

Albany International Corp.
Consolidated Statement of Cash Flows
(in thousands)

	As reported for Year Ended December 31, 2018	Adjustments to reverse effects of ASC 606	As adjusted for Year Ended December 31, 2018 to exclude adoption of ASC 606
Operating Activities			
Net income	\$83,019	\$(2,448)	\$80,571
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation	68,800	-	68,800
Amortization	10,236	-	10,236
Change in other noncurrent liabilities	(5,479)	-	(5,479)
Change in deferred taxes and other liabilities	8,972	(877)	8,095
Provision for write-off of property, plant and equipment	3,707	-	3,707
Non-cash interest expense	459	-	459
Write-off of pension liability adjustment due to settlement/curtailment	1,494	-	1,494
Compensation and benefits paid or payable in Class A Common Stock	2,203	-	2,203
Changes in operating assets and liabilities that provided/(used) cash, net of impact of business acquisition:			
Accounts receivable	(19,139)	(17,387)	(36,526)
Contract assets	(10,267)	10,267	-
Inventories	(968)	10,433	9,465
Prepaid expenses and other current assets	(5,815)	-	(5,815)
Income taxes prepaid and receivable	(1,402)	-	(1,402)
Noncurrent receivables	(12,249)	-	(12,249)
Accounts payable	9,340	-	9,340
Accrued liabilities	8,209	12	8,221
Income taxes payable	(824)	-	(824)
Other, net	(7,811)	-	(7,811)
Net cash provided by operating activities	132,485	-	132,485
Net cash used in investing activities	(82,886)	-	(82,886)
Net cash used in financing activities	(27,258)	-	(27,258)
Effect of exchange rate changes on cash and cash equivalents	(8,313)	-	(8,313)
Increase in cash and cash equivalents	14,028	-	14,028
Cash and cash equivalents at beginning of year	183,727	-	183,727
Cash and cash equivalents at end of year	\$197,755	\$-	\$197,755

3. Reportable Segments and Geographic Data

In accordance with applicable disclosure guidance for enterprise segments and related information, the internal organization that is used by management for making operating decisions and assessing performance is used as the basis for our reportable segments.

The accounting policies of the segments are the same as those described in Note 1. Corporate expenses include wages and benefits for corporate headquarters personnel, costs related to information systems development and support, and professional fees related to legal, audit, and other activities. These costs are not allocated to the reportable segments because the decision-making for these functions lies outside of the segments.

Machine Clothing:

The Machine Clothing (MC) segment supplies customized, consumable permeable and impermeable belts used in the manufacture of paper, paperboard, nonwovens, fiber cement and several other industrial applications. We sell our MC products directly to customer end-users in countries across the globe. Our products, manufacturing processes, and distribution channels for MC are substantially the same in each region of the world in which we operate.

We design, manufacture, and market paper machine clothing (used in the manufacturing of paper, paperboard, tissue and towel) for each section of the paper machine and for every grade of paper. Paper machine clothing products are customized, consumable products of technologically sophisticated design that utilize polymeric materials in a complex structure.

Albany Engineered Composites:

The Albany Engineered Composites (AEC) segment, including Albany Safran Composites, LLC (ASC), in which our customer SAFRAN Group (Safran) owns a 10 percent noncontrolling interest, provides highly engineered, advanced composite structures to customers in the commercial and defense aerospace industries. AEC's largest program relates to CFM International's LEAP engine. Under this program, AEC through ASC, is the exclusive supplier of advanced composite fan blades and cases under a long-term supply contract. The manufacturing spaces used for the production of parts under the long-term supply agreement are owned by Safran, and leased to the Company at either a market rent or a minimal cost. All lease expense is reimbursable by Safran to the Company due to the cost-plus nature of the supply agreement. AEC net sales to Safran were \$186.3 million in 2018, \$119.2 million in 2017, and \$88.9 million in 2016. The total of invoiced receivables, Contract assets and Noncurrent receivable due from Safran amounted to \$96.2 million and \$58.6 million as of December 31, 2018 and 2017, respectively. Other significant programs served by AEC include the F-35, Boeing 787, and the fan case for the GE9X engine. In 2018, approximately 25 percent of AEC sales were related to U.S. government contracts or programs.

As described in Note 2, effective January 1, 2018, the Company adopted the provisions of ASC 606, "Revenue from contracts with customers", using the cumulative effect method for translation. Periods prior to 2018 have not been restated. The following tables show data by reportable segment, reconciled to consolidated totals included in the financial statements: