dividends in the future, we expect to pay such dividends out of operating cash
will also depend on debt covenants and on the Board's assessment of our ability to generate

Capital Resources

We finance our business activities primarily with cash generated from operations and borro
revolving credit agreement as discussed below. Our subsidiaries outside of the United State
capital lines with local banks, but borrowings under such local facilities tend not to be sign
cash balance at September 30, 2015 was held by non-U.S. subsidiaries. Based on cash on h
anticipate that the Company has sufficient capital resources to operate for the foreseeable fu
with all debt covenants as of September 30, 2015.

On June 18, 2015, we entered into a $400 million, unsecured Five-Year Revolving Credit F
Agreement"), under which $170 million of borrowings were outstanding as of September 3
replaces the previous $330 million five-year credit agreement made in 2013. The applicable
under the Credit Agreement is, as it was under the former agreement, LIBOR plus a spread
the time of borrowing. At the time of the last borrowing on September 16, 2015, the spread
based on a pricing grid, which ranges from 1.25% to 1.75%, based on our leverage ratio.

On July 16, 2010, May 20, 2013 and July 16, 2015 we entered into hedging transactions tha
interest rate on $100 million to $120 million of borrowings drawn under the Credit Agreem

As of September 30, 2015, our leverage ratio was 1.29 to 1.00 and our interest coverage rat
purchase our Common Stock or pay dividends to the extent our leverage ratio remains at or
make acquisitions with cash provided our leverage ratio would not exceed 3.50 to 1.00 afte
acquisition.

For more information, see Note 13 to the Consolidated Financial Statements in Item 1, whi
reference.

Off-Balance Sheet Arrangements

As of September 30, 2015, we have no off-balance sheet arrangements required to be discl
of Regulation S-K.

Recent Accounting Pronouncements

The information set forth under Note 17 contained in Item 1, "Notes to Consolidated Finan
incorporated herein by reference.

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Non-GAAP Measures

This Form 10-Q contains certain items, such as earnings before interest, taxes, depreciation
Adjusted EBITDA, sales excluding currency effects, income tax rate excluding adjustment
attributable to the Company, excluding adjustments (on an absolute and per-share basis), a
items on a per- share basis that could be considered non-GAAP financial measures. Such it
management believes that, when presented together with the GAAP items to which they re
useful information to investors regarding the Company's operational performance. Present
sales, after currency effects are excluded, can give management and investors insight into u
understanding of the impact in a particular period of specific restructuring costs, or other g
income or EBITDA can give management and investors additional insight into period perf
compared to periods in which such items had a greater or lesser effect, or no effect. All no
this report relate to the Company's continuing operations.

The effect of changes in currency translation rates is calculated by converting amounts rep
dollars at the exchange rate of a prior period. That amount is then compared to the U.S. do
current period. The Company calculates Income tax adjustments by adding discrete tax ite
rate for the reporting period. The Company calculates its income tax rate, exclusive of inco
removing income tax adjustments from total income tax expense, then dividing that result
The Company calculates EBITDA by removing the following from Net income: Interest e
and Depreciation and amortization. Adjusted EBITDA is calculated by: adding to EBITDA
restructuring; adding (or subtracting) revaluation losses (or gains); subtracting (or adding)
investments and insurance recoveries; and subtracting Income attributable to the noncontro
Composites, LLC (ASC). The Company believes that EBITDA and Adjusted EBITDA pro
investors because they provide an indication of the strength and performance of the Comp
operations, including its ability to fund discretionary spending such as capital expenditures
well as its ability to incur and service debt. While depreciation and amortization are operat
non-cash expenses equal to current period allocation of costs associated with capital and o
in prior periods. While restructuring expenses, foreign currency revaluation losses or gains
investments have an impact on the Company's net income, removing them from EBITDA
Company, a better measure of operating performance. EBITDA is also a calculation comm
analysts to evaluate and compare the periodic and future operating performance and value
defined by the Company, may not be similar to EBITDA measures of other companies. Su
be considered measurements under GAAP, and should be considered in addition to, but no
information contained in the Company's Consolidated Statements of Income.

