ALBANY INTERNATIONAL CORP /DE/
Form DEF 14A
April 12, 2011

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

SCHEDULE 14A

Proxy Statement Pursuant to Section 14(a) of the Securities Exchange Act of 1934
(Amendment No.)

Filed by the Registrant	x
Filed by a Party other than the Registrant	o

Check the appropriate box:

o	Preliminary Proxy Statement
o	Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))
x	Definitive Proxy Statement
o	Definitive Additional Materials
o	Soliciting Material Pursuant to §240.14a-12

Albany International Corp.

(Name of Registrant as Specified In Its Charter)

(Name of Person(s) Filing Proxy Statement, if other than the Registrant)

Payment of Filing Fee (Check the appropriate box):

x	No fee required.
o	Fee computed on table below per Exchange Act Rules 14a-6(i)(1) and 0-11.
(1)	Title of each class of securities to which transaction applies:

(2) Aggregate number of securities to which transaction applies:

(3) Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11 (Set forth the amount on which the filing fee is calculated and state how it was determined):

(4) Proposed maximum aggregate value of transaction:

(5) Total fee paid:

o Fee paid previously with preliminary materials.

o Check box if any part of the fee is offset as provided by Exchange Act Rule 0-11(a)(2) and identify the filing for which the offsetting fee was paid previously. Identify the previous filing by registration statement number, or the Form or Schedule and the date of its filing.

(1) Amount Previously Paid:

(2) Form, Schedule or Registration Statement No.:

(3) Filing Party:

(4) Date Filed:

April 4, 2011

To the Stockholders of Albany International Corp.:

You are cordially invited to attend the 2011 Annual Meeting of Stockholders of Albany International Corp., which will be held at the Hilton Garden Inn, 100 High Street, Portsmouth, New Hampshire, at 9:00 a.m. on Friday, May 27, 2011. Please join us prior to the Annual Meeting at 8:30 a.m. to meet the Directors in the meeting room.

Whether or not you attend the Annual Meeting, it is important that your shares be represented and voted at the meeting. Therefore, you are urged to vote and submit your proxy promptly by phone, via the Internet, or by signing, dating, and returning a proxy card. If you decide to attend the Annual Meeting, you will be able to vote in person, even if you have previously submitted your proxy.

If you plan to attend the meeting, and have requested and received physical copies of these meeting materials, please so indicate on the enclosed proxy card so that we can make the necessary arrangements. (An addressed, postage-prepaid envelope is enclosed for your return of the proxy.)

Information about the meeting, including a description of the various matters on which the stockholders will act, can be found in the accompanying Notice of Annual Meeting and Proxy Statement. The Annual Report for the fiscal year ended December 31, 2010, also accompanies these materials.

Sincerely yours,

ERLAND E. KAILBOURNE	JOSEPH G. MORONE
Chairman of the Board	*President and Chief Executive Officer*

ALBANY INTERNATIONAL CORP.

216 Airport Drive, Rochester, New Hampshire 03867

NOTICE OF ANNUAL MEETING OF STOCKHOLDERS
TO BE HELD MAY 27, 2011

The Annual Meeting of Stockholders of Albany International Corp. will be held at the Hilton Garden Inn, 100 High Street, Portsmouth, New Hampshire, on Friday, May 27, 2011, at 9:00 a.m. Eastern Time, for the following purposes:

1. To elect eight Directors to serve until the next Annual Meeting of Stockholders and until their successors have been elected and qualified;
2. to ratify the appointment of PricewaterhouseCoopers LLP as our independent auditor;
3. to approve, by non-binding vote, executive compensation;
4. to recommend, by non-binding vote, the frequency of stockholder voting on executive compensation;
5. to approve the Company s 2011 Incentive Compensation Plan; and
6. to transact such other business as may properly come before the meeting or any adjournment or adjournments thereof.

Only stockholders of record at the close of business on April 4, 2011, will be entitled to vote at the Annual Meeting of Stockholders or any adjournment or adjournments thereof.

Whether or not you expect to attend the Annual Meeting in person, we urge you to vote your shares at your earliest convenience by telephone, via the Internet, or by signing, dating, and returning a proxy card. Submitting your proxy now will not prevent you from voting your shares at the meeting if you desire to do so, as your proxy is revocable at your option.

CHARLES J. SILVA, JR.
Secretary

April 4, 2011

PROXY STATEMENT

This proxy statement is furnished in connection with the solicitation by the Board of Directors of Albany International Corp. (the Company), 216 Airport Drive, Rochester, New Hampshire 03867, of proxies in the accompanying form for use at the Annual Meeting of Stockholders to be held on May 27, 2011, and at any adjournment or adjournments thereof.

Voting Procedures

Each properly executed proxy in the accompanying form received prior to the Annual Meeting will be voted with respect to all shares represented thereby and will be voted in accordance with the specifications, if any, made thereon. **If no specification is made, the shares will be voted in accordance with the recommendation of the Board of Directors. In addition, the shares will be voted in the discretion of the proxies with respect to (1) any matter of which we did not have notice prior to February 16, 2011, (2) the election of a person as a director in substitution for a nominee named in this proxy statement who, at the time of the meeting, is unable, or for good cause is unwilling, to serve, (3) any stockholder proposal properly excluded from this proxy statement, and (4) matters incident to the conduct of the meeting.** A proxy may be revoked at any time prior to the voting thereof.

If a stockholder is a participant in our Dividend Reinvestment Plan or the Albany International Corp. ProsperityPlus 401(k) Savings Plan, a properly executed proxy will also serve as voting instructions with respect to shares in the stockholder s account in such plans. In order for the Plan Trustee to vote 401(k) plan account shares, instructions must be received no later than 11:59 PM Eastern Time on May 24, 2010.

This proxy statement and the accompanying form of proxy are first being made available to our stockholders on or about April 12, 2011.

The only persons entitled to vote at the Annual Meeting (including any adjournment or adjournments) are (1) holders of record at the close of business on April 4, 2011, of the Company s Class A Common Stock outstanding on such date and (2) holders of record at the close of business on April 4, 2011, of our Class B Common Stock outstanding on such date. As of March 31, 2011, there were 28,020,764 shares of the Company s Class A Common Stock outstanding and 3,236,098 shares of our Class B Common Stock outstanding. Each share of Class A Common Stock is entitled to one vote, and each share of Class B Common Stock is entitled to ten votes, on each matter to be voted upon.

Under our By Laws, a copy of which is available at the Corporate Governance section of our website (*www.albint.com*), the presence, in person or by proxy, of shares having a majority of the total number of votes entitled to be cast at the meeting is necessary to constitute a quorum. Under Delaware law, if a quorum is present, a plurality of the votes cast at the meeting by the shares present in person or by proxy and entitled to vote is required for the election of directors, and a majority of the votes entitled to be cast at the meeting by the shares present in person or by proxy is required for any other action. Shares present at the meeting in person or by proxy and entitled to vote that abstain or fail to vote on any matter will be counted as present and entitled to vote but such abstention or failure to vote will not be counted as an affirmative or negative vote.

Under New York Stock Exchange rules, brokerage firms are permitted to vote in their discretion on certain routine matters on behalf of clients who have been requested to provide voting instructions, and have failed to do so by a date specified in a statement from the brokerage firm accompanying proxy materials distributed to its clients. Brokerage firms generally do not have such discretion, however, as to any contested action, any authorization for a merger or consolidation, any equity-compensation plan or any other matter related to executive compensation, any election of directors, or any matter that may affect substantially the rights or privileges of stockholders. In such a case, broker nonvotes would be treated as shares that are present at the meeting but fail to vote. The Company anticipates that brokerage firms will be able to vote in their discretion only on the proposal to ratify the selection of PricewaterhouseCoopers LLC as auditors.

1

ELECTION OF DIRECTORS

All of the members of the Board of Directors are elected annually to serve until the next Annual Meeting of Stockholders and until their successors are elected and qualified. Pursuant to the By Laws, the Board of Directors may increase or decrease the number of directors from time to time, but not to fewer than three. The Board of Directors has determined that, until further action by the Board, the number of directors of the Company, from and after the time of the 2011 Annual Meeting of Stockholders, shall be eight. Accordingly, the number of directors to be elected at the 2011 Annual Meeting of Stockholders is eight. The Board of Directors has nominated *for* election the eight persons listed below, all of whom are currently serving as directors. Unless otherwise specified on the proxy, the shares represented by a proxy in the accompanying form will be voted for the election of the eight persons listed below. If, at the time of the meeting, any nominee is unable, or for good cause unwilling, to serve, which event is not anticipated, the shares will be voted for a substitute nominee proposed by the Board of Directors, unless the Board reduces the number of directors. The biographical sketches below highlight some of the specific experience, qualifications, attributes or skills that contributed to the nominee s selection by the Board.

JOSEPH G. MORONE joined the Company as President on August 1, 2005. He has been a Director of the Company since 1996. He has served as President and Chief Executive Officer since January 1, 2006. From 1997 to July 2005, Dr. Morone served as President of Bentley University. Prior to joining Bentley, Dr. Morone served as Dean of the Lally School of Management and Technology at Rensselaer Polytechnic Institute and held the Andersen Consulting Professorship of Management. He serves as the Presiding Director of Transworld Entertainment Corporation, and serves on the Board of Trustees of Frisbie Memorial Hospital in Rochester, New Hampshire. In addition to the extensive knowledge of the Company and its operations gained as Chief Executive Officer, Dr. Morone s other contributions to the Board include experience leading other complex organizations, and his understanding of technology strategy and other issues confronting business organizations generally. Age 57.

CHRISTINE L. STANDISH has been a Director of the Company since 1997. From 1989 to 1991, she served the Company as a Corporate Marketing Associate, and was previously employed as a Graphic Designer for Skidmore, Owings & Merrill. She is a Director and the Chairman of the J. S. Standish Company. She is a member of the Board of Trustees of the Albany Academies, the Community Foundation for the Greater Capital Region and Siena College. She is the sister of John C. Standish and the daughter of J. Spencer Standish. J. Spencer Standish and related persons hold in the aggregate shares entitling them to cast a majority of the combined votes entitled to be cast by all stockholders of the Company. As the Board seeks to safeguard and promote the interests of the Company s stockholders, oversee Company management, and otherwise discharge its fiduciary obligations, Ms. Standish is able to provide a direct perspective as the representative of the Company s largest stockholder group. Age 45.

ERLAND E. KAILBOURNE has been a Director of the Company since 1999 and Chairman of the Board since May 9, 2008. He retired as Chairman and Chief Executive Officer (New York Region) of Fleet National Bank, a banking subsidiary of Fleet Financial Group, Inc., in 1998. He was Chairman and Chief Executive Officer of Fleet Bank, also a banking subsidiary of Fleet Financial Group, Inc., from 1993 until its merger into Fleet National Bank in 1997. He is a Director of the New York ISO, Financial Institutions, Inc., Rand Capital Corporation, Allegany Co-op Insurance Company, and the Farash Corporation. From May 2002 until March 2003 he served as Chairman and interim Chief Executive Officer of Adelphia Communications Corp. (Adelphia filed a petition under Chapter 11 of the United States Bankruptcy Code in 2002.) Mr. Kailbourne s broad experience as a director on numerous boards of public and private companies and foundations, his 37 years of experience in banking and finance, and his operational experience as chief executive officer of large organizations make him a valuable addition to the board of any public or private company, especially in oversight of risk management, liquidity, and finance matters. Age 69.

JOHN C. STANDISH has been a Director of the Company since 2001 and Vice Chairman of the Board since May 9, 2008. He previously served as Senior Vice President Manufacturing, Americas Business Corridor from March 2005 to January 2008, Director of North American Dryer Manufacturing from 2003 to March 2005, Director, PAC Pressing and Process Technology from 2000 to 2003, Manager of the Company s forming and engineered fabrics manufacturing facility in Portland, Tennessee from 1998 to 2000, Production Manager of Albany International B.V. in Europe from 1994 to 1998, a Department Manager for the Press Fabrics Division from 1991 to 1994, and Design Engineer for Albany International Canada from 1986 to 1991. He is a Director and the President of the J. S. Standish Company, and Director of the United Way of the Greater Capital Region. He is the brother of Christine L. Standish and the son of J. Spencer Standish. In addition to being a member of the Standish family, the Company s largest stockholder group, John acquired extensive hands-on experience in the Company s PMC operations as an employee, and holds a master s degree in textiles and wood and paper sciences. Age 47.

JUHANI PAKKALA has been a Director of the Company since 2004. Mr. Pakkala previously served as President and Chief Executive Officer of Metso Paper Inc. (formerly Valmet Corporation), in Finland, from 1999 until his retirement in July 2003. Metso Paper, a subsidiary of Metso Corporation, is one of the world s largest suppliers of pulp and paper process machinery and equipment. Prior to that time, Mr. Pakkala served in a number of executive positions in companies in the Metso Group in Finland, the United States, and Canada. As former Chief Executive Officer of Metso, one of two global suppliers of paper machines, Mr. Pakkala is able to bring a deep knowledge of the paper industry, as well as the perspective gained as a supplier of equipment to the same customer base as the Company s PMC segment. He has a keen understanding of markets served by the PMC segment, and a practical understanding of relevant technologies and product and process innovation. As a CEO, he also has direct experience in the oversight of manufacturing, sales and marketing, financial reporting and other functions in a corporation of a size and with a global operation comparable to that of the Company. Age 65.

3

PAULA H. J. CHOLMONDELEY has been a Director of the Company since February 2005. From 2000 to 2004, she was a Vice President and General Manager of Sappi Fine Papers, North America, responsible for the Specialty Products Division. She previously served in executive and financial positions in a number of corporations, including Owens Corning, the Faxon Company, Blue Cross of Greater Philadelphia, and the Westinghouse Elevator Company. She also served as a White House Fellow assisting the U.S. Trade Representative during the Reagan Administration. Ms. Cholmondeley is a former certified public accountant, and serves on the Board of Directors of three other publicly traded companies: Terex Corporation, Dentsply International, and Minerals Technologies Inc. She is also an independent trustee of Nationwide Mutual Funds. Ms. Cholmondeley s extensive experience in finance, including as a chief financial officer, and her background in public accounting, make her especially suited to the role of an audit committee financial expert on the Company s Audit Committee. Her international and manufacturing experience, within the paper industry and elsewhere, is also a valuable contribution to the Board. In addition, she brings extensive governance experience as the result of her service on various public company boards and involvement in various governance organizations. Age 64.

JOHN F. CASSIDY, JR. has been a Director of the Company since November 2005. From January 1989 to May 2005, he served as Senior Vice President, Science and Technology, at United Technologies Corp., a diversified company with extensive aerospace operations. He served at the General Electric Corporate Research and Development Laboratories from 1981 to 1988. Dr. Cassidy is a member of the Board of Trustees of Rensselaer at Hartford, a member of the Connecticut Academy of Science and Engineering and a senior member of the Institute for Electrical and Electronics Engineers and the Society of Automotive Engineers. He serves on the Board of Directors of the Connecticut Technology Council, the Detroit-based Convergence Electronics Transportation Association, and the Convergence Educational Foundation. Mr. Cassidy s extensive background in research and development, program management and product development are valuable attributes for oversight of the Company s research and development operations as well as growth in its Albany Engineered Composites segment, which seeks to grow as a key supplier to customers in the aerospace industry. Age 66.

EDGAR G. HOTARD has been a Director of the Company since November 2006. Mr. Hotard has been an independent consultant/investor since his retirement as President and Chief Operating Officer of Praxair, Inc. in 1999. In 1992, he co-led the spin-off of Praxair from Union Carbide Corporation, where he served as Corporate Vice President. He has served as a General Partner of HAO Capital, a private equity firm based in Hong Kong and Beijing, since November 2010, and as a Venture Partner of ARCH Venture Partners since September 2004. He also served as a part-time advisor to the Monitor Group, a global management consulting firm, for their China practice, and as the Chairman of the Monitor Group (China) from 2000 until March 2011. Mr. Hotard is a member of the Board of Directors of Global Industries, Ltd., Solutia Inc. and privately held Shona Energy Company, Inc. and Koning Corp. He was a founding sponsor of the China Economic and Technology Alliance and of a joint

MBA program between Renmin University, Beijing, and the School of Management, State University of Buffalo, New York. Mr. Hotard has experience managing a large, global enterprise, helping non-Chinese companies develop their businesses and business relationships in China, and investing in growth companies. This understanding and background are helpful as the Board oversees management s efforts to address shifting demand toward Asia, and China in particular, in its core PMC business, as well as its ramp-up of expanded operations in Asia. Age 67.

4

THE BOARD OF DIRECTORS RECOMMENDS
A VOTE FOR
ALL OF THE NOMINEES FOR ELECTION

CORPORATE GOVERNANCE

Board Leadership Structure. Since becoming a public company in 1984, the Company has at times operated under a traditional U.S. board leadership structure (with the roles of Chief Executive Officer and Chairman combined), while at other times the positions of the Chairman and the top executive officer have been separated. Dr. Morone s predecessor as Chief Executive Officer, Frank R. Schmeler, served as Chairman of the Board and Chief Executive Officer from 2000 until early 2006. From August 2003 until early 2006, Thomas R. Beecher, Jr. served as the Company s non-management Lead Director. Dr. Morone was appointed as President in 2005, and became Chief Executive Officer at the beginning of 2006. At that time, the Board determined that it would be desirable for the Company s departing Chief Executive Officer, Frank Schmeler, to remain in the position of Chairman, in a non-management capacity. Mr. Schmeler stepped down as Chairman in May of 2008, and was succeeded by Erland E. Kailbourne, who by that time had more than nine years of experience serving on our board, had previously served as chairman and Chief Executive Officer of Fleet Bank, and had acquired years of experience and service on several other public and private company boards.

The Board of Directors expects the Chairman of the Board to function as a liaison and independent conduit between the members of the Board and the Company s Chief Executive Officer between meetings of the Board, and to preside over meetings of, and provide leadership to, the non-management members of the Board. The Chairman is also primarily responsible for setting Board meeting agendas, in cooperation with the Chief Executive Officer and Secretary. (Other responsibilities of the Chairman are described in the Company s Corporate Governance Guidelines.) The Board has found that having a non-management director function in this role, whether as a lead director or as Chairman, facilitates communication, helps ensure that issues of concern to non-management directors are given an opportunity for discussion at meetings, and contributes generally to a more effective use of management and Board time. The Board also believes the current board leadership has served the Company well during Dr. Morone s tenure as Chief Executive Officer, allowing him to devote his attention to the management of the Company during what has been a challenging and dynamic period. The Board engages in an annual self-evaluation process to determine whether the Board is discharging its responsibilities and operating effectively, and to consider changes in membership, structure, or process that could improve performance. While we believe that the current Board leadership structure is appropriate for the Company at the present time, it is possible that alternative Board leadership structures, including those that combine the offices of Chairman and Chief Executive Officer, could be appropriate for the Company under different circumstances.

Risk Oversight. The Board of Directors oversees the Company s risk management processes. The Company s Chief Executive Officer reviews directly with the Board, at least annually, the most significant top-level enterprise risks facing the Company, and the processes by which the Company mitigates such risks. This top-level review is directly supported by periodic formal review by senior management of all significant enterprise risks, facilitated by the Chief Financial Officer. The Board also reviews management s annual operating plan and strategic plan to ensure that they are consistent with, and appropriately address, the Company s risks and risk management processes. The Company s Audit Committee is responsible for assisting the Board in its oversight of the Company s risk management processes. The Audit Committee periodically reviews and discusses, with management, the Company s internal audit department and the independent auditors, the adequacy of the processes by which the Company handles risk assessment and risk management. The Committee receives periodic reports from the Company s finance department regarding liquidity and other financial risks; from the finance and internal audit function regarding internal control risks; and from the finance, legal and internal audit departments regarding processes for addressing fraud, legal and compliance risks, and the adequacy of the Company s disclosure controls and procedures. The Audit Committee also reviews and discusses with management the risk factors disclosed by the Company in its periodic filings with the Securities and Exchange Commission before such filings are made.

Although the Board oversees the Company s risk management, day-to-day management of risk remains the responsibility of management.

Director Independence. The Corporate Governance Rules of the New York Stock Exchange (the NYSE Rules) provide that a company of which more than 50% of the voting power is held by an individual, a group, or another company will be considered to be a controlled company. As of March 31, 2011, J. Spencer Standish, related persons (including his children, Christine L. Standish and John C. Standish, directors of the Company; and J. S. Standish Company, a corporation of which he is a director and as to which he holds the power to elect all of the directors), and Thomas R. Beecher, Jr., as sole trustee of trusts for the benefit of descendents of J. Spencer Standish, held, in the aggregate, shares entitling them to cast approximately 53.58% of the combined votes entitled to be cast by all stockholders of the Company. Accordingly, we are a controlled company under the NYSE Rules. The Company has elected to avail itself of the provisions of the NYSE Rules exempting a controlled company from the requirements that the Board of Directors include a majority of independent directors (as defined by the NYSE Rules) and that the Compensation and Governance Committees be composed entirely of independent directors. The Board of Directors has determined, however, that all of the members of the Audit Committee are independent. The Board is not required to make this determination with respect to any other director, and it has not done so. A description of transactions, relationships, or arrangements (if any) considered by the Board in making these determinations is set forth in the Audit Committee discussion below.

Meeting Attendance. The Board of Directors met 15 times in 2010. Each incumbent director attended (in person or by telephone) 75% or more of the aggregate number of meetings of the Board and of the committees of the Board on which he or she served. It is the policy of the Company that all persons who are candidates for election to the Board of Directors at an Annual Meeting of Stockholders should attend that meeting (either in person or, if necessary, by telephone). All of the candidates for election to the Board of Directors attended the Annual Meeting of Stockholders in 2010.

Committees. The standing committees of the Board of Directors are a Governance Committee, an Audit Committee, and a Compensation Committee. During 2010, the Governance Committee met four times, the Audit Committee met 13 times and the Compensation Committee met seven times.

Governance Committee. The Governance Committee reviews and recommends changes in the Company s Corporate Governance Guidelines and governance and management structure; evaluates the effectiveness of the Board of Directors, its committees, and the directors; recommends to the Board of Directors the persons to be nominated for election as directors; and reviews management succession planning. A copy of the Charter of the Governance Committee is available at the Corporate Governance section of our website (*www.albint.com*). From January 1 until May 28, 2010, the members of the Governance Committee were John Standish (Chairman), John Cassidy, and Edgar Hotard. Director Juhani Pakkala replaced Director Cassidy on the Committee on May 28. Chairman Erland E. Kailbourne also participates in Committee meetings as an *ex officio* nonvoting member.

The Governance Committee considers, on an ongoing basis, the skills, background, and experience that should be represented on the Board of Directors and its committees, the performance of incumbent directors, the appropriate size of the Board of Directors, potential vacancies on the Board, and other factors relating to the efficacy of the Board. The Committee and the Board seek to maintain a group of Board members that, in the aggregate, possesses the skills, background and experience necessary and desirable to effectively address the issues and challenges the Company will confront. The Board does not expect that any single member will possess all of these attributes, and therefore seeks to accomplish this by selecting candidates with diverse skills and backgrounds. The Committee discusses with the Board, at least annually, the various qualifications and skills that should be represented on the Board and its committees, taking into account the nature of the business and the objectives of the Company as they may evolve over time. The Committee also reviews, on an annual basis, the performance of the sitting members of the Board, and makes recommendations to the Board regarding those directors to be nominated for reelection by the stockholders.

6

Although the Governance Committee does not routinely employ professional consultants for this purpose, members of the Committee communicate with knowledgeable persons on a continuing basis to identify potential candidates for Board membership. Any qualified potential candidates so identified are then discussed by the Committee and the Board, and if the potential candidate appears likely to be a substantial addition to the Board, he or she is then interviewed by members of the Committee and the Board. The Governance Committee then considers the reports of the interviews and other information that has been gathered and determines whether to recommend to the Board of Directors that the person be elected as a director.

Stockholders may send recommendations of persons to be considered by the Governance Committee for nomination for election as directors to: Chairman, Governance Committee, Albany International Corp., 216 Airport Drive, Unit 1, Rochester, New Hampshire 03867. Our Corporate Governance Guidelines, a copy of which is available at the Corporate Governance section of our website (*www.albint.com*), set forth criteria to be employed by the Governance Committee and the Board of Directors in determining whether a person is qualified to serve as a director of the Company. Recommendations by stockholders should include information relevant to these criteria. The Governance Committee will give consideration to persons recommended by stockholders in the same manner that it employs when considering recommendations from other sources.

All of the nominees for election as directors at the 2011 Annual Meeting are standing for reelection by stockholders.

Audit Committee. The Audit Committee assists the Board of Directors in fulfilling its fiduciary responsibilities regarding the Company s accounting and financial reporting practices and internal controls with respect to accounting, finance, legal compliance, and ethics. It also provides a means of open communication among the independent auditors, management, the Company s internal auditors, and the Board of Directors. The Board has also designated the Audit Committee as the Company s Qualified Legal Compliance Committee pursuant to the rules of the Securities and Exchange Commission with respect to Section 307 of the Sarbanes-Oxley Act. Under the NYSE Rules, the Audit Committee has sole authority to hire and fire our auditors. A copy of the current Charter of the Audit Committee is available at the Corporate Governance section of our website (*www.albint.com*). The current members of the Audit Committee are Paula H. J. Cholmondeley, Edgar G. Hotard (Chairman), and Juhani Pakkala. From January 1 until May 28, 2010, the membership of the Committee was the same as it is currently. On May 28, 2010, Director John Cassidy replaced Director Pakkala. On December 17, 2010, Director Cassidy stepped down and Director Pakkala was reappointed to the Committee.

The Audit Committee has provided the following report:

The Audit Committee has reviewed and discussed with management and the independent auditors, PricewaterhouseCoopers LLP (PwC), the financial statements for 2010, including management s report with respect to internal control over financial reporting. The Audit Committee has discussed with PwC the matters required to be discussed by the statement on Auditing Standards No. 61, as amended, as adopted by the Public Company Accounting Oversight Board (PCAOB), and has received from PwC the written disclosures and the communications relating to PwC s independence required by PCAOB rules. The Audit Committee has discussed with PwC its independence, and has considered whether the provision by PwC of the services referred to below under **RATIFICATION OF INDEPENDENT AUDITORS** is compatible with maintaining the independence of PwC.

Based on the foregoing discussions and review, the Audit Committee recommended to the Board of Directors that the audited statements for 2010 be included in the Company s Annual Report on Form 10-K for 2010 filed with the Securities and Exchange Commission.

The financial reporting process of the Company, including the system of internal controls and the preparation of financial statements in accordance with accounting principles generally accepted in the United States of America, is the responsibility of the Company s management. The Company s independent auditors (PwC) are responsible for auditing the Company s financial statements and internal controls over financial reporting. The Audit Committee monitors and reviews these processes. As required by the NYSE Rules, the Board of Directors has determined that, in their judgment, all of the members of the Audit Committee are financially literate and at least one member of the Committee has accounting

7

or related financial management expertise. The Board has also determined that at least one member of the Committee, Paula H. J. Cholmondeley, is a financial expert as such term is defined in Item 407 of Regulation S-K of the Securities and Exchange Commission. The members of the Audit Committee are not employees of the Company and do not represent themselves as experts in the field of accounting or auditing.

The Charter of the Audit Committee provides that the members of the Committee are entitled to rely, and they do rely, on advice, information, and representations that they receive from the independent auditors, management, and the head of internal audit. Accordingly, the review, discussions, and communications conducted by the Audit Committee do not assure that the financial statements of the Company are presented in accordance with accounting principles generally accepted in the United States of America, that the audit of the Company s financial statements has been carried out in accordance with auditing standards generally accepted in the United States of America, or that the Company s independent auditors are, in fact, independent.

The Audit Committee:
Edgar G. Hotard, Chairman
Paula H. J. Cholmondeley
Juhani Pakkala

The Board of Directors has determined that none of the members of the Audit Committee has any relationship with the Company that may interfere with the exercise of his or her independence from management and the Company and, on that basis, has determined that each of them is independent within the meaning of the Sarbanes-Oxley Act and the NYSE Rules.

Mr. Pakkala was initially elected to the Audit Committee in August 2004. At that time, the Board considered his prior employment at Metso Paper Inc., a manufacturer of papermaking equipment. The Company has supplied products and services to Metso from time to time, and has also pursued other contractual agreements with them from time to time, mostly related to development of new products. Mr. Pakkala retired from Metso Paper in 2003, and since that time has maintained no relationship with Metso, other than the ownership of an option to purchase some shares of Metso Corporation, the parent company of Metso Paper (which option has since been exercised and the shares sold), and rights to receive amounts under Metso pension and deferred compensation plans, all of which he acquired while a Metso Paper employee. The Board at that time determined that these factors did not rise to the level of a material relationship with the Company within the meaning of the NYSE Rules, and did not constitute a relationship with the Company that may interfere with the exercise of his independence from management.

Mr. Hotard was elected to the Audit Committee in May 2007. Until March 2011, Mr. Hotard provided services as an independent contractor to the China practice of Monitor Group, a management consulting firm. The Company engaged Monitor Group in the U.S. during 2007 and 2008 to provide consulting services related to its Albany Engineered Composites business. Fees paid to Monitor during 2007 and 2008 were approximately $380,000 and $249,000, respectively. Mr. Hotard has never been a Monitor employee. He has provided consulting services to Monitor s affiliate, Monitor Consulting Hong Kong Ltd, functioning as an advisor for Monitor s Asia consulting practice, and has served as the Chairman of Monitor Group (China), representing Monitor before the Chinese government and industry associations involved with China (e.g., the U.S. China Business Council) and Chinese companies state-owned and private.

In exchange for these services, Mr. Hotard received a monthly retainer and reimbursement of travel expenses. The monthly retainer was not based on any revenue-generation goals, and was independent of any consulting fees Monitor collected anywhere in the world, including fees received from the Company. He was also, in prior years, entitled to receive performance-based incentives related to identifying investment opportunities for Monitor Capital. Such incentives were not tied to any revenue-generation goals of Monitor Group. He received no portion of the fees paid by the Company to Monitor in the U.S., nor any commission or other compensation, direct or indirect, related to the Company s engagement of Monitor. Payments by the Company to Monitor Group did not exceed 2% of Monitor s net revenues during any of the last three years.

8

Based on these facts, the Company s Board has determined that the retention of Monitor in the U.S. to provide consulting services did not constitute a material relationship between the Company and Mr. Hotard, and did not compromise his independence.

After due inquiry, the Board is not aware of, and therefore did not consider, any other transactions, relationships, or arrangements with any of the other members of the Audit Committee when determining their independence.

The Board of Directors has determined that Ms. Cholmondeley possesses all of the attributes of an audit committee financial expert, as such term is defined in Item 407 of Regulation S-K of the Securities and Exchange Commission. Ms. Cholmondeley also serves on the audit committee of Minerals Technologies Inc., which is a public company. The Audit Committee Charter does not permit any member of the Audit Committee to serve on the audit committees of more than two other public companies, unless the Board of Directors has determined that such simultaneous service would not impair the ability of such member to serve effectively on our Audit Committee, and such determination is disclosed in our annual proxy statement. Pursuant to the NYSE Rules, the Board of Directors has determined that all of the current members of the Audit Committee are financially literate and that at least one member of the Committee has accounting or related financial management expertise. The Board of Directors believes that all of the current members of the Audit Committee are well qualified to perform the functions for which the Committee is responsible.

Compensation Committee. The Compensation Committee is generally responsible for determining the compensation of our directors and executive officers. A copy of the Committee s Charter is available at the Corporate Governance section of our website (*www.albint.com*). The current members of the Compensation Committee are John F. Cassidy, Jr. (Chairman), Christine L. Standish and Erland E. Kailbourne. Directors Cholmondeley and Pakkala also served on the Committee from January 1 until December 17, 2010.

As specified in its charter, the Compensation Committee is directly responsible for determining the compensation of the Company s Chief Executive Officer as well as the other senior executive officers of the Company. The Committee also assists the Board of Directors in the creation and implementation of employee compensation, incentive, and benefit policies and plans; administers (or oversees the administration by management of) pension and other employee benefit plans; and approves grants and awards under our stock option and restricted stock unit plans, and our 2005 Incentive Plan (except for awards intended to preserve deductibility under Section 162(m) of the Internal Revenue Code, which awards are approved by a separate committee of independent directors designated for such purpose). These duties and responsibilities may be delegated to a subcommittee comprising one or more members of the Committee.

The Committee s Charter indicates that input from management is both expected and in some instances required in connection with the Committee s exercise of its responsibilities. See **The Role of Executive Officers in the Compensation Process** on page 27.

In addition, the Committee s charter charges the Committee with the responsibility to obtain advice and assistance from outside legal or other advisors or consultants as the Committee may from time to time deem appropriate, and to determine the compensation and other terms of service of such advisors and consultants. The Committee has exclusive power to select, retain, and terminate the services of any such advisors or consultants to assist in evaluating the compensation of the Chief Executive Officer or senior executives, and sole power to determine the compensation and other terms of service of such consultants. The Charter provides that we shall provide for the payment of fees and compensation to any advisors or consultants so employed by the Committee. The Company paid $436,170 to Towers Watson during 2010 for compensation-related services. (See **Benchmarking and Use of Consultant** on page 23 for a discussion of compensation-related services provided by Towers Watson during 2010.) The Company also retained Towers Watson during 2010 to provide actuarial and related services with respect to certain of the Company s benefit plans, and expects to do so again during 2011.

9

Compensation Committee Interlocks and Insider Participation. Directors Cassidy and Christine Standish served on the Compensation Committee during all of 2010. Directors Cholmondeley and Pakkala served until December 17, 2010, and Director Kailbourne has served as a member since December 17, 2010.

No member of the Committee was an employee during 2010. Christine Standish is an officer and director of J. S. Standish Co. (See **SHARE OWNERSHIP** on page 12.)

Non-management directors. Meetings of the non-management directors, as defined by the NYSE Rules, are regularly held at the conclusion of each meeting of the Board. The current non-management directors include all of the directors other than Dr. Morone. Meetings of the non-management directors during 2010 were chaired by the Chairman. The Chairman also acts as a liaison between the directors and the Chief Executive Officer and facilitates communication among the directors. Interested persons may communicate with the Chairman and the non-management directors by writing to: Chairman, Albany International Corp., 216 Airport Drive, Rochester, New Hampshire 03867.

Shareholder communications. It is our policy to forward to each member of the Board of Directors any communications addressed to the Board of Directors as a group, and to forward to each director any communication addressed specifically to such director. Such communications may be sent to: Albany International Corp., 216 Airport Drive, Rochester, New Hampshire 03867.

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

Certain Business Relationships and Related Person Transactions

The Company has adopted a written policy requiring review of relationships and transactions in which directors or executive officers, or members of their immediate families, are participants in order to determine whether such persons have a direct or indirect material interest. The Company s Legal Department is responsible for developing and implementing processes and controls designed to obtain information relating to any such relationship or transaction, and for determining whether disclosure of such relationships or transactions is required. The Audit Committee of the Board of Directors is responsible for reviewing such information, and making recommendations to the disinterested members of the Board regarding the ratification or approval of such relationships or transactions. As set forth in the policy, the Audit Committee considers each transaction in light of relevant factors, including any benefits to the Company, whether the terms are arm s-length and in the ordinary course, the direct or indirect nature of the related person s interest in the transaction, the size and expected term of the transaction, and such other facts and circumstances as may bear on the materiality of the transaction or relationship. No director may participate in the review, ratification or approval of any transaction in which such director has an interest.

Since January 1, 2010, there have been no transactions involving related persons required to be reported in this proxy statement where the above policy did not require review, approval or ratification, or where such policy was not followed.

Chairman Emeritus

As Chairman Emeritus of the Board of Directors, J. Spencer Standish is invited to all meetings of the Board and Compensation Committee of the Board and normally attends such meetings. He receives limited but regular assistance from Company administrative personnel in managing his correspondence and travel arrangements. He visits Company facilities in the United States and abroad from time to time, and consults with senior management from time to time on Company matters. Mr. Standish was reimbursed a total of $2,891 for Company-related expenses incurred during 2010 in connection with such visits, his attendance at meetings, and such consultations. Other than his pension under the Company s retirement plans, and reimbursement of these expenses, Mr. Standish receives no fees or compensation for his activities with respect to the Company.

Section 16(a) Beneficial Ownership Reporting Compliance

Section 16(a) of the Exchange Act requires our directors and officers, and any persons holding more than 10% of our Class A Common Stock, to file with the Securities and Exchange Commission reports disclosing their initial ownership of the Company s equity securities, as well as subsequent reports disclosing changes in such ownership. To the Company s knowledge, based solely on a review of such reports furnished to us and written representations by such persons that no other reports were required, all persons who were subject to the reporting requirements of Section 16(a) complied with such requirements during the year ended December 31, 2010.

11

SHARE OWNERSHIP

As of the close of business on March 31, 2011, each of the directors and the Named Executive Officers, and all current directors and officers as a group, beneficially owned shares of our capital stock as follows:

	Shares of Class A Common Stock Beneficially Owned (a)	Percent of Outstanding Class A Common Stock	Shares of Class B Common Stock Beneficially Owned	Percent of Outstanding Class B Common Stock
Joseph G. Morone	100,571 (b)	(c)		
Christine L. Standish	159,932 (d)	(c)	153,022 (e)	4.73 %
Erland E. Kailbourne	17,159	(c)		
John C. Standish	161,182 (f)	(c)	153,022 (g)	4.73 %
Juhani Pakkala	10,812	(c)		
Paula H. J. Cholmondeley	14,680 (h)	(c)		
John F. Cassidy, Jr.	12,438	(c)		
Edgar G. Hotard	11,523	(c)		
John B. Cozzolino	4,308 (i)	(c)		
Daniel Halftermeyer	47,262 (j)	(c)		
Michael Joyce	18,170 (k)	(c)		
Michael K. Burke		(c)		
All officers and directors as a group (18 persons)	480,661	1.72 %	154,726	4.78 %

(a) Because shares of Class B Common Stock are convertible at any time into shares of Class A Common Stock on a one-for-one basis, they are reflected in the above table both as Class B shares beneficially owned and as Class A shares beneficially owned. Beneficial ownership has the meaning specified under Rule 13d-3 of the Securities Exchange Act.

(b) Includes (i) 96,526 shares owned outright and (ii) 4,045 shares held in the Company s employee stock ownership plan.

(c) Ownership is less than 1%.

(d) Includes (i) 6,595 shares owned outright, (ii) 153,022 shares issuable upon conversion of an equal number of shares of Class B Common Stock, and (iii) 315 shares held by Ms. Standish in her account in the Company s 401(k) retirement savings and employee stock ownership plans. The nature of Ms. Standish s beneficial ownership of the Class B shares is described in note (e) below.

(e) Includes (i) 1,704 shares owned outright and (ii) 151,318 shares owned by the Standish Delta Trust. Does not include (i) 247,153 shares held by a trust for her sole benefit, as to which she has no voting or investing power, (ii) 868,117 shares held by J. S. Standish Company, of which she is a director, (iii) 10,700 shares held by the Christine L. Standish Gift Trust, a trust for the benefit of her descendants as to which she has no voting or investment power, or (iv) 120,000 shares held by the Christine L. Standish Delta Trust, a trust for the benefit of her descendants as to which she has no voting or investment power.

(f) Includes (i) 153,022 shares issuable upon conversion of an equal number of shares of Class B Common Stock, (ii) 540 shares held by Mr. Standish in his account in the Company s 401(k) retirement savings and employee stock ownership plans, and (iii) 7,620 shares issuable upon exercise of options currently exercisable. The nature of Mr. Standish s beneficial ownership of the Class B shares is described in note (g) below. Does not include 11 shares owned by his spouse, as to which shares he disclaims beneficial ownership.

(g) Includes (i) 1,704 shares owned outright and (ii) 151,318 shares owned by the Standish Delta Trust. Does not include (i) 247,154 shares held by a trust for his sole benefit, as to which he has no voting or investment power, (ii) 868,117 shares held by J. S. Standish Company, of which he is a director, (iii) 10,700 shares held by the John C. Standish Gift Trust, a trust for the benefit of his descendants as to which he has no voting or investment power, or (iv) 120,000 shares held by the John C. Standish Delta Trust, a trust for the benefit of his descendants as to which he has no voting or investment power.

12

(h) Includes (i) 12,508 shares owned outright, and (ii) 2,172 shares in a retirement plan.

(i) Includes (i) 1,452 shares owned outright, (ii) 2,556 shares held in the Company s employee stock ownership plan, and (iii) 300 shares issuable upon exercise of options exercisable currently or within 60 days.

(j) Includes (i) 21,462 shares owned outright and (ii) 25,800 shares issuable upon exercise of options exercisable currently or within 60 days.

(k) Includes (i) 14,513 shares owned outright and (ii) 3,657 shares held in the Company s employee stock ownership plan.

Each of the individuals named in the preceding table has sole voting and investment power over shares listed as beneficially owned, except as indicated. Each of the directors and officers whose share ownership is reported above has indicated that no such shares are pledged as security.

The following persons have informed us that they were the beneficial owners of more than five percent of our outstanding shares of Class A Common Stock:

Name(s)[(a)]	Reported Shares of Company s Class A Common Stock Beneficially Owned*		Percent of Outstanding Class A Common Stock	
J. Spencer Standish	2,583,811	(b)	8.44	%
Wellington Management Company, LLP	2,151,861	(c)	7.68	%
BlackRock, Inc.	2,069,260	(d)	7.38	%
Tocqueville Asset Management, LP	1,645,620	(e)	5.87	%
Vanguard Fiduciary Trust Company	1,584,982	(f)	5.66	%
TimesSquare Capital Management, LLC	1,500,430	(g)	5.35	%
Columbia Wanger Asset Management, L.P.	1,566,000	(h)	5.59	%

* As of December 31, 2010, except for J. Spencer Standish, whose holdings are shown as of March 31, 2011.

(a) Addresses of the beneficial owners listed in the above table are as follows: J. Spencer Standish, 395 Llwyd s Lane, Vero Beach, FL 32963; BlackRock, Inc., 40 East 52nd Street, New York, NY 10022; Wellington Management Company, LLP, 280 Congress Street, Boston, MA 02210; Vanguard Fiduciary Trust Company, 500 Admiral Nelson Boulevard, Malvern, PA 19355; Tocqueville Asset Management, LP, 40 West 57th Street, 19th Floor, New York, NY 10019; Columbia Wanger Asset Management, L.P., 227 West Monroe Street, Suite 3000, Chicago, IL 60606; and TimesSquare Capital Management, LLC, 1177 Avenue of the Americas, 39th Floor, New York, NY 10036.

(b) Includes 2,583,811 shares issuable upon conversion of an equal number of shares of Class B Common Stock. 1,715,694 shares of Class B Common Stock are held by trusts as to which he has sole voting and investment power; the remaining 868,117 shares are held by J. S. Standish Company. (J. S. Standish Company is a corporation as to which J. Spencer Standish holds the power to elect all of the directors.) Current directors of J. S. Standish Company include J. Spencer Standish, John C. Standish (son of J. Spencer Standish), Christine L. Standish (daughter of J. Spencer Standish), and Thomas R. Beecher, Jr. Does not include (x) 8,614 shares of Class A Common Stock beneficially owned by his daughter, Christine L. Standish, a director of the Company, (y) 9,864 shares of Class A Common Stock beneficially owned by his son, John C. Standish, a director of the Company, or (z) 151,318 shares issuable upon conversion of an equal number of shares of Class B Common Stock held by the Standish Delta Trust. Mr. Standish disclaims beneficial ownership of such shares.

(c) Represents shares beneficially owned by investment advisory clients of Wellington Management Company, LLP. Wellington Management Company, LLP has shared power to vote or direct the vote of 1,594,858 such shares, and shared power to dispose or direct the disposition of all such shares.

(d) Represents shares beneficially owned by BlackRock, Inc. and one or more affiliates, including BlackRock Advisors, LLC and BlackRock Investment Management, LLC. BlackRock, Inc. and/or one or more of such entities has the sole power to vote or direct the vote of, and sole power to dispose or direct the disposition of, all such shares.

(e) Represents shares beneficially owned by Tocqueville Asset Management, LP as investment adviser.

13

Tocqueville Asset Management, LP has sole power to vote or direct the vote of, and sole power to dispose or direct the disposition of, all such shares.

(f) Represents shares reported as beneficially owned by Vanguard Fiduciary Trust Company, in its capacity as trustee for certain employee benefit plans, including the Company s ProsperityPlus Savings Plan. The plan trustee votes shares allocated to participant accounts as directed by participants subject to Section 404 of the Employee Retirement Income Security Act of 1974, as amended (ERISA).

(g) Represents shares beneficially owned by investment advisory clients of TimesSquare Capital Management, LLC. TimesSquare Capital Management, LLC has sole power to vote or direct the vote of 1,368,930 such shares, and sole power to dispose or direct the disposition of all such shares.

(h) Represents shares beneficially owned by investment advisory clients of Columbia Wanger Asset Management, L.P. Columbia Wanger Asset Management, L.P. has sole power to vote or direct the vote of 1,412,000 such shares, and sole power to dispose or direct the disposition of all such shares.

The following persons have informed the Company that they are the beneficial owners of more than five percent of the Company s outstanding shares of Class B Common Stock as of March 31, 2010:

Name(s)[(a)]	Shares of Company s Class B Common Stock Beneficially Owned		Percent of Outstanding Class B Common Stock	
J. Spencer Standish	2,583,811	(b)	79.84	%
J. S. Standish Company	868,117		26.83	%
Thomas R. Beecher, Jr.	645,625	(c)	19.95	%

(a) Addresses of the beneficial owners listed in the above table are as follows: J. Spencer Standish, 395 Llwyd s Lane, Vero Beach, FL 32963; J. S. Standish Company, c/o Barrantys LLC, 120 West Tupper Street, Buffalo, NY 14201; and Thomas R. Beecher, Jr., c/o Barrantys LLC, 120 West Tupper Street, Buffalo, NY 14201.

(b) Includes (i) 868,117 shares held by J. S. Standish Company, a corporation of which he is a director and as to which he holds the power to elect all of the directors, and (ii) 1,715,694 shares held by trusts as to which he has sole voting and investment power. Does not include (x) 1,704 shares of Class B Common Stock owned outright by his son, John C. Standish, (y) 1,704 shares of Class B Common Stock owned outright by his daughter, Christine L. Standish, or (z) 151,318 shares held by the Standish Delta Trust. Mr. Standish disclaims beneficial ownership of such shares.

(c) Includes (i) 247,154 shares held by a trust for the sole benefit of John C. Standish (son of J. Spencer Standish) and (ii) 247,153 shares held by a trust for the sole benefit of Christine L. Standish (daughter of J. Spencer Standish). Mr. Beecher is the sole trustee of such trusts with sole voting and investment power. Also includes 151,318 shares held by the Standish Delta Trust, of which he is trustee with shared voting and investment power. Does not include 868,117 shares held by J. S. Standish Company, of which he is a director.

Voting Power of Mr. Standish

J. Spencer Standish, related persons (including Christine L. Standish and John C. Standish, directors of the Company) and Thomas R. Beecher, Jr., as sole trustee of trusts for the benefit of descendants of J. Spencer Standish, now hold in the aggregate shares entitling them to cast approximately 53.58% of the combined votes entitled to be cast by all stockholders of the Company. Accordingly, if J. Spencer Standish, related persons, and Thomas R. Beecher, Jr., as such trustee, cast votes as expected, election of the director nominees listed above will be assured.

Compensation Committee Report

The Compensation Committee of the Board of Directors (the Committee) has reviewed the Compensation Discussion and Analysis following this report with management of the Company, and based on such review recommended to the Board of Directors that it be included in the Company s Annual Report on Form 10-K and this proxy statement.

John F. Cassidy, Jr., Chairman
Christine L. Standish
Erland E. Kailbourne

COMPENSATION DISCUSSION AND ANALYSIS

Executive Summary

The chief purpose of this discussion is to report and describe the compensation earned by and paid to the Company s named executive officers during the past year. For 2010, the Company s named executive officers (NEOs), as that term is defined according to SEC regulations, were President and Chief Executive Officer Joseph G. Morone; former Senior Vice President and Chief Financial Officer Michael K. Burke; current Chief Financial Officer and Treasurer John B. Cozzolino; President PMC Daniel A. Halftermeyer; President Applied Technologies Michael J. Joyce; and Chief Operating Officer, Albany Engineered Composites, Inc., Ralph M. Polumbo. We begin by outlining the philosophy and objectives that drive our executive compensation program. Next, we describe the methodology used by the Committee to structure the executive compensation program for 2010. We then describe the compensation opportunities established for each NEO according to this methodology. A description of the Company s results and the NEOs individual performance follows, with a report of the compensation earned and paid to the NEOs based on performance in 2010. Finally, we complete this discussion and analysis with the detailed tables and descriptions of the various elements of the executive compensation program, as required by SEC regulations. When we reach this part, we will refer to four groups of executives. Managers or management refers to approximately 500 managers worldwide who participate in the annual cash incentive bonus program described below. Top management refers to approximately 250 more senior managers who, in addition, are eligible to receive annual grants of Restricted Stock Units (RSUs) as described below. Executive officers refers to a still more senior group of 10 executives who are elected by the Board of Directors and are identified as executive officers in our Annual Report on Form 10-K. Finally, the term senior management team refers to the Chief Executive Officer and a core group of 7 to 9 top executives working most closely with him. The senior management team consists of both executive officers and non-officers. With the exception of Mr. Cozzolino, the NEOs were all members of the senior management team at the beginning of 2010. (Mr. Cozzolino became an NEO when he became acting Chief Financial Officer in September 2010. He was appointed Chief Financial Officer in February 2011.)

Compensation Philosophy and Objectives

It is the overarching philosophy of the Committee to compensate the Company s executives based on their individual importance to achieving the Company s strategic objectives, consistent with competitive market practices, and taking internal equity into account. It is also the Committee s intent that the compensation program for NEOs include both long-term and performance-based compensation components. The principal objectives of our executive compensation program, thus, are (1) to enable the Company to attract and retain talented, well-qualified, experienced, and highly motivated executives whose performance will substantially enhance the Company s performance, and (2) to structure elements of compensation so that performance consistent with delivering shareholder value and the Company s annual and long-term goals is suitably rewarded.

2010 Compensation Structure

In order to more effectively implement the foregoing philosophy and objectives, the Committee adopted a new methodology for establishing the compensation opportunities for its NEOs in 2010. Benchmarking continues to have a role with this methodology, and benchmarking data is reviewed prior to the establishment of any of the elements of the compensation program described below, but the central concepts of this methodology are target compensation opportunities, earned compensation and paid compensation. The main point of reference, and the key determining factor for each NEO s compensation, is the concept of a total direct compensation target. Thus, the first step in creating the executive compensation program is the establishment of a total direct compensation target for each NEO. To do this, the Committee considers benchmarking data, the executive s past performance, and his or her individual importance to the Company. The total direct compensation targets established are not guaranteed, but paid only if earned by an NEO based on performance.

Once the total direct compensation target is established, the Committee frames the structure of the compensation program by settling upon the elements of compensation to be utilized to pay the compensation, if earned. For 2010, the Committee determined that total direct compensation target opportunities for NEOs would be paid as base salary and through short-term and long-term incentive compensation awards; the latter two elements being performance-based and at risk. First, the Committee determined the appropriate amount of the total direct compensation target which would be paid as base salary; the balance to be allocated between the short- and long-term incentive compensation. However, for 2010 (and again for 2011), the Committee concluded that before establishing the short- and long-term incentive compensation targets, it needed to reduce the total direct compensation target by an amount equal to one-fourth of the estimated payout of any RSUs that may have been granted to the NEO under a special executive retention incentive implemented in 2008. The Committee believed that the special executive retention incentive is actually earned over a four-year period, and therefore properly included in the recipient s total direct compensation for 2010. After accounting for that reduction, the Committee determined that 35% of total direct compensation target should be allocated toward long-term incentive compensation. This would be accomplished pursuant to grants made under the Company s 2005 Incentive Plan. A three-year performance award would be granted to each NEO (the MPP Performance Award), with a total target award opportunity equal to 35% of the reduced total direct compensation target. The remainder of the total direct compensation target would make up the target award opportunity in a one-year performance award granted under the 2005 Incentive Plan (the APP Performance Award). Payment of the target awards allocated between the short- and long-term incentives would be paid only if earned.

The next step in the process requires the Committee to establish performance measurement metrics and goals for each NEO against which performance would be judged to determine how much of the incentive compensation, if any, was earned by an NEO. For 2010 the Committee adopted short-term metrics and goals for the APP Performance Awards that consisted of both financial and non-financial measures. The metrics and goals established for the MPP Performance Awards were long-term financial measures.

Finally, the Committee determines the form in which compensation should be paid, if earned. Base salary is established as cash compensation. For 2010 the Committee determined that both APP Performance Awards and MPP Performance Awards should be paid as a combination of cash and equity. To accomplish that goal, the target opportunities for the performance awards were allocated between stock and cash, and each award agreement established two distinct target opportunities for each based on the allocation. If earned, the incentive compensation would be paid as cash and stock according to those allocations.

Following the completion of the performance periods, it is the Committee s responsibility to review performance against the goals and establish the final incentive compensation payouts. It is only at this time that it can be determined how much of the total direct compensation target is actually earned by the NEO.

Dr. Morone

In implementing the structure described above, the Committee first established a total direct compensation target for Dr. Morone in 2010 of $3,337,000. Of this amount, the Committee determined that $745,000 should be paid as base salary. This amounted to a merit increase of approximately 3.9% and became effective in April 2010. Next, the Committee reduced the total direct compensation target by $500,000, an amount equal to one-quarter of special executive retention incentive granted to him in 2008 (based on share value at that time). The Committee then determined that 35% of the reduced total direct compensation target would be established as the target opportunity in an MPP Performance Award to be granted to Dr. Morone. The Committee also determined that the remainder of the reduced total direct compensation target after deducting the base salary and MPP Performance Award target opportunity would be established as the APP Performance Award target opportunity.

Once the Committee determined Dr. Morone s overall target opportunities for the MPP Performance Award and APP Performance Award, it then allocated the target opportunities between stock and cash. For the MPP Performance Award the allocation was 60% stock and 40% cash. For the APP Performance Award the allocation was 40% stock and 60% cash. Based on these allocations two distinct target opportunities were established for each performance award. The calculation of the stock target opportunity used an estimated stock price, which differed between the MPP Performance Award and the APP Performance Award. The table on page 20 sets forth the target opportunities established for Dr. Morone (and each of the other NEOs other than Mr. Cozzolino) for the MPP Performance Award and the APP Performance Award, as well as the total direct compensation target, the 2010 base salary and the reduction for the special executive retention incentive.

Dr. Morone s APP Performance Award consisted of eight qualitative metrics and goals and one quantitative metric and goal. The quantitative metric adopted was 2010 Corporate Cash Flow and accounted for 70% of this performance compensation target. The goal established was 2010 Corporate Cash Flow of $82.1 million. A threshold goal of $57.5 million and the maximum goal of $114.9 million were also established.

For the purpose of establishing the performance goal, 2010 Corporate Cash Flow was defined as the amount reported as Operating Income for 2010 in the Company s Consolidated Statement of Income plus any income, or less any expense, derived from foreign currency derivative trading activities and not reflected in operating income, adjusted by adding back, to the extent that such expense reduced Operating Income:

(A) depreciation and amortization expense;

(B) restructuring costs, provided however, that the Committee could, in its sole discretion, choose to omit certain restructuring costs from this provision so long as the failure to add back those restructuring costs did not result in a higher achievement of the performance metric or reduce the target goal;

(C) any expenses related to machinery and equipment relocations related to plant closings or the consolidation of manufacturing capacities; and

(D) any goodwill and intangible impairment;

(in each case, as determined in accordance with GAAP and the Company s accounting policies, consistently applied) **provided** that the amount so determined would then be further adjusted (1) to exclude the effect of any adjustments to the Company s financial statements required to reflect the effect of (a) discontinued operations, or (b) newly effective accounting pronouncements, the effect of which were not incorporated into the Board-approved operating plan (in each case, without duplication, as defined by GAAP and as included in the Company s audited financial statements whether or not reflected as a separate line item in such audited financial statements); (2) to exclude (i) any corporate cash flow attributable to any business operations acquired during the performance period, or (ii) reallocated overhead costs that were otherwise attributable to any discontinued operations divested during the performance period; (3) to exclude the effect on operating income of any expenses, including consulting or professional fees, incurred in connection with any activities undertaken by management at the direction of the Board of Directors to investigate or pursue any strategic acquisitions, combinations, joint ventures or divestitures, regardless of whether such efforts result in the completion of such acquisition, combination, joint venture or divestiture during the performance period;

then further adjusting the resulting amount by:

(X) adding back any expense, or deducting any income, associated with life insurance policies, or their cash surrender values, to the extent such affected Operating Income;

(Y) deducting therefrom the aggregate sum of all cash payments for capital expenditures during the Performance Period; and

(Z) by increasing, or decreasing as the case may be, the amount by a sum equal to the net decrease (or increase) in the aggregate sum of Accounts Receivable and Inventories less Accounts Payable between 2009 and 2010. Accounts Receivable, Inventories, and Accounts Payable shall in each case mean the amounts set forth in the Company s financial accounting systems and reported in the Company s year-end consolidated

17

---

then further adjusting the resulting amount by:

financial statements for the applicable year in accordance with GAAP, adjusted to exclude (1) any Accounts Receivable, Inventories, and Accounts Payable attributable to any business operations acquired during the applicable year, and (2) the effect of currency fluctuations.

The eight qualitative metrics in Dr. Morone s APP Performance Award all related to the growth and success of the Company s composites business, Albany Engineered Composites, Inc. (AEC), and were aggregately weighted to account for 30% of his overall performance measurement metric. The metrics were designed to measure and reward discrete project achievement goals, (the AEC Milestones). Performance- relative AEC Milestones were defined within the APP Performance Award agreements to mean the successful achievement of a project milestone within any of eight designated projects that were currently in progress or contemplated within the AEC business segment at the time the award was granted. Each project was given an individual weight depending upon its importance to the success of the business segment and ranged from 4% to 12%, and would total 45% if all eight project milestones were successfully achieved. The completion of any one project milestone would result in a performance achievement level equal to that project milestone s individual weight. Thus, the threshold goal was the successful completion of at least one project milestone. The basis for establishing an aggregate of 45% on a target weighted at 30% of the overall performance measurement metric was to provide a maximum performance equal to 150% of the performance goal. The determination of whether any such AEC Milestone was successfully achieved rested within the sole discretion of the Committee, taking into consideration the criteria for success as set forth in the 2010 operating plan approved by the Board of Directors. Pursuant to the authority provided in item 402 of SEC Regulation S-K, the Committee has chosen not to identify the AEC projects involved or provide details of the nature of the milestone objectives. The Committee believes that doing so would require disclosure of confidential commercial and financial information, which would result in competitive harm to the Company.

The performance measurement metrics adopted for Dr. Morone s MPP Performance Award consist solely of quantitative financial metrics. The two metrics adopted were Aggregate Corporate Cash Flow and Aggregate Net Sales within the AEC business segment, weighted to account for 60% and 40%, respectively, of his overall performance measurement metric. Each of these metrics was aggregated to reflect the three-year performance period, and the goals were established as the cumulative projected results for each metric in 2010, 2011 and 2012. The Committee has determined to forgo the enumeration of the actual goals at this time to avoid competitive harm to the Company.

Other NEOs

The Committee applied the same methodology to ascertain the compensation for the remaining NEOs. It first established a total direct compensation target for each of the remaining NEOs and set their base salaries. None of the remaining NEOs, however, received an increase in base salary for 2010; any increase was earmarked to incentive compensation. The Committee then established the target opportunities for APP Performance Awards and MPP Performance Awards for each. The table on page 20 sets forth the total direct compensation target, the 2010 base salary, the reduction for the special executive retention incentive, and the target opportunities established for the MPP Performance Award and the APP Performance Awards. Finally, the Committee established the performance measurement metrics and goals for each NEO.

Messrs. Polumbo and Burke

Except for the differing target award opportunities, the APP Performance Award and MPP Performance Award agreements granted to Messrs. Polumbo and Burke were identical in all other respects to those granted to Dr. Morone, including the same performance measurement metrics and goals.

Mr. Halftermeyer

The APP Performance Award granted to Mr. Halftermeyer contained only one performance metric 2010 Global PMC Cash Flow. The definition of 2010 Global PMC Cash Flow was essentially the same as the definition of 2010 Corporate Cash Flow, with two exceptions. First, the definition of 2010 Global PMC Cash Flow began with the amount reported as Operating Income for the Global PMC business segment for 2010 in the Company s Consolidated Statement of Income before application of the enumerated adjustments, rather than the Operating Income for the entire Company. This difference was due to Mr. Halftermeyer s position as President for the PMC business segment and had the effect of excluding certain corporate expenses. Second, the definition did not provide for any adjustments relating to the net change in Accounts Payable, a metric for which the Company s Global Supply Chain Group is primarily responsible and therefore largely outside Mr. Halftermeyer s control. The goal established was 2010 Global PMC Cash Flow of $171.3 million, with a threshold goal of $119.6 million and a maximum goal of $239.8 million.

The metric adopted for Mr. Halftermeyer s MPP Performance Award was Aggregate Global PMC Cash Flow. The metric is aggregated to capture the three-year performance period, and the goal established is the cumulative projected results for each metric in 2010, 2011 and 2012. The Committee has determined to forgo the enumeration of the actual goal to avoid competitive harm to the Company.

Mr. Joyce

The APP Performance Award granted to Mr. Joyce contained one financial metric and four project milestone metrics. The financial performance measurement metric adopted was 2010 Global ATG Cash Flow. This performance measurement metric was weighted at 70% of Mr. Joyce s overall performance measurement metric. The definition of 2010 Global ATG Cash Flow was again essentially the same as the definition of 2010 Corporate Cash Flow, but in this case the definition began with the aggregate amount reported as Operating Income for the Global Engineered Fabrics business segment, the Global PrimaLoft business segment and the Global Albany Door Systems business segment for 2010 in the Company s Consolidated Statement of Income before application of the enumerated adjustments. This difference reflected the fact that Mr. Joyce is the President of the Applied Technologies Group, which includes those three business segments. Also, the metric did not include any adjustment for the net change in accounts payable. The goal established was 2010 Global ATG Cash Flow of $34.6 million, with a threshold goal of $24.2 million and a maximum goal of $48.4 million.

As President of the Applied Technologies Group, Mr. Joyce also had responsibility in 2010 for Corporate Research and Development (R&D) and Global Information Systems (GIS). Thus, the four project milestone metrics in his APP Performance Award agreement related to projects within R&D and GIS. The first R&D project milestone metric related to the successful achievement of pre-determined goals within eight development projects that were in progress at the time the award was granted. The metric was weighted to account at 13% of Mr. Joyce s overall performance measurement metric. In each case the goal was the successful trial of the product by a customer or the actual transition of the product from development to production. Performance sufficient to meet the performance measurement metric goal required the successful achievement of the project goal in at least 5 of the different development projects. The minimum performance sufficient to meet the threshold required the successful achievement of the project goal in at least 4 of the different development projects. Performance sufficient to achieve the maximum bonus opportunity was success in all eight development projects.

The second R&D project milestone metric related to the successful integration of new products derived from former development projects into the actual PMC sales mix for 2010. The performance measurement metric was weighted at 7% of Mr. Joyce s overall performance measurement metric. It identified six PMC products and established sales goals for each. The sales goals were described either as a percentage of sales or an absolute amount sold. Each product was meant to account for one-sixth of the performance measurement metric and had an individual threshold, goal and maximum sales goal intended to correlate with threshold, goal and maximum performance achievement, such that it was possible to achieve 150% of the performance measurement metric goal.

With regard to both of these R&D project milestone metrics, the Committee again has chosen not to identify the projects involved or discuss the details of the milestone objectives because to do so would require disclosure of confidential trade secrets, as well as confidential commercial and financial information, which would result in competitive harm to the Company.

Mr. Joyce s first GIS project milestone metric related to the timely continued implementation of the Company s new enterprise resource planning software system. This metric was weighted to account for 5% of Mr. Joyce s overall performance measurement metric. The performance goal was the timely execution of the Board-approved implementation schedule. Performance sufficient to achieve this goal required the successful launch of the system within designated business segments and at specific locations on time or ahead of schedule. There was no upside to this metric, and the performance goal also represented the maximum award opportunity. The minimum performance required to earn the threshold bonus opportunity was the successful launch of the system within the designated business segment and at the specific locations, but not more than three months behind schedule. His second GIS project milestone metric related to the successful implementation of the new enterprise resource planning software system within budget. Performance sufficient to achieve the target performance goal was the successful launch of the system within the designated business segments and at the specific locations within the $28.2 million budget established for GIS. The minimum performance required to earn the threshold bonus opportunity was the successful launch of the system within the designated business segment and at the specified locations but not more than $2 million over budget. Similarly, there was no upside to this metric, and the performance goal also represented the maximum award opportunity.

The metrics adopted for Mr. Joyce s MPP Performance Award were Aggregate Global ATG Cash Flow and Aggregate Global PMC Cash Flow, weighted 70% and 30%, respectively. These metrics are aggregated to reflect the three-year performance period, and the goals were established as the cumulative projected results for each metric in 2010, 2011 and 2012. The Committee has determined to forgo the enumeration of the actual goals to avoid competitive harm to the Company.

With regard to each and every performance measurement metric and goal that the Committee has chosen not to disclose in this discussion and analysis for reasons relating to the avoidance of competitive harm, it was the Committee s intent there be a rather high probability that threshold levels would be met, and a rather low probability that maximum levels would be met.

	Total Direct Comp Target	2010 Base Salary	Reduction for Retention RSUs	MPP Target Opportunities		APP Target Opportunities	
				Shares	Cash	Shares	Cash
Morone	$ 3,337,000	$ 745,000	$ 500,000	$ 23,679	$ 397,180	$ 19,883	$ 659,430
Burke	876,000	400,000	180,000	5,809	97,440	948	31,440
Halftermeyer	950,000	414,300	135,000	6,802	114,100	2,094	69,450
Joyce	950,000	414,300	135,000	6,802	114,100	2,094	69,450
Polumbo	855,000	355,000	135,000	6,010	100,800	2,044	67,800

Results and Earned Awards

Following the close of 2010, and based upon audited financial statement results, the Committee determined that the Company s 2010 Corporate Cash Flow was $120.5 million, representing 217% achievement of the goal. However, after further consideration, the Committee, on management s recommendation, decided to exercise the negative discretion afforded to it under the terms of the 2005 Incentive Plan to reduce the performance awards earned relative to this performance measurement metric (hereinafter, its Negative Discretion). The Committee found that the 2010 Corporate Cash Flow benefited from the sale of two shuttered manufacturing facilities. Due to the nature of the transactions, the sale of these properties was not contemplated in the 2010 operating plan from which the performance metric goal was drawn. In addition, the 2010 operating plan approved by the Board of Directors also estimated certain capital expenditures during 2010 that would affect the 2010 Corporate Cash Flow. Those expenditures were factored into both the definition of 2010 Corporate Cash Flow and the performance measurement metric goal. Due to a variety of business reasons, these capital expenditures were not made according to the schedules contemplated in the operating budget and the change in timing had the effect of increasing the 2010 Corporate Cash Flow. After considering the issue, the Committee determined that if these eventualities had been factored into the definition of the metric and the operating plan targets, the goal for this performance measurement metric would have been revised to $99 million. The Committee also concluded that the actual performance according to audited financial statement results applied against a revised definition of the metric would have been a 2010 Corporate Cash Flow of $114.6 million, or 138% of the revised performance measurement metric goal. Thus, the Committee decided to use its Negative Discretion and concluded that the achievement level of this performance measurement metric would be 138% of target, and that this would apply to all employees whose incentive compensation performance was at least partially measured by this metric. Its Negative Discretion, therefore, would apply to the cash incentive bonus given to Mr. Cozzolino (see below).

The Committee also determined that the 2010 Global ATG Cash Flow was $41.5 million, representing 150% achievement of the goal, but concluded that it should also apply Negative Discretion to this result. The Committee recognized that a portion of the delayed capital expenditures related to the Company s Albany Door Systems business segment, whose operating income made up a component of the 2010 Global ATG Cash Flow. Applying the rationale above, the Committee determined that the actual 2010 Global ATG Cash Flow would have been $40.9 million had the capital expenditure not been delayed, which would have resulted in a performance metric achievement of 146% of the goal. Thus, the Committee reduced the achievement percentage to 146%. Lastly, the Committee determined that the 2010 Global PMC Cash Flow was $189.7 million, representing 128% achievement of the performance goal. The Committee concluded its Negative Discretion was not applicable to this performance measurement metric.

Additionally, the Committee reviewed performance with respect to the AEC Milestones set forth in the APP Performance Award agreements granted to Dr. Morone and Messrs. Burke and Polumbo. It determined that only three of the eight had been achieved. These three accounted for 4%, 4% and 9%, contributing 17% to the overall performance achievement level for 2010.

Finally, the Committee also reviewed performance with respect to Mr. Joyce s project milestone metrics. With regard to the first R&D project milestone, the Committee determined that the Company successfully achieved the pre-determined goals within five of the eight development projects, resulting in 100% achievement of the performance goal. As for the second R&D project milestone metric, the Committee determined that the Company failed to meet its threshold sales goal for three of the six products, but that it met the threshold level for one product, met the sales goal for another, and exceeded the sales goal by 130% on the last. Thus, these metrics contributed a combined 16.4% of Mr. Joyce s overall performance achievement level for 2010, compared to a weighted goal of 20%. The Committee also concluded that the Company was successful in continuing the implementation of the enterprise software system on schedule and under budget, and determined that Mr. Joyce had achieved 100% of his performance goals relative to both GIS project milestone metrics.

Based on the level of achievement of the foregoing performance measurement metrics, the Committee concluded that Dr. Morone had achieved 113.6% of his overall performance measurement goal, and therefore earned 113.6% of his targeted APP Performance Award. The percentages earned by the other NEOs were as follows: Mr. Polumbo 113.6%; Mr. Halftermeyer 128.2%; Mr. Joyce 130.6%. (The termination of Mr. Burke s employment prior to December 31, 2010 resulted in the forfeiture of his APP Performance Award). Thus, based on performance, the final performance award to each NEO was as follows:

	Shares	Cash
Morone	22,530	$ 749,146
Halftermeyer	2,684	89,034
Joyce	2,733	90,666
Polumbo	2,321	77,020

21

Mr. Cozzolino

Mr. Cozzolino was not an NEO at the beginning of 2010; he did not become Acting Chief Financial Officer until September 23, 2010. Thus, the methodology described above was not applied to him, and he was not granted any performance awards under the 2005 Incentive Plan. Instead, at its February meeting the Committee awarded a merit increase to Mr. Cozzolino of approximately 6%, raising his base salary to $172,780, and established a cash incentive bonus opportunity equal to 24% of his base salary. However in September 2010, after he had been appointed acting Chief Financial Officer, Mr. Cozzolino s base salary was raised to $240,000 and his cash incentive bonus opportunity was revised to 30%.

For Mr. Cozzolino s 2010 cash incentive bonus (payable in early 2011 on the basis of 2010 performance), the Committee approved specific performance measurement metrics proposed by management at the beginning of 2010. The performance measurement metrics were related to the Company s 2010 Corporate Cash Flow (as defined above) and to two personal objectives. These metrics were weighted such that the 2010 Corporate Cash Flow accounted for 70% of his overall performance measurement metric, and the personal objective each accounted for 15% of goal. In the case of the personal objectives, the maximum performance level was capped at 150%, not 200%, thus limiting Mr. Cozzolino s overall maximum bonus opportunity to 185% of the established target.

The first of the two personal objectives given to Mr. Cozzolino related to his integral role in seeking to refinance the Company s revolving credit facility in 2010. Performance measurement criteria were established in relation the successful renewal for a minimum term and within certain parameters relating to the interest rate to be charged and the avoidance of overly restrictive loan covenants. Performance sufficient to earn the target bonus opportunity required the successful renewal of the facility for a term of at least three years within certain parameters for interest rate spreads and restrictive covenants. Performance required to earn the maximum bonus opportunity required the successful renewal of the facility for a term of at least four years and within certain parameters more beneficial to the Company for interest rate spreads and restrictive covenants. The minimum performance required to earn the threshold bonus opportunity was the successful renewal of the facility for a term of two years or less within certain parameters for interest rate spreads and restrictive covenants, albeit less beneficial to the Company than the parameters for the target performance goal.

The second of his personal objectives related to Mr. Cozzolino s responsibility for the implementation of a new foreign currency risk management program. The performance measurement criteria established related to the timely implementation and commencement of the program within an estimated budget. Performance sufficient to earn the target bonus opportunity required the successful implementation and commencement of the program no later than April 2010 and within the estimated budget. Performance required to earn the maximum bonus opportunity required the successful implementation and commencement of the program no later than March 2010 and at a cost of less than 90% the estimated budget. The minimum performance required to earn the threshold bonus opportunity required the successful implementation and commencement of the program no later than August 2010 and within the estimated budget.

Following the close of 2010, the Committee reviewed Company s performance with respect to the 2010 Corporate Cash Flow performance metric identified above, as well as Mr. Cozzolino s success in achieving his personal objective performance measurement criteria. With regard to the personal objectives, the Committee determined that Mr. Cozzolino s performance was sufficient to earn the maximum bonus opportunity for each because the Company had successfully renewed its revolving credit facility for a term of at least four years and within the parameters established for the maximum bonus opportunity and also succeeded in implementing and commencing a new foreign currency risk management program prior to the end of March 2010 and at a cost that was less than 90% of the estimated budget. The Committee also determined that the Company s 2010 Corporate Cash Flow was $120.5 million based on audited financial statement results, which would have resulted in Mr. Cozzolino achieving 217% of the performance measurement metric goal. However, the Committee, on management s recommendation, applied its Negative Discretion for the reasons described above to reduce the bonus earned relative to this performance measurement metric to 138% of target.

Applying these results, Mr. Cozzolino was determined to have earned 141.6% of his target annual cash incentive bonus, or $101,952.

Benchmarking and Use of Consultant

The Committee retains an executive compensation consultant to provide benchmarking and comparative compensation analysis as requested. Its findings and recommendations form part of the input used in the ongoing design of the Company s executive compensation program. The benchmarking and comparative analysis process is normally completed on an annual basis in the case of the Company s Chief Executive Officer, and periodically with respect to all members of the senior management team. Analyses were completed by Towers Watson in late 2009 and again in early 2010 relative to 2010 base salary increases. Towers Watson was formed when Towers Perrin and Watson Wyatt Worldwide merged as of January 1, 2010. The Company had been using Towers Perrin in various countries for some time prior to the merger for pension-related actuarial services and advice, and decided to continue to use Towers Watson for such services. In mid-2010, the Committee retained Pearl Meyer & Partners to replace Towers Watson as its regular compensation consultant. Pearl Meyer & Partners provided benchmarking and comparative analysis relative to the 2011 base salary increases.

For its 2010 benchmarking and comparative compensation analysis, Towers Watson benchmarked individual compensation against a peer group of 15 publicly traded U.S. companies (identified below) in the same or related industries with comparable revenues, employees, and international operations. On occasion, where appropriate and when available, Towers Watson had been asked to benchmark compensation for specific executives against data for executives at other companies in charge of similar business units or operations of comparable revenues.

The peer group of comparable publicly traded U.S. companies consisted of the following:

Aptargroup, Inc.	Actuant Corp.	Barnes Group, Inc.
Buckeye Technology	Chesapeake Corp.	Clarcor, Inc.
Crane Co.	Idex Corp.	Nordson Corp.
Enpro Industries, Inc.	Pall Corp.	Paxar Corp.
Schweitzer-Mauduit International, Inc.	Watts Water Technologies, Inc.	Xerium Technologies, Inc.

Representatives of the executive compensation consultant are encouraged by the Committee Chairman to communicate directly with members of management as needed, particularly the Company s Chief Executive Officer and its Senior Vice President Human Resources. However, the consultant is retained by, instructed by, serves for and reports to the Committee, and its main point of contact throughout 2010 remained the Chairman of the Committee. Notwithstanding the use of a compensation consultant, the Committee is ultimately responsible for all compensation matters.

Except for the pension-related actuarial services described above, Towers Watson did not provide any other services to the Company in 2010. The Company paid Towers Watson approximately $436,970 for such services worldwide during 2010, but only $101,711 during the first quarter of the year while it was still acting as the Committee s compensation consultant. During 2011 the Company expects it will continue to retain Towers Watson to provide the pension actuarial services, and it is the Committee s expectation that it will continue to use Pearl Meyer to provide executive compensation consulting services.

Elements of Compensation

Although there are multiple elements to the Company s executive compensation program, the Committee believes that flexibility in the application of each discrete element allows the Committee the opportunity to respond to changes in market conditions. This flexibility is manifest in the Committee s differing allocation between long- and short-term compensation, and in its varying use of cash and non-cash elements. The Committee s decisions are based on

Company or business unit performance, an executive s annual achievements, the Committee s review regarding the executive s abilities, experience and effectiveness, and the Company s long-term goals. In the specific case of the Chief Executive Officer, the Committee s Charter charges the Committee with the responsibility of reviewing and approving performance goals and objectives relevant to the determination of his compensation, evaluating performance in the light of such goals and objectives, and determining his compensation after taking such evaluation into account. In practice, the

Committee reports to the full Board of Directors and solicits its comments prior to taking any action. Thus, although the decisions regarding the Chief Executive Officer s compensation are those of the Committee, they reflect the advice and input of the entire Board of Directors.

During 2010 the Company used four principal elements of compensation to achieve the foregoing objectives in setting compensation for the senior management team: (1) base (cash) salary; (2) the APP Performance Awards granted pursuant to the Company s 2005 Incentive Plan (Performance Awards) based on performance during 2010; (3) the MPP Performance Awards based on performance during 2010, 2011 and 2012; and (4) retention incentives in the form of RSUs granted pursuant to the Company s Restricted Stock Unit Plan (RSU Plan).

Cash Compensation Salary

Annual base salary constitutes the core cash portion of the compensation of every member of management, including the NEOs. Base salaries are reviewed and established annually. Executive salaries are customarily reviewed and adjusted to become effective in April of each year. In determining the appropriate amount to be established as base salary, the Committee considers benchmarking data, the executive s past performance, and his or her individual importance to the Company.

Annual Incentive Plan

The Company provides certain managers an opportunity to earn an annual cash incentive bonus. Although the amount of such incentive bonus actually paid to a manager is determined by the Committee in its sole discretion, it is generally based on Company, business unit, and individual performance against established targets during the previous year. Target bonus opportunities are established as a percentage of base salary. For 2010, the Committee determined that the senior management team would no longer receive an annual cash incentive bonus, but would instead be granted the two different performance awards described above as the sole form of incentive compensation.

A bonus at the targeted level is paid only if the Committee determines that the performance levels that it considers appropriate for the particular fiscal year have been achieved. Lesser cash incentives will be paid if such performance levels are not achieved, and larger incentives will be paid if performance exceeds such levels. Threshold performance levels are also established. Performance below the threshold levels generally results in no bonus being earned. Maximum performance levels are also established, limiting a bonus to 200% of target. The threshold, target and maximum performance levels are set based on the operating plan approved by the Board of Directors. The threshold level is established as an acceptable percentage of targeted performance and the slope of the resulting bonus curve line becomes increasingly steeper above the target performance level.

Performance Awards

Performance Awards are granted to the senior management team only, and are designed to award performance. In awarding Performance Awards, the Committee considers (1) the alignment between the performance goals and the Company s business objectives, (2) advice from its executive compensation consultant regarding the total value of the awards as a percentage of total direct compensation, as well as the ideal frequency of various award outcomes, and (3) the sizes of the Performance Awards actually earned in prior years.

The performance period for the 2010 APP Performance Awards was the 2010 fiscal year. Each award entitled the recipient to receive between 0% and 185% of the target cash amount plus between 0% and 185% of the target share award, based on the extent to which he or she attained certain performance goals during 2010. Once determined, the awards were to be paid out in full in cash and stock in March 2011. The performance period for the MPP Performance Award runs from January 1, 2010 through December 31, 2012. Each MPP Performance Award entitled the recipient to receive between 0% and 200% of the target cash and target share award, based on the extent to which he or she attained certain cumulative performance goals at the end of the three-year performance period. Once determined, the awards will be paid out in full in cash and stock in early 2013.

24

When establishing performance goals for all performance-based incentive compensation, the Committee intends that there be a rather high probability that threshold levels would be met, and a rather low probability that maximum levels would be met. The performance measurement metrics and goals are drawn from management s 2010 operating plan approved by the Board of Directors.

Restricted Stock Units

RSU grants function primarily as retention incentives. The size of any grant to any single manager has typically been determined primarily on the basis of salary and grade level, years of service and internal equity. Consistent with the objective of executive retention, in granting awards the Committee has typically considered the manager s value to the Company, and whether the number and remaining term of any stock options previously given and RSUs already granted are a sufficient retention incentive. Since the adoption of the 2005 Incentive Plan, and with the exception of a special executive retention incentive adopted in February 2008 and grants made upon hiring, members of the senior management team have generally not participated in the annual RSU grants.

Other Plans and Programs

In addition to the foregoing compensation programs, the Company maintains a tax-qualified 401(k) defined contribution plan in which all U.S. employees are generally eligible to participate. Under the 401(k) plan, a participant is entitled to contribute up to 10% of his or her pre-tax income and up to 15% after tax; the Company will match contributions made by the employee under the Plan, up to a maximum of 5% of the employee s pre-tax income. The Company also maintains a profit-sharing plan for all salaried U.S. employees. Under the profit-sharing plan, the Company will make an additional, discretionary profit-sharing contribution to the accounts of eligible participants in the 401(k) plan. The amount of the contribution is generally determined using the same formula used to determine the performance of top management executives under their performance compensation incentive. The actual amount is determined by the Committee in its sole discretion, and typically amounts to between 1% and 2.5% of each participant s annual salary. Until February 15, 2011, the Company s matching contribution and profit-sharing contributions were made in shares of the Company s Class A Common Stock. Since then, the contributions have been made in cash and allocated to investments chosen by plan participants. This includes the 2011 profit-sharing contribution awarded based on performance in 2010.

The Company also maintains a tax-qualified defined benefit plan (i.e., a pension plan) in which all salaried and hourly U.S. employees (including any NEOs who are U.S. employees) who began their employment before October 1, 1998 participate. The Company also maintains a related supplemental executive retirement plan. NEOs who are U.S. employees and who were so employed before such date accrue retirement benefits under these plans in accordance with its terms. Effective February 28, 2009, the pension plan and supplemental executive retirement plan were both amended so that no additional benefits would be accrued by any plan participant after that date. This effectively froze the future benefits of any participant based on their years of service and highest earned salaries prior to February 28, 2009.

Finally, employees located outside of the United States may enjoy benefits under local government-mandated retirement or pension plans, as well as supplementary pension or retirement plans sponsored by a local affiliate of the Company. Mr. Halftermeyer is the only NEO employed outside of the United States. As a French citizen who serves as an employee of a Swiss subsidiary of the Company while on an international assignment, he accrues benefits under both a private pension plan maintained by the Swiss subsidiary as a requirement under Swiss law, and as an expatriate under a French government-sponsored pension scheme. The Company pays both the employer and employee contributions to the French government-sponsored pension scheme in order to maintain Mr. Halftermeyer s participation during his expatriation. The amounts paid by the Company toward both pension plans during 2010 are reported in the Summary Compensation Table on page 29, and the present value of the benefits accumulated under the

Swiss private pension plan are reported in the PENSION BENEFITS table on page 38.

The amounts to which executives are entitled under these plans are dictated by the terms of the plans themselves. These are tax-qualified, nondiscriminatory plans, which apply equally to all eligible employees of the Company. The Committee is made aware of the accrued value of these entitlements when making

25

determinations regarding executive compensation (including the NEOs), but an executive s benefits under these plans have generally had no direct bearing on its determinations. The Committee believes that the accumulation of wealth under these plans should have no impact on its objective of compensating individuals based upon their individual importance to the Company in achieving annual and strategic objectives.

Timing of Awards and Grants

Annual cash incentive bonuses are determined by the Committee following the completion of the fiscal year at the first meeting when all relevant data is available. That meeting typically occurs in February. Base salary increases are also approved at this time. This is also the time when a special Performance Committee of the Board (intended to ensure the deductibility of these awards under Section 162(m) of the Internal Revenue Code) approves new grants of Performance Awards under the 2005 Incentive Plan. Although RSU grants are generally made in November, interim grants have been awarded to specific individuals at other times during the year or at the time of a new hiring or promotion.

The Effect of Prior or Accumulated Compensation

At the end of each year since 2005, the Committee, in approving each element of compensation, has reviewed tally sheets for each member of the senior management team. These tally sheets contained a summary of all material elements of annual and long-term compensation (including accrued pension and 401(k) benefits) actually earned by each NEO and every other executive officer in the immediate prior year and, depending on the executive s length of service, several years prior thereto. The information includes each executive officer s actual base salary, annual cash incentive bonus, payments under the Company s RSU plan, Performance Awards under the 2005 Incentive Plan, pension accruals and other compensation paid by the Company. The tally sheets also show the outstanding balances of RSU grants and any equity-based awards and the unrealized gains on those balances. The Committee considers this information before approving new Performance Awards, base salary increases, or final annual cash incentive bonuses for the prior year. The tally sheets are used to determine how well past compensation practices satisfy the Committee s objectives.

Although the tally sheets provide insight into an executive s accumulation of wealth, it is the Committee s philosophy that neither the historical data nor any perceived wealth accumulation justified a change in either the Committee s current compensation philosophy or the elements of compensation employed. It is the Committee s belief that an executive s accumulation of wealth is the result of his or her achievement of a series of objectives over time. Furthermore, it is the Company s philosophy that the perceived accumulated wealth by the NEOs was not so significant as to deter the Committee from its objective of compensating individuals based on their individual importance to the Company in achieving strategic objectives. The Committee views realizable future compensation as having been earned by the employee on the basis of employment and performance, and provided during the term of such employee s employment. As a result, such realizable future compensation has generally had little, if any, bearing on the amount or timing of new compensation approved or awarded. The Company does not believe that the compensation paid to its executives, including the NEOs, or any individual element of that compensation, is lavish or extraordinary.

The Impact of Accounting or Tax Considerations

When confronted with a choice between two comparable forms of compensation, the Committee has in the past favored the form with the lower tax cost (to the employee and/or the Company), more favorable accounting treatment, or more favorable impact on the Company s borrowing cost pursuant to its primary revolving credit facility.

Equity Ownership Requirements or Guidelines

The Company s Board of Directors has adopted stock ownership guidelines for the Company s Chief Executive Officer. The guidelines provide that the Chief Executive Officer is expected to own and hold shares of the Company s Common Stock (Class A or Class B) equal in value to three (3) times current base salary. There is no deadline by which such target should be attained, but at any time that the value of the Chief Executive Officer s holdings is less than the applicable target, he or she will be expected to retain, in addition to all shares already owned, (1) all shares acquired upon the exercise of any stock options, and (2) all shares received upon a distribution of shares pursuant to the terms of any Performance Award (in each case, net of shares used, if any, to satisfy the exercise price, taxes or commissions). The 100,571 shares owned by Dr. Morone have a value that currently is less than three times his current base salary.

The Committee does not believe that adoption of share ownership guidelines for other officers is warranted. The Committee acknowledges that the adoption of such requirements is sometimes perceived as creating greater alignment of executive and shareholder interests, but the Committee believes that substantial alignment already exists. A Company executive officer, with a significant portion of his or her net worth in the form of unexercised stock options, unvested RSUs and/or undistributed Performance Awards and Company common stock contributions to his or her 401(k) account, is already acutely dependent on the continued financial well-being of the Company.

The Role of Executive Officers in the Compensation Process

The Committee s Charter expressly indicates that input from management is both expected and in some instances required in connection with the Committee s exercise of its responsibilities. Consistent with this, Company management does in fact make recommendations to the Committee from time to time regarding modifications to benefit plans, as well as adoption of new benefit plans. In addition, although the Committee has traditionally been responsible for reviewing and approving salary ranges for senior management, and making any necessary changes in such ranges or in the Company s salary structure, such ranges and changes thereto are typically proposed by the Company s Senior Vice President Human Resources, working with the Chief Executive Officer.

In practice, certain members of the senior management team (specifically, the Chief Executive Officer, Chief Financial Officer, and Senior Vice President Human Resources and Chief Administrative Officer) make initial proposals to the Committee regarding the following annual compensation events: (1) the amount of the total budget for management salaries for the next fiscal year; (2) specific salary increases for each of the senior executive officers, excluding the Chief Executive Officer; (3) proposed aggregate annual management incentive bonus payments, as well as specific bonus payments proposed for executive officers, excluding the Chief Executive Officer; (4) proposed annual management cash incentive bonus targets; (5) proposed aggregate RSU awards, as well as specific awards proposed for executive officers; and (6) proposed grants of performance-based incentive awards to the senior management team members, excluding the Chief Executive Officer. In addition, the senior management team may, under some circumstances, recommend discrete, special incentives intended to motivate performance or enhance retention in response to market conditions or competitive demands, or relative to the implementation of specific strategic initiatives.

RISK ASSESSMENT OF COMPENSATION PLANS AND PROGRAMS

The Committee has reviewed its compensation plans and programs, particularly its incentive compensation plans for the NEOs and other executives, and has determined that such plans and programs are not reasonably likely to have a material adverse effect on the Company. To reach this conclusion, the Committee compiled an inventory of all executive compensation plans and programs globally. It then discussed and evaluated these plans and programs as they related to risk management. The resultant conclusion was based on the finding that the Company s executive compensation structure consists of a balanced mix of compensation programs that: utilize both equity and cash components, impose caps on incentives, apply multiple performance measures, establish staggered performance and payout periods, and rely on the use of discretion in approving final awards. The Committee also took note of the Company s policies toward severance, perquisites, and change in control provisions, as well as its adoption of clawback/recoupment mechanisms in NEO incentive award agreements. During its discussion, the Committee recognized its own oversight responsibilities and noted that it requires all incentive compensation paid to the senior management team to be reviewed by auditors. It then determined that its practices, coupled with the structure of the executive compensation plans and programs, mitigate against any risks associated with compensation programs.

EXECUTIVE COMPENSATION

Summary Compensation Table

The following table sets forth information concerning the compensation of the Named Executive Officers for 2008, 2009 and 2010.

Name and Principal Position	Year	Salary	Bonus[1]	Stock Awards[2] ($)	Option Awards[3] ($)	Nonequity Incentive Plan Compensation ($)		Change in Pension Value and Nonqualified Deferred Compensation Earnings[4] ($)	All Other Compensation ($)		Total ($)
Joseph G. Morone, President and Chief Executive Officer	2008	$711,000	$0	$4,886,200		$812,675	(5)	$0	$24,175	(6)	$6,434,070
	2009	717,000	0	361,200		865,104	(7)	0	15,175	(8)	1,958,479
	2010	738,000	0	975,801		1,151,961	(9)	0	15,175	(10)	2,880,937
Michael K. Burke, Senior Vice President and Chief Financial Officer (former)	2009	192,307	0	789,120		103,346	(11)	0	3,680	(12)	1,088,453
	2010	300,000	0	151,361		29,995	(13)	0	113,474	(14)	594,830
John B. Cozzolino, Chief Financial Officer and Treasurer	2008	136,000	0	10,972		26,845	(15)	7,000	8,334	(16)	189,151
	2009	158,833	0	25,200		42,549	(17)	14,000	8,544	(18)	249,176
	2010	192,741	0	63,750		106,385	(19)	8,000	10,249	(20)	381,125
Daniel A. Halftermeyer, Group Vice President	2008	425,409 (21)	0	1,238,760		180,000	(22)	8,554	310,467 (21),(23)		2,163,190
	2009	452,321 (24)	0								