

ALBANY INTERNATIONAL

A COMPANY PROFILE

Report for the ETUC-TCL in Brussels

MARIJKE SMIT

NOVEMBER 17, 1995

STICHTING ONDERZOEK MULTINATIONALE ONDERNEMINGEN (SOMO)

KEIZERSGRACHT 132, 1015 CW AMSTERDAM, TEL. (0)20-6391291

CONTENTS OF ALBANY INTERNATIONAL, A COMPANY PROFILE

	Page
Introduction	3
1. Activities	3
2. Subsidiaries	5
3. Social Policy	8
4. Financial Situation	9
5. Management	10
6. Strategic Policy	11
Conclusion	11
Appendix 1: Locations	12
Appendix 2: Subsidiaries	13
Appendix 3: Addresses	14

Introduction

Albany International Corp. was incorporated in Delaware, USA in August 1983 as successor to a business originally incorporated in New York in 1895.¹

Albany International (Albany, New York, USA) is the world's largest producer of paper machine clothing with 34 plants in 13 countries.² Paper machine clothing are technologically sophisticated engineered fabrics which are consumed in the production of paper.

In 1994 net sales totalled US\$ 568 million and net income US\$ 24 million. A total of 5,404 persons were employed.

The USA, Albany International's home market, records 42 % of total net sales, followed by Europe with 34 % (1994). Although Albany's home market is still the single most important market, the company conducts more than half of its business in countries outside of the USA.

1. Activities

Albany International operates primarily in one industry segment which includes developing, manufacturing, marketing and serving custom designed engineered fabrics and related products used in the manufacture of paper and paperboard.

The company is the world's most important supplier of paper machine clothing to the paper industry. Paper machine clothing is used on paper machines to produce all grades of paper from lightweight sanitary tissue to heavyweight container board. The design and material composition of paper machine clothing can have a considerable impact on the quality of paper products produced and the efficiency of the paper machines on which it is used.

The fabrics are manufactured from monofilament and synthetic fibre materials. Albany produces a lot of its monofilament requirements.

In addition to paper machine clothing the company produces other engineered fabrics which include fabrics for the nonwoven industry, corrugator belts, filtration media and rapid roll doors.

The paper machine clothing market is a competitive one. Despite this Albany succeeded in a significant increase in market share in 1994 after a decade of steady increase. The most spectacular market share gains were achieved in multi-layer forming fabrics, which are replacing both single-layer and first generation double-layer fabrics around the world.

SeamTech is Albany International's on-machine-seamed press fabric. SeamTech is widely used in the production of brown or kraft paper grades. These designs represent three-quarters of Albany's production for this market segment. According to Albany these fabrics can save customers up to four hours of paper machine downtime during fabric changeovers.

¹. Moody's Industrial Manual 1995, p. 2534.

². Business Wire Reuter Textline, July 20, 1995.

Customers are buying more and more laminated press fabrics produced by Albany. Dynatex is a new product; its a multiaxial press fabric (which is a new technology in paper machine clothing). The 1994 annual report states: "The lengthwise yarns in Dynatex are angled in the machine direction, creating a unique multi-layer structure with dewatering channels in four directions. Dynatex has more crossover points than traditional base fabrics, resulting in improved uniformity and moisture profile." Dynatex was first tested in Sweden and Finland and was later introduced across Western Europe, North America and in other selected markets.

Dri-Plane III was introduced in 1994 by subsidiary Albany Mount Vernon. It is a dryer fabric produced with contaminant-resistant monofilament yarns.

InnerDri is a fabric within a fabric, resulting in added protection from abrasion and heat degradation. Albany claims its the only dryer fabric with complete protection against seam wear and absolutely no seam marking on the paper sheet.

One of the upgrade press sections of paper mills is an innovation in press design called a shoe press. To enable a shoe press to function a special belt is needed. Albany International developed and patented such a belt. In 1994 Albany introduced a grooved shoe press belt in order to make it possible to include lighter weight publication grade papers.

Albany International attained International Organization for Standardization (ISO) certification for most of its plants in 1994. The remainder is scheduled for 1995.

2. Subsidiaries

In January 1989 Albany International sold its offices, plants and land in Halmstad, Sweden for US\$ 51 million to the Community Council of Halmstad and a Swedish construction company. The proceeds, together with additional funds, were used to develop a new manufacturing facility at a nearby site which was to involve an aggregate capital expenditure of over US\$ 80 million.³

In March 1990 Albany acquired Wallbergs Fabriks Aktiebolag of Halmstad, Sweden. This company supplies press and dryer fabrics primarily to the Nordic pulp and paper industry.

In January 1993 Albany acquired the paper machine clothing assets of Mount Vernon Group from Mount Vernon Mills, Inc. for US\$ 56 million.⁴ The company now operates under the name Albany Mount Vernon Dryer Fabrics.

In January 1993 Albany International terminated a joint venture with Lenzing, an Austrian company, in which Albany was the general partner. This joint venture, Albany Lenzing International LP, was to develop, produce and market P-84 fibres (resistant to high temperatures) and was expected -in 1990- to have a turnover of US\$ 25-30 million in 1995. However, things did not work out. Losses related to this venture were reduced in 1993 as the operation was downsized.⁵

Mid-1993 Albany divested its Engineered Systems Division (AES), an international supplier of cleaning, conditioning and filtering equipment for the papermaking industry, by selling it to Thermo Fibertek Inc., a public subsidiary of Thermo Electron Corporation, for approximately US\$ 34 million. Thermo Fibertek purchased the operations in the USA, Canada, Mexico and the UK. In a separate transaction the company purchased the Brazilian operations of AES.⁶

Albany now owns -beside its Corporate Office in Albany, New York- the following companies in the USA (1994):

- Monofilament Plant;
- Appleton Wire (4 locations);
- Press Fabrics U.S. (3 locations);
- Albany Mount Vernon Dryer Fabrics (3 locations);
- Engineered Fabrics (2 locations).

Furthermore, there is its research institute, Albany International Research Co. in Massachusetts.

In Canada the name of the subsidiary is Albany International Canada, Inc. (3 locations). In Australia its subsidiary is called Albany International Pty. Ltd.

³. S1 SEC Registration Predicasts Prompt, April 22, 1990.

⁴. USA Reuter TExtline, January 22, 1993.

⁵. Albany International 1994 Annual Report, p.21; Chimie Actualities Reuter Textline, August 7, 1990.

⁶. Moody's Industrial Manual 1995, p. 2534; PR Newswire Reuter Textline, July 1, 1993.

Despite its cost reduction programme Albany started up a new forming fabrics plant in Sondrum, Sweden, a new press fabrics plant in Finland, and a new forming fabrics plant in the Netherlands in 1989/90.⁷

In Europe Albany owns the following companies (1994):

- Albany Fennofelt Oy in Finland (2 locations);
- Albany Nordiskafilt A.B (2 locations in Sweden, 1 in Germany and 1 in the Netherlands);
- Albany International Ltd in the UK (2 locations);
- Albany International BV om the Netherlands;
- Albany International S.A. in France;
- Martel Catala S.A. in France.

Furthermore, Nomafa is a subsidiary with a plant in the USA and one in Sweden.

Albany also owns subsidiaries in Latin America (1994):

- Albany International Feltros e Telas Industriais Ltda in Brazil (2 locations);
- Albany International S.A. de C.V. in Mexico (2 locations);
- Wangner de México S.A. de C.V. in Mexico.

During February 1994 Albany International exchanged its 40 % equity interests in Brazil and Argentina for the remaining 60 % interest in Mexico.

And than there is its associated company in South Africa: Beier Albany & Co. Albany International's interest in this partnership is 50 %. This is the company's only remaining equity interest.

Albany International's business in the USA is most important, followed by Europe. See table 1.⁸

Table 1. **Albany International's geographic distribution of business, 1994 (in US\$ millions)**

	<u>Net sales</u>	<u>Operating income</u>
United States	240	31
Europe	192	15
Canada	58	7
Rest of the World	<u>79</u>	<u>9</u>
Total	569	62

The Food and Agricultural Organization (FAO) projects that by 2010 the Asia Pacific region will be the largest consumer of paper and board in the world. By that time China will replace Japan as the second largest consumer of paper and board. Therefore, Albany is trying to

⁷. Dow Jones News Service Reuter Textline, July 17, 1990; Paper Predicasts Prompt, March 1992.

⁸. Albany International 1994 Annual Report, p.16.

expand its business in the region. In 1994 a presence in Singapore and Hong Kong was established. In January 1995 Albany opened a sales office in Seoul, South Korea.