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The following tables show the calculation of EBITDA and Adjusted EBITDA:

Three months ended September 30, 2015

(in thousands)	**Machine Clothing**	**AEC**	**Co exp and**
Net income	$41,956	($4,191)	($2
Interest expense, net			2,6
Income tax benefit			12,
Depreciation and amortization	9,660	2,981	2,1
EBITDA	51,616	(1,210)	(11
Restructuring expenses, net	3,717	-	-
Foreign currency revaluation (gains)/losses	(2,005)		957
Pretax income attributable to the noncontrolling interest in ASC		(25)	
Adjusted EBITDA	$53,328	($1,235)	($1

Three months ended September 30, 2014

(in thousands)	**Machine Clothing**	**AEC**	**Co exp and**
Net income	$33,308	($2,765)	($1
Interest expense, net	-	-	2,4
Income tax expense	-	-	6,7
Depreciation and amortization	11,060	2,607	2,0
EBITDA	44,368	(158)	(7,4
Restructuring expenses, net	968	(49)	-
Foreign currency revaluation (gains)/losses	(2,308)	135	(1,9
Gain on insurance recovery			(16
Pretax income attributable to the noncontrolling interest in ASC	-	77	-
Adjusted EBITDA	$43,028	$5	($9

Nine months ended September 30, 2015

(in thousands)	**Machine Clothing**	**AEC**	**C ex an**
Net income	$110,969	($26,635)	($
Interest expense, net			8,
Income tax expense			20
Depreciation and amortization	30,077	8,845	6,
EBITDA	141,046	(17,790)	(2
Restructuring expenses, net	13,929		
Foreign currency revaluation (gains)/losses	(4,534)	(17)	40
Gain on sale of investment			(8
Pretax income attributable to the noncontrolling interest in ASC		(115)	
Adjusted EBITDA	$150,441	($17,922)	($

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Nine months ended September 30, 2014

(in thousands)	**Machine Clothing**	**AEC**	**Co exp an**
Net income	$103,329	($9,785)	($5
Interest expense, net	-	-	8,1
Income tax expense	-	-	21,
Depreciation and amortization	34,069	7,382	6,2
EBITDA	137,398	(2,403)	(24
Restructuring expenses, net	3,127	931	-
Foreign currency revaluation (gains)/losses	(1,806)	234	(3,
Gain on insurance recovery			(1,
Pretax income attributable to the noncontrolling interest in ASC	-	63	-
Adjusted EBITDA	$138,719	($1,175)	($2

The Company discloses certain income and expense items on a per-share basis. The Compa
disclosures provide important insight into the underlying quarterly earnings and are financi
commonly used by investors. The Company calculates the quarterly per-share amount for i
operations by using the estimated effective annual tax rate and the weighted average numbe
period. The year-to-date earnings per-share effects are determined by adding the amounts c
period.

The following tables show the earnings per share effect of certain income and expense item

Three months ended September 30, 2015	**Pre tax**	**Tax**	**After tax**	**Per Share**
(in thousands, except per share amounts)	**Amounts**	**Effect**	**Effect**	**Effect**
Restructuring expenses, net	$3,717	$1,412	$2,305	$0.07
Foreign currency revaluation gains	1,048	398	650	0.02
Net discrete income tax charge	-	4,914	4,914	0.15
Favorable effect of change in income tax rate	-	1,002	1,002	0.03

Three months ended September 30, 2014	**Pre tax**	**Tax**	**After tax**	**Per Share**
(in thousands, except per share amounts)	**Amounts**	**Effect**	**Effect**	**Effect**
Restructuring expenses, net	$919	$321	$598	$0.02
Foreign currency revaluation gains	4,088	1,427	2,661	0.08

Gain on insurance recovery	165	-	165	0.01
Net discrete income tax charge	-	536	536	0.02
Unfavorable effect of change in income tax rate	-	243	243	0.01

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Nine months ended September 30, 2015	Pre tax	Tax	After tax	Per Share
(in thousands, except per share amounts)	**Amounts**	**Effect**	**Effect**	**Effect**
Restructuring expenses, net	$13,929	$5,280	$8,649	$0.27
Foreign currency revaluation gains	4,145	1,597	2,548	0.08
Gain on sale of investment	872	331	541	0.02
Net discrete income tax charge	-	5,113	5,113	0.16
Charge for revision in estimated contract profitability	14,000	5,180	8,820	0.28

Nine months ended September 30, 2014	Pre tax	Tax	After tax	Per Share
(in thousands, except per share amounts)	**Amounts**	**Effect**	**Effect**	**Effect**
Restructuring expenses, net	$4,058	$1,449	$2,609	$0.08
Foreign currency revaluation gains	5,387	1,896	3,491	0.11
Gain on insurance recovery	1,126	-	1,126	0.04
Net discrete income tax charge	-	2,209	2,209	0.07

The following table contains the calculation of net income per share attributable to the Com

	Three months ended September 30,		Ni en Se 30
Per share amounts (Basic)	**2015**	**2014**	**20**
Net income attributable to the Company	**$0.30**	$0.37	**$0**
Adjustments:			
Restructuring expenses, net	**0.07**	0.02	**0.**
Discrete tax charges/(benefits) and effect of change in income tax rate	**0.12**	0.01	**0.**
Foreign currency revaluation (gains)/losses	**(0.02)**	(0.08)	**(0**
Gain on sale of investment/insurance recovery	**-**	(0.01)	**(0**
Net income/(loss) attributable to the Company, excluding adjustments	**$0.47**	$0.31	**$0**

The following table contains the calculation of net debt:

(in thousands)	September 30, 2015	December 31, 2014	December 31, 2013	Dec 2012
Notes and loans payable	$390	$661	$625	$586
Current maturities of long-term debt	50,016	50,015	3,764	83,2
Long-term debt	220,084	222,096	300,111	235,
Total debt	**270,490**	**272,772**	**304,500**	**319,**

Cash and cash equivalents	171,780	179,802	222,666	190,
Net debt	**$98,710**	**$92,970**	**$81,834**	**$12**

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Item 3. Quantitative and Qualitative Disclosures about Market Risk

For discussion of our exposure to market risk, refer to "Quantitative and Qualitative Disclo
is included as an exhibit to this Form 10-Q.

Item 4. Controls and Procedures

a) Disclosure controls and procedures.
The principal executive officers and principal financial officer, based on their evaluation of
procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) as of the end of th
Quarterly Report on Form 10-Q, have concluded that the Company's disclosure controls an
ensuring that information required to be disclosed in the reports that it files or submits unde
1934 is recorded, processed, summarized and reported within the time periods specified in
forms. Disclosure controls and procedures include, without limitation, controls and procedu
information required to be disclosed in filed or submitted reports is accumulated and comm
management, including its principal executive officer and principal financial officer as appr
decisions regarding required disclosure.

(b) Changes in internal control over financial reporting.
There were no changes in the Company's internal control over financial reporting that occu
that have materially affected, or are reasonably likely to materially affect, the Company's in
reporting.

PART II – OTHER INFORMATION

Item 1. LEGAL PROCEEDINGS

The information set forth above under Note 15 in Item 1, "Notes to Consolidated Financial
by reference.

Item 1A. Risk Factors

There have been no material changes in risks since December 31, 2014. For discussion of r
our Annual Report on Form 10-K for the year ended December 31, 2014.

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

We made no share purchases during the third quarter of 2015. We remain authorized by the
up to 2 million shares of our Class A Common Stock.

Item 3. Defaults Upon Senior Securities

None.

Item 4. Mine Safety Disclosures

Not Applicable.

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Item 5. Other Information

None.

Item 6. Exhibits

Exhibit No.	Description
31.1	Certification of the Chief Executive Officer pursuant to Rule 13a-14(a)/15d-14(a) of
31.2	Certification of the Chief Financial Officer pursuant to Rule 13a-14(a)/15d-14(a) of t
32.1	Certification pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (and (b) of Section 1350, Chapter 63 of Title 18, United States Code).
99.1	Quantitative and qualitative disclosures about market risks as reported at September
101	The following financial information from the Registrant's Quarterly Report o quarter ended September 30, 2015, formatted in eXtensible Business Reporting Lang herewith:

(i) Consolidated Statements of Income for the three and nine months ended September 30, 2

(ii) Consolidated Statements of Comprehensive Income/ (Loss) for the three and nine montl and 2014.

(iii) Consolidated Balance Sheets at September 30, 2015 and December 31, 2014.

(iv) Consolidated Statements of Cash Flows for the three and nine months ended Septembe

(v) Notes to Consolidated Financial Statements.

As provided in Rule 406T of Regulation S-T, this information shall not be deemed "filed" f of the Securities Act and Section 18 of the Securities Exchange Act or otherwise subject to

SIGNATURES

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

ALBANY INTERNATIONAL CORP
(Registrant).

Date: October 28, 2015

By /s/ John B. Cozzolino
John B. Cozzolino
Chief Financial Officer and Treasurer
(Principal Financial Officer)