

ALBANY INTERNATIONAL CORP /DE/
Form PRE 14A
March 26, 2015
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

Filed by a Party other than the Registrant

Check the appropriate box:

Preliminary Proxy Statement

Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))

Definitive Proxy Statement

Definitive Additional Materials

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):

S No fee required.

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PRELIMINARY PROXY STATEMENT — SUBJECT TO COMPLETION

April [], 2015

To the Stockholders of Albany International Corp.:

You are cordially invited to attend the 2015 Annual Meeting of Stockholders of Albany International Corp., which will be held at the Company's offices at 216 Airport Drive, Rochester, New Hampshire, at 9:00 a.m. on Friday, May 29, 2015.

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, 2014, also accompanies these materials.

Sincerely yours,

ERLAND E. KAILBOURNE
Chairman of the Board

JOSEPH G. MORONE
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 29, 2015**

The Annual Meeting of Stockholders of Albany International Corp. will be held at the Company's offices at 216 Airport Drive, Rochester, New Hampshire, on Friday, May 29, 2015, 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 KPMG LLP as our independent auditor;
3. to approve, by nonbinding vote, executive compensation;
4. to approve the adoption of the Amended and Restated Certificate of Incorporation to clarify and update the provisions related to restrictions on the transfer of our Class B Common Stock; and
5. 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 6, 2015, 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 [], 2015

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, of proxies in the accompanying form for use at the Annual Meeting of Stockholders to be held on May 29, 2015, 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 18, 2015, (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 accounts 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 P.M. Eastern Time on May 25, 2015.

This proxy statement and the accompanying form of proxy are first being made available to our stockholders on or about April [10], 2015.

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 6, 2015, of the Company’s Class A Common Stock outstanding on such date and (2) holders of record at the close of business on April 6, 2015, of our Class B Common Stock outstanding on such date. As of April 6, 2015, there were 28,629,991 shares of the Company’s Class A Common Stock outstanding and 3,235,048 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. The approval of the adoption of the Amended and Restated Certificate of Incorporation requires the affirmative vote of the holders of a majority of the voting power of our Class A Common Stock and Class B Common Stock outstanding on the record date and entitled to vote thereon, voting together as a single class. Although the Board does not believe the proposed amendments would have an adverse effect on the shares of Class B Common Stock requiring a separate vote of holders of shares of Class B Common Stock, after consulting with Delaware counsel, the Board concluded it is advisable to seek separate approval from the holders of shares of Class B Common Stock to eliminate any uncertainty. Accordingly, we are also seeking the affirmative vote of the holders of a majority of the voting power of our Class B Common Stock outstanding as of the record date and entitled to vote thereon, voting as a separate class. A majority of the voting power of our Class A Common Stock and Class B Common Stock present in person or by proxy, voting together as a single class, 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 and thus will have the same effect as a vote “Against” each of the matters scheduled to be voted on at the Annual Meeting (other than the election of directors).

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 KPMG LLP as independent auditor. Broker “nonvotes” will not affect the outcome of any matter being voted on at the Annual Meeting, assuming that a quorum is present, other than Proposal Number 4 regarding the approval of the adoption of the Amended and Restated Certificate of Incorporation, for which broker “nonvotes” will have the same effect as a vote “Against” such proposal.

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 2015 Annual Meeting of Stockholders, shall be eight. Accordingly, the number of directors to be elected at the 2015 Annual Meeting of Stockholders is eight. The Board of Directors has nominated for election the eight persons listed below. All of the nominees 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 of each nominee below highlight some of the specific experience, qualifications, attributes or skills that contributed to his or her 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 and has served as President and Chief Executive Officer since 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, where he 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 the University System of New Hampshire. In addition to 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. Age 61.

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 President of J. S. Standish Company. She is a member of the Board of Trustees of the Albany Medical Center, Siena College, The Community Foundation for the Greater Capital Region and the Albany Symphony Orchestra. 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 one of the Company's largest stockholder groups. Age 49.

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, and also served as Vice Chairman of the State University of New York from 1995 until 1999. He is a Director of the New York ISO, Financial Institutions, Inc., Rand Capital Corporation, and Allegany Co-op Insurance Company. 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 73.