Albany International's most recent acquisition is that of Technical Service Industries (TSI). TSI is a supplier of engineered fabrics to the nonwovens industry. The formal agreement was signed on August 31, 1995. Although the terms were undisclosed it is said that the purchase price is about US\$ 9 million in cash and shares of Albany's Class A Common Stock. Mr. J. Spencer Standish, Albany International's Chairman, said: "The acquisition of TSI will complement our existing Engineered Fabrics Division and allow Albany to better serve the fast growing nonwovens industry."⁹

⁹. Business Wire Reuter Textline, July 11, 1995; Reuter News Service, September 7, 1995.

3. Social Policy

Albany International increased its number of employees between 1984 and 1990 from 4,318 to 6,144. In 1990 approximately 65 % of the employees were engaged in the production process.¹⁰ Between 1990 and 1994 the number of employees was reduced with 740. See tabel 2.¹¹

Table 2. Albany International's number of employees (1990-1994)

<u>1994</u>	<u>1993</u>	<u>1992</u>	<u>1991</u>	<u>1990</u>
5,404	5,286	5,678	5,726	6,144

In 1992, for example, US\$ 12 million was spent on restructuring of operations and termination benefits.

Most of the plant closures and workforce reductions took place in Europe. Plants were closed in Norway and Germany.

Production at Al GmbH in Goppingen, Germany was closed in 1992/93. Albany had acquired the plant in early 1989. The company continued production in its plant in Ahlen, Germany.¹²

In January 1993 Nordiskafilt's employees at Skedsmo decided to drop legal proceedings against the company. They accepted two months' salary as severance payment in connection with the closure of the plant.¹³

Productivity (as sales per employee) increased 16 % between 1990 and 1994. This was mainly due to the purchase and development of more efficient state-of-the-art equipment. The 1994 annual report explains: "Examples of this are upgraded and new high-speed equipment, robots wich change bobins in the weaving looms, computerized controls which improve both quality and productivity in the finishing process, and high-speed machines for seaming paper machine clothing."

Albany International was the first to roll over its USA retirees 401 (k) assets into a defined-benefit plan. Hereby the retirees are sparing themselves reinvestment and management headaches and are guaranteeing an additional monthly pension for as long as they or their spouses live. JP Morgan Investment Management has now given the concept a commercial cast and is talking about this to 20 companies.¹⁴

¹⁰. S1 SEC Registration Predicasts Prompt, April 22, 1990.

¹¹. Albany International 1994 Annual Report, p.24.

¹². Reuter News Service, November 26, 1992.

¹³. Dagens Naeringsliv Reuter Textline, January 28, 1993.

¹⁴. Industrial Investor Reuter Textline, November 29, 1994.

4. Financial Situation

Between 1984 and 1988 Albany grew very fast, about 14 %. The slowdown in demand forced Albany to cut back in newly expanded sales departments and to start a still ongoing cost reduction programme.

In 1992 Albany International booked a loss of US\$ 3,6 million, but between 1984 and 1991 and from 1993 onwards only profits have been recorded.

The loss in 1992 was due to the negative operating income of almost US\$ 11 million in Europe; the other geographical areas achieved positive operating incomes that year. In 1993 again a negative operating income in Europe had to be taken; than of US\$ 8 million. Total operating income in 1993 was positive.

In 1984 net sales amounted to US\$ 267 million. In 1990 net sales were more than doubled to US\$ 556 million. Most sales (US\$ 561 million) were booked in 1992. In 1993 sales dropped, but increased again in 1994. See table 3.¹⁵

Table 3. Albany International's net sales, operating income and net results, 1990-1994 (in US\$ millions)

	<u>1994</u>	<u>1993</u>	<u>1992</u>	<u>1991</u>	<u>1990</u>
Net sales	568	546	561	557	556
Op. income	63	41	18	43	30
Net results	24	16	(4)	10	8

Albany's business is for an important part dependent on the paper and pulp prices and the profitability of paper manufacturers.

In 1995 Albany announced net sales of US\$ 154.1 million in the first quarter compared with US\$ 131.4 million last year, an increase of 17.3 %. Chairman Mr. J. Spencer Standish commented: "Sales in the first quarter were stronger than expected. Although sales are unlikely to continue growing at such a high rate for the entire year, our order backlog remains strong. Paper production is increasing in all major market areas. With Albany International's multiregional market strength and the excellent customer response to our new products, we expect further profit improvements during 1995."¹⁶

Second quarter net sales were US\$ 166.8 million, compared with US\$ 139.6 million in the same period in 1994, an increase of 19.5 %.

Net income for the first six months of 1995 was US\$ 19.3 million. Net sales increased 18.4 % from US\$ 271.1 million in the first half of 1994 to US\$ 321 million in the same period in 1995.

¹⁵. Albany International, 1994 Annual Report.

¹⁶. Business Wire Reuter Textline, April 20, 1995.

Mr. J. Spencer Standish commented: "Sales continued to increase significantly in the second quarter due mainly to market share gains and generally improving business conditions, particularly in Europe."¹⁷

5. Management

Chairman of the Board is Mr. J. Spencer Standish.

The 1994 annual report lists the following directors, besides Mr. Standish:

- Mr. Paul Bancroft III - Venture Capitalist and Consultant;
- Mr. Thomas R. Beecher JR. - President, Beecher Securities Corporation;
- Mr. Charles Buchanan - Vice President and Secretary;
- Mr. Stanley I. Landgraf - Retired Chief Executive Officer;
- Mr. Allen Stenshamn - Partner, Lagerlöf & Leman;
- Mrs. Barbara P. Wright - Partner, Finch, Montgomery & Wright.

The 1994 annual report also mentions 14 other officers, besides Mr. Standish:

- Mr. F. L. McKone - President and Chief Executive Officer;
- Mr. M. C. Nahl - Senior Vice President and Chief Financial Officer;
- Mr. J. Weldon Cole - Senior Vice President-Administration and Development;
- Mr. M.F. Kincaid - Senior Vice President-Technology;
- Mr. T.H. Richardson - Senior Vice President-International;
- Mr. F.R. Schmeler - Senior Vice President-North America;
- Mr. E. Walther - Senior Vice President-Europe
- Mr. T.H. Hagoort - General Counsel;
- Mr. Ch.B. Buchanan - Vice President and Secretary;
- Mr. R.A. Carlstrom - Vice President-Controller;
- Mr. R.D. Dufresne - Vice President-Treasurer and Assistant Secretary;
- Mr. W.H. Dutt - Vice President-Research, Development and Engineering;
- Mr. H.A. McGlinchey - Vice President-Information Systems;
- Mr. J.W. Sherrer - Vice President-Administration.

¹⁷. Business Wire Reuter Textline, July 20, 1995.

6. Strategic Policy

Albany's strategy is one of continued cost reduction and productivity improvements in order to further improve results.

Albany International tries to implement Continuous Supply programs with paper manufacturers. These relationships require Albany to carry inventory rather than the customer and to provide Just-In-Time delivery to the customers paper mill. Of course, this policy resulted in increased inventories for Albany. The company expects this policy will eventually result in more predictable requirements, lower inventory levels and increased sales.

Albany is closely watching the policies of the paper manufacturers. Albany expects them to continue to award more business to fewer suppliers. Albany thinks this process will lead to closer linkages to major customers and to reduction of total inventory held by the customer and supplier. Other results of these partnerships will be improved productivity and uniformity in the papermaking process and quicker development and introduction of new products by suppliers. Because of these expectations Albany appreciates the value of its Research and Development centres in both the USA and Europe.

Albany intends to focus on its core machine clothing business.

Conclusion

Albany International operates primarily in a specialized business, that of paper machine clothing. It is highly dependent on developments in the business of its main customers, the paper producers. The company is trying to establish strong and close relationships to its major customers.

Albany had to record a loss in 1992. Business in Europe was booking negative results in 1992 and 1993. At the moment business is going well. In Europe Albany International's presence in the Nordic countries is strong.

For many years now Albany International is putting into effect a cost reduction programme. This has resulted in the loss of about 750 jobs, primarily in Europe. Plant closures occurred in Germany and Norway. Employees were made redundant.

For the future more cost reduction operations are to be expected. Acquisitions in the area of paper machine clothing might very well take place.

Appendix 1: Locations

LOCATIONS

Corporate Office
Albany, New York

Albany International Research Co.
Mansfield, Massachusetts

Monofilament Plant
Homer, New York

Appleton Wire
Menasha, Wisconsin
Montgomery, Alabama
Portland, Tennessee
Weaverville, North Carolina

Press Fabrics U.S.
East Greenbush, New York
St. Stephen, South Carolina
Simpsonville, South Carolina

Albany Mount Vernon Dryer Fabrics
Simpsonville, South Carolina
Menands, New York
Tumwater, Washington

Engineered Fabrics
Portland, Tennessee
Appleton, Wisconsin

Albany International Canada, Inc.
Cowansville, Québec (2)
Perth, Ontario

Albany Nordiskafilt A.B.
Halmstad, Sweden (2)
Ahlen, Germany
Dieren, Netherlands

Albany Fennofelt Oy
Helsinki, Finland
Järvenpää, Finland

Albany International Ltd.
James Kenyon
Bury, Lancashire, England

Albany International B.V.
Dieren, Netherlands

Albany International S.A.
Ribérac, France

Martel Catala S.A.
Sélestat, France

Albany International Pty. Ltd.
Gosford, N.S.W., Australia

Albany International
Feltros e Telas Industriais Ltda.
Indaial, Brazil
Blumenau, Brazil

Albany International S.A. de C.V.
Cuautitlán, México (2)

Wagner de México S.A. de C.V.
México, D.F.

Nomafa
Lawrenceville, Georgia
Halmstad, Sweden

Associated Company

Beier Albany & Co.
Pinetown, South Africa

(2) indicates two plants at the location

Source: Albany International 1994 Annual Report

Appendix 2: Subsidiaries

ALBANY INTERNATIONAL CORP., P.O. Box 1907, 2221

Albany, N.Y. 12201 Tel: (518)445-2200

. Albany Equipos y Sistemas S.A. de C.V. (A)	Mexico
. Albany International Canada Inc.	Canada
. Albany International Feltros e Telas Industriais Ltda.	Brazil
. Albany International GmbH	Germany
. . Nomafa Betriebschützeinrichtungen GmbH	Germany
. Albany International Indústria e Comércio Ltda.	Brazil
. Albany International Ltd.	U.K.
. Albany International Nederland B.V.	Netherlands
. . Nomafa B.V.	Netherlands
. Albany International Pty. Ltd.	Australia
. Albany International S.A.	France
. Albany International S.A. de C.V.	Mexico
. Albany Nordiskafilt AB	Sweden
. . Albany Fennofelt Oy	Finland
. . Albany Nordiska S.A.	Spain
. . Albany Nordiskafilt A/S	Norway
. . Feltimpex GmbH	Austria
. . Nordiska Maskinfilt AB	Sweden
. . . Dewa Consulting AB	Sweden
. . Nordiskafilt AB	Sweden
. . Nordiskafilt K.K.	Japan
. Beier-Albany & Co. (A)	South Africa
. Itelpa S.A. Indústria e Comércio (A)	Brazil
. Manufactura de Telas Metalicas S.A. (A)	Argentina
. Martel Catala S.A.	France
. Nomafa AB	Sweden
. Nomafa Austria GmbH	Austria
. Nomafa S.A.R.L.	France
. Wallbergs Fabriks AB	Sweden
. Wangner de Mexico S.A. (A)	Mexico

Source: Who Owns Whom 1994

Appendix 3: Addresses

Albany International
1373 Broadway/ P.O. Box 1907
Albany, New York 12204/ Albany, New York 12201
USA
tel. (518) 445-2200

Albany International B.V.
Van Rensselaerweg 2/ Postbus 32
6956 AV Spankeren (Rheden)/ 6950 AA Dieren (Rheden)
Nederland
tel. (313) 428911

Albany Int. Ltd (James Kenyon) 175 employees
Pilsworth Road
Bury
GB-Lancashire BL9 8QE
tel. 161-766 7531
fax. 161-766 2339

Albany Int. S.A. 106 empl.
Rue Georges Triloulet
F-24600 Riberac
tel/fax: 53-924100

Albany Nordiskafilt AB 553 empl.
P.O. Box 510
Kristinebergsv, Sondrum
S-30180 Halmstad
tel. 35-147000
fax 35-37546

Albany Wallbergs AB 6 empl.
P.O. Box 621
Kristinebergsv, Sondrum
S-30116 Halmstad
tel. 35-147400
fax 35-36170

Martel Catala 400 empl.
B.P. 88
1-3 Route de Strasbourg
F-67602 Selestat Cedex
tel/fax. 88-824200