JOHN C. STANDISH has been a Director of the Company since 2001 and Vice Chairman of the Board since May 9, 2008. From 1986 until 2008, he served the Company in a number of management roles, the last being Senior Vice President of Manufacturing for Americas Business Corridor. He is Chairman and CEO of the J. S. Standish Company, and is the brother of Christine L. Standish and the son of J. Spencer Standish. In addition to being a member of the Standish family, John acquired extensive hands-on experience in all aspects of the Company's Machine Clothing operations as an employee and manager, and holds a master's degree in textiles and wood and paper sciences. Age 51.

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, and a former member of the Connecticut Academy of Science and Engineering. 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 its Albany Engineered Composites segment, which seeks to grow as a key supplier to customers in the aerospace industry. Age 70.

EDGAR G. HOTARD has been a Director of the Company since November 2006. He has served as a Venture Partner at ARCH Venture Partners since September 2004. In July 2013, he became a senior adviser to Warburg Pincus Asia for their energy and industrial sectors. Mr. Hotard retired 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. From 2000 until 2012, Mr. Hotard served as an adviser to, and nonexecutive Chairman of, the Monitor Group (China). Mr. Hotard is also a member of the Board of Directors of Quinpario Acquisition Corp. 2, Baosteel Metals Co., Ltd., SIAD Macchine Impianti and Koning Corp. S.p.A. Within the past five years he has also served on the boards of directors of Global Industries Inc., Solutia Inc., Shona Energy Company, Inc., and as a partner at HAO Capital. 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. In 2000 he received the Great Wall Award for his contributions to the economic development of the Beijing Municipality. Mr. Hotard has experience managing a large global enterprise, assisting companies in developing and implementing their business strategy, building business relationships in Asia and China, and accessing capital markets. In the course of his career, he has worked with a number of senior government and business leaders in Asia and China. His background, understanding, and business relationships are helpful as the Board oversees management's efforts to address shifting demand toward Asia, and China in particular, in its core Machine Clothing business, as well as its expanded operations in Asia. Age 71.

JOHN R. SCANNELL has been a Director of the Company since February 2012. He has served as Chairman and Chief Executive Officer of Moog Inc., a worldwide designer, manufacturer, and integrator of high-performance precision motion and fluid control systems for a broad range of applications, since January 8, 2014. Mr. Scannell joined Moog in 1990 as an Engineering Manager of Moog Ireland and later became Operations Manager of Moog GmbH in Germany. In 1999, he became the General Manager of Moog Ireland, and in 2003 moved to the Aircraft Group in East Aurora, New York, as the Boeing 787 Program Manager. He was named Moog's Director of Contracts and Pricing in 2005. Mr. Scannell was elected Vice President of Moog in 2005 and Chief Financial Officer in 2007, a position he held until December 2010, at which time he was appointed President and Chief Operating Officer. In December 2011, he was named Moog's Chief Executive Officer. Mr. Scannell's range of management experience in engineering, operations management, contracts, and finance, along with his in-depth knowledge of the aerospace markets, products, and technologies, make him highly qualified to serve as a Director. In addition to an M.B.A. from Harvard Business School, Mr. Scannell holds B.S. and M.S. degrees in Electrical Engineering from University College Cork, Ireland. Age 51.

KATHARINE L. PLOURDE has been a Director of the Company since May 2013. She was a principal and analyst at the investment banking firm of Donaldson, Lufkin & Jenrette, Inc. (DLJ) until November 1997. Since that time, she has engaged in private investing. In addition to serving on the board of one private corporation, she has been a director of Pall Corporation, a global provider of filtration, separation and purification products and systems, since 1995, and of OM Group Inc. (OMG), a company that develops, produces, and markets specialty chemicals, advanced materials, and electrochemical energy storage products, since 2002. She previously served as lead independent director of OMG and currently serves on the audit committees of OMG and Pall. She has also served on the board of directors of The Wall St. Fund, Inc., a publicly traded mutual fund, since November 2014. As a result of her tenure at DLJ and two other investment firms, Ms. Plourde brings significant analytical and financial expertise to the Board in a number of critical areas, including investor relations, financial reporting, accounting, corporate finance, and capital markets. Ms. Plourde's years of service on the nominating/governance committees at Pall and OM Group have also given her significant Board governance experience, and contributed to her expertise on governance issues generally. Age 63.

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 nonmanagement Lead Director. Dr. Morone was appointed as President in 2005, and became Chief Executive Officer at the beginning of 2006. The Company’s departing Chief Executive Officer, Frank Schmeler, continued to serve as Chairman, in a nonmanagement capacity, until May of 2008, at which time he was succeeded by current Chairman Erland E. Kailbourne, who by that time had more than nine years of experience serving on our board. At the same time, John Standish, having resigned from his management position with the Company, was elected Vice Chairman.

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 nonmanagement 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 Chairman is also empowered to delegate some of these duties, in his or her discretion, to a Vice Chairman.) The Board has found that having a nonmanagement director function in this role, whether as a “lead director” or as Chairman, facilitates communication, helps ensure that issues of concern to nonmanagement 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 with the Board, at each regularly scheduled quarterly meeting, 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 supported by periodic formal review by senior management of all significant enterprise risks, facilitated by the Chief Financial Officer. The Board asks management, from time to time, to supplement this top-level review with a more detailed analysis of one or more specific risks, selected by the Board, including related mitigation actions. 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 Audit Committee is responsible for assisting the Board in its oversight of the Company’s risk management processes. The Audit Committee periodically reviews the adequacy of the processes by which the Company handles risk assessment and risk management, and discusses such processes with management, the Company’s internal audit department and

the independent auditors. 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 periodically reviews and discusses cyber security risks to the Company with the Company's Chief Information Officer and the internal audit function, and reviews and discusses with senior 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 April [], 2015, J. Spencer Standish, related persons (including his children, Christine L. Standish and John C. Standish, directors of the Company; 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 various trusts for the benefit of descendants of J. Spencer Standish) held, in the aggregate, shares entitling them to cast approximately 53% 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 certain requirements of the NYSE Rules, including that the Compensation and Governance Committees be composed entirely of independent directors (as independence is defined by the NYSE Rules). 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 nine times in 2014. 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 2014.

Committees. The standing committees of the Board of Directors are a Governance Committee, an Audit Committee, and a Compensation Committee. During 2014, the Governance Committee met five times, the Audit Committee met nine times, and the Compensation Committee met four 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). The current members of our Governance Committee are Christine Standish (Chair), Edgar Hotard, and Katharine Plourde. Board Chair Erland E. Kailbourne also participates in Committee meetings as an *ex officio* nonvoting member. Directors Plourde, Christine Standish and Hotard each served on the Committee during all of 2014.

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 address effectively 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.

Although the Governance Committee has from time to time employed professional consultants for this purpose, members of the Committee also 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. The Committee has retained the director search firm of G. Fleck/Board Services since 2011 to assist in identifying and evaluating potential Board members. Directors Scannell and Plourde were initially recommended to the Committee by G. Fleck/Board Services.

Stockholders may send recommendations of persons to be considered by the Governance Committee for nomination for election as directors to: Chair, Governance Committee, Albany International Corp., 216 Airport Drive, 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 2015 Annual Meeting are standing for reelection by stockholders.

Audit Committee. The purpose of the Audit Committee is to assist the Board of Directors in fulfilling its oversight responsibilities in a number of key areas, including:

- the integrity of our financial statements, financial reporting process, and internal controls;
- the performance of our internal audit function;
- our compliance with legal and regulatory requirements, including our disclosure controls and procedures; and
- the annual independent audit of our financial statements, including the engagement of the independent auditor, and the evaluation of the independent auditor's qualifications, independence and performance.

The Committee's charter sets forth a number of the Committee's specific responsibilities in each of these areas.

The Committee discharges its responsibilities related to financial reporting by, among other things:

- reviewing and discussing with management each quarterly earnings release, as well as other financial communications, and all quarterly reports on Form 10-Q or annual reports on Form 10-K; after the completion of each annual audit, and before the filing of the Form 10-K, reviewing and discussing with the independent auditors, the head of internal audit, and senior management, among other things, (1) any significant audit findings, and management's responses, (2) any significant changes in audit scope, and (3) any difficulties encountered during the course of the audit;
- periodically reviewing and discussing with the independent auditor, management, and the head of the internal audit function, the acceptability and quality of our accounting policies, the clarity of our financial disclosures, and any weaknesses in our system of internal controls; and
- periodically reviewing, evaluating and discussing with management the qualifications, performance and depth of the Company's financial personnel.

As part of its oversight of our internal audit function, the Committee, among other things, reviews and approves the annual internal audit plan, and reviews, at least quarterly, the reports and findings of plan activities with the head of the department, senior management and the independent auditor. The Committee also evaluates the performance of the department, with input from management and the independent auditor.

The Audit Committee has established procedures for the receipt, retention and treatment of communications (including anonymous communications) relating to questionable accounting, auditing or internal control matters, violations of laws or regulations to which the Company is subject, or violations of the Company's Business Ethics Policy or Code of Ethics for the Company's Chief Executive Officer, Chief Financial Officer or Controller. Our Business Ethics Policy describes various means by which such communications may be reported (see "Available Information" on page 9.) The Committee has direct access to any complaints made to the Company's whistleblower hotline that relate to accounting, auditing, internal controls, or alleged violations of the Business Ethics Policy, and oversees the investigation and resolution of all such complaints by the Company's legal department and compliance

function. The Committee also serves 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, and is responsible for the review and resolution of all reports of "material violations" subject to Section 307. The Committee is also charged with reviewing any complaints or concerns relating to accounting, auditing, or internal controls matters that are communicated to the Chair of the Committee pursuant to the Company's "up-the-ladder" reporting process for responding to such communications. The Committee is also responsible for evaluating all related party transactions and for recommending to the Board whether any such transaction should be ratified or approved.

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The Committee is solely responsible, in accordance with the NYSE rules, for the appointment of our independent auditors. The Committee is also responsible for the evaluation of the independence, performance and qualifications of our independent auditors, and reviewing and approving their compensation. (See **“RATIFICATION OF INDEPENDENT AUDITORS”** on page 40.)

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 Edgar G. Hotard (Chair), Erland E. Kailbourne, and Katharine Plourde. Each of the current members also served during all of 2014.

The Audit Committee has provided the following report:

The Audit Committee has reviewed and discussed with management and the independent auditors, KPMG LLP (“KPMG”), the financial statements for 2014, including management’s report with respect to internal control over financial reporting. The Audit Committee has discussed with KPMG the matters required to be discussed under the rules adopted by the Public Company Accounting Oversight Board (“PCAOB”), and has received from KPMG the written disclosures and the communications relating to KPMG’s independence required by PCAOB rules. The Audit Committee has discussed with KPMG its independence, and has considered whether the provision by KPMG of the services referred to below under **“RATIFICATION OF INDEPENDENT AUDITORS”** is compatible with maintaining the independence of KPMG.

Based on the foregoing discussions and review, the Audit Committee recommended to the Board of Directors that the audited statements for 2014 be included in the Company’s Annual Report on Form 10-K for 2014 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 (KPMG) 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 or related financial management expertise.” The Board has also determined that at least one member of the Committee, Katharine L. Plourde, 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 the Company’s Internal Audit function. 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, *Chair*
Erland E. Kailbourne
Katharine L. Plourde

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. In making this determination, the Board considered, after due inquiry, the lack of any transactions, relationships, or arrangements between the Company and each member of the Committee.

The Board of Directors has determined that Ms. Plourde 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. Plourde also serves on the audit committee of two other public companies: Pall Corporation and of OM Group Inc. (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. (Chair), John Scannell, and John Standish.

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 2011 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*” on page 15.

In addition, the Committee’s charter charges the Committee with the responsibility to obtain advice and assistance from outside legal or other advisers or consultants as the Committee may from time to time deem appropriate, and to determine the compensation and other terms of service of such advisers and consultants. The Committee has exclusive power to select, retain, and terminate the services of any such advisers 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 the Company shall provide for the payment of fees and compensation to any advisers or consultants so employed by the Committee. During 2014, the Company paid \$18,039 to Pearl Meyer & Partners for compensation-related services. (See “*The Role of the Compensation Consultant*” on page 14 for a discussion of compensation-related services provided by Pearl Meyer during 2014.)

Compensation Committee Interlocks and Insider Participation. All members of the Compensation Committee served in such capacity during all of 2014.

No member of the Committee was an employee during 2014. John Standish is an officer and director of J. S. Standish Co. (See “**SHARE OWNERSHIP**” on page 11.)

Nonmanagement directors. Meetings of the “nonmanagement” directors, as defined by the NYSE Rules, are regularly held at the conclusion of each regularly scheduled meeting of the Board. The current nonmanagement directors include all of the directors other than Dr. Morone. Meetings of the nonmanagement directors during 2014 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 nonmanagement 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, 2014, 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 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. While Mr. Standish is sometimes reimbursed for Company-related expenses incurred in connection with such visits, his attendance at meetings, and such consultations, he received no such reimbursements during 2014. Other than his pension under the Company's retirement plans, and reimbursement of these expenses, Mr. Standish receives no other 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, 2014.

SHARE OWNERSHIP

As of the close of business on March 1, 2015, each of the directors, director nominees, and 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 Class A Common Stock Outstanding	Shares of Class B Common Stock Beneficially Owned	Percent of Class B Common Stock Outstanding
Joseph G. Morone	217,201	(b)	—	—
Christine L. Standish	877,763	(d) 2.98	870,821	(e) 26.92 %
Erland E. Kailbourne	26,457	(c)	—	—
John C. Standish	1,141,730	(f) 3.84	1,141,139	(g) 35.27 %
John F. Cassidy, Jr.	15,108	(c)	—	—
Edgar G. Hotard	16,362	(c)	—	—
John B. Scannell	5,590	(c)	—	—
Katharine L. Plourde	2,572	(c)	—	—
John B. Cozzolino	19,909	(h)	—	—
Daniel Halftermeyer	71,562	(i)	—	—
Robert A. Hansen	21,380	(j)	—	—
Ralph M. Polumbo	38,343	(k)	—	—
All officers and directors as a group (16 persons)	1,600,920	5.76 %	1,142,843	35.33 %

(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) 212,860 shares owned outright and (ii) 4,341 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) 870,821 shares issuable upon conversion of an equal number of shares of Class B Common Stock, and (iii) 347 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) 869,117 shares held by J. S. Standish Company, of which she is President.

(f) Includes (i) 1,141,139 shares issuable upon conversion of an equal number of shares of Class B Common Stock, (ii) 580 shares held by Mr. Standish in his account in the Company’s 401(k) retirement savings and employee stock ownership plans, and (iii) 11 shares held directly. The nature of Mr. Standish’s beneficial ownership of the Class B shares is described in note (g) below.

(g) Includes (i) 869,117 shares held by J. S. Standish Company, a corporation of which he is the Chairman, (ii) 120,000 shares held by the Christine L. Standish Delta Trust, as to which he has sole voting and investment power, (iii) 151,318 shares held by the Standish Delta Trust, as to which he is trustee with sole voting and investment power, and (iv) 704 shares held directly.

(h) Includes (i) 16,865 shares owned outright, (ii) 2,744 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.

- (i) Includes (i) 50,262 shares owned outright and (ii) 21,300 shares issuable upon exercise of options exercisable currently or within 60 days.
- (j) Includes (i) 14,474 shares owned directly, (ii) 4,506 shares held in the Company's employee stock ownership plan, and (iii) 2,400 shares issuable upon exercise of options exercisable currently or within 60 days.
- (k) Includes (i) 37,450 shares owned directly and (ii) 893 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	Percent of Outstanding Class A Common Stock
J. Spencer Standish	2,344,811	(b) 7.57 %
BlackRock, Inc.	2,693,876	(c) 9.44 %
Wellington Management Group LLP	2,440,103	(d) 8.55 %
TimesSquare Capital Management, LLC	2,412,230	(e) 8.45 %
The Vanguard Group	1,921,853	(f) 6.74 %
T. Rowe Price Associates, Inc.	1,548,043	(g) 5.43 %

*As of December 31, 2014, except for J. Spencer Standish, whose holdings are shown as of March 1, 2015.

Addresses of the beneficial owners listed in the above table are as follows: J. Spencer Standish, c/o Albany International Corp., 216 Airport Drive, Rochester, NH 03867; BlackRock, Inc., 55 East 52nd Street, New York, NY 10022; Wellington Management Group LLP, c/o Wellington Management Company, LLP, 280 Congress Street, Boston, MA 02210; TimesSquare Capital Management, LLC, 7 Times Square, 42nd Floor, New York, NY 10036; The Vanguard Group, 100 Vanguard Boulevard, Malvern, PA 19355; and T. Rowe Price Associates, Inc., 100 E. Pratt Street, Baltimore, MD 21202.

Represents 2,344,811 shares issuable upon conversion of an equal number of shares of Class B Common Stock. 1,475,694 shares of Class B Common Stock are held by trusts as to which he has sole voting and investment (a) power; the remaining 869,117 shares are held by J. S. Standish Company as to which he has shared voting and dispositive power. (J. S. Standish Company is a corporation as to which J. Spencer Standish holds the power to elect and remove all of the directors.)

Represents shares beneficially owned by BlackRock, Inc. and one or more affiliates, including BlackRock Fund (c) Advisors. BlackRock, Inc. and/or one or more of such entities has the sole power to vote or direct the vote of 2,623,486 such shares, and sole power to dispose or direct the disposition of all such shares.

Represents shares beneficially owned by investment advisory clients of Wellington Management Group LLP. (d) Wellington Management Group LLP has shared power to vote or direct the vote of 1,865,204 such shares, and shared power to dispose or direct the disposition of all such shares.

Represents shares beneficially owned by investment advisory clients of TimesSquare Capital Management, LLC. (e) TimesSquare Capital Management, LLC has sole power to vote or direct the vote of 2,345,705 such shares, and sole power to dispose or direct the disposition of all such shares.

Represents shares reported as beneficially owned by The Vanguard Group, in its capacity as investment adviser. (f) The Vanguard Group has sole power to vote or direct the vote of 37,791 such shares, shared dispositive power with respect to 34,591 such shares, and sole power to dispose or direct the disposition of 1,887,262 such shares.

Represents shares beneficially owned by investment advisory clients of T. Rowe Price Associates, Inc. T. Rowe (g) Price Associates, Inc. has sole power to vote or direct the vote of 172,630 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 1, 2015:

Name(s) ^(a)	Shares of		Percent of	
	Company's Class B Outstanding Common Stock		Class B Common Stock	
	Beneficially Owned Common Stock			
J. Spencer Standish	2,344,811	(b)	72.48	%
John C. Standish	1,141,139	(c)	35.27	%
Christine L. Standish	870,821	(d)	26.92	%
J. S. Standish Company	869,117		26.87	%
William M. Doyle Jr.	614,307	(e)	18.99	%

Addresses of the beneficial owners listed in the above table are as follows: J. Spencer Standish, John C. Standish, and Christine L. Standish, c/o Albany International Corp., 216 Airport Drive, Rochester, NH 03867; J. S. Standish Company, c/o Barrantys LLC, 120 West Tupper Street, Buffalo, NY 14201; and William M. Doyle Jr., Winston & Strawn LLP, 35 W. Wacker Drive, Chicago, IL 60601.

(a) Includes (i) 869,117 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 and remove all of the directors, and (ii) 1,475,694 shares held by trusts as to which he has sole voting and investment power.

(c) Includes (i) 869,117 shares held by J. S. Standish Company, a corporation of which he is the President, (ii) 120,000 shares held by the Christine L. Standish Delta Trust, as to which he has sole voting and investment power, (iii) 151,318 shares held by the Standish Delta Trust, as to which he is trustee with sole voting and investment power, and (iv) 704 shares held directly.

(d) Includes (i) 869,117 shares held by J.S. Standish Company, a corporation of which she is Chairman and CEO, and (ii) 1,704 shares held directly.

(e) Includes (i) 247,154 shares held by a trust for the sole benefit of John C. Standish, (ii) 247,153 shares held by a trust for the sole benefit of Christine L. Standish, and (iii) 120,000 shares held by the John C. Standish Delta Trust.

Mr. Doyle has sole voting and investment power with respect to such trusts.

Voting Power of the Standish Family

J. Spencer Standish, related persons (including Christine L. Standish and John C. Standish, directors of the Company) and William M. Doyle Jr., as sole investment adviser of trusts for the benefit of descendants of J. Spencer Standish, now hold in the aggregate shares entitling them to cast approximately 53% of the combined votes entitled to be cast by all stockholders of the Company. Accordingly, if J. Spencer Standish and such persons cast votes as expected, election of the director nominees listed above, approval of the adoption of the Amended and Restated Certificate of Incorporation by the holders of our Class A Common Stock and Class B Common Stock voting together and by the holders of our Class B Common Stock voting separately as a class, and approval of each other proposal to be considered at the meeting, 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., *Chair*

John Scannell

John C. Standish

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COMPENSATION DISCUSSION AND ANALYSIS

Executive Summary

In his 2014 letter to shareholders, Dr. Morone enumerated the three imperatives that comprise our corporate strategy and define our standard for assessing performance. They are: *hold* Machine Clothing cash flow, *execute* the LEAP ramp, and *advance* the Albany Engineered Composites (AEC) product pipeline. As he stated in that letter, these three imperatives shape all of our thinking. It was with these imperatives in mind that the Compensation Committee set about to implement the 2014 executive compensation program. The following portion of our Proxy Statement describes that program, and reports on the 2014 compensation earned by and paid to the Company's "named executive officers" (the "NEOs"), as that term is defined in applicable SEC regulations. The discussion is presented in three parts. The first part states the Committee's compensation philosophy and objectives, identifies the different elements of compensation, describes the structure of the 2014 compensation program, and explains the various matters taken into consideration by the Committee when adopting compensation policies or arriving at compensation decisions. The second part reports the compensation earned by our NEOs based on the Company's 2014 performance. The final part sets out the 2014 compensation actually earned by, awarded to, or available to the NEOs in SEC-mandated tables. Our NEOs for 2014 were President and CEO Dr. Joseph G. Morone; Chief Financial Officer and Treasurer John B. Cozzolino; President — Machine Clothing Daniel A. Halftermeyer; President — AEC Ralph M. Polumbo; and Senior Vice President and Chief Technology Officer Robert Hansen.

PART I

Compensation Philosophy and Objectives

It is the Committee's philosophy to compensate the Company's executives based on their individual importance in achieving the Company's strategic objectives, consistent with competitive market practices, and taking internal equity into account. The principal objectives of our executive compensation program 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 achieving the Company's annual and long-term goals is suitably rewarded. Therefore, the NEO compensation program is designed with a focus on total direct compensation targets utilizing both long and short-term performance-based compensation components.

Shareholder "Say on Pay"

As described in earlier versions of this report, the Committee has employed the same compensation program structure since 2010, utilizing the same elements of compensation, but with different performance measurement metrics, goals and target opportunities. Although the results of the 2014 "say on pay" vote were not available when the Committee was adopting the 2014 compensation program, voting results from prior years were influential to the continued utilization of that structure in 2014. In 2013, shareholders representing 80% of the votes cast expressed approval of the Company's executive compensation. In 2014, the approval vote was 99% of the votes cast.

Roles in Structuring Compensation

The Role of Compensation Committee

The Compensation Committee of the Board of Directors is responsible for determining the compensation of all of our executive officers, including Dr. Morone. The Committee considers, adopts, reviews, and revises the various

compensation plans, programs and guidelines, and reviews and determines all components of each executive officer's compensation. The Committee reports to, and receives feedback from, the full Board of Directors each quarter. With regard to Dr. Morone, though his compensation is determined by the Committee, its actions reflect advice and input from the full Board of Directors, and takes into account the full Board's assessment of Dr. Morone's performance.

The Role of the Compensation Consultant

The Committee retains an executive compensation consultant to provide benchmarking and comparative compensation analysis. The consultant's findings and recommendations form part of the input used in the ongoing review and design of the Company's compensation programs. The analysis process is normally completed on an

annual basis in the case of the Company's CEO, and periodically with respect to other members of the senior management team. Analyses completed by Pearl Meyer & Partners in late 2013 were considered by the Committee when establishing 2014 total direct compensation targets and base salary increases.

The Role of Executive Officers

The Committee's Charter expressly provides that input from management is expected, and in some instances required, in connection with the Committee's exercise of its responsibilities. Company management does make recommendations to the Committee from time to time regarding modifications to existing benefit plans or the adoption of new 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 are typically proposed to the Committee by the Company's CEO after consultation with personnel from the Company's Human Resources function.

Elements of Compensation

There are several components to the Company's executive compensation program. Flexibility in the application of each discrete component provides the Committee the ability to adjust to changes in market conditions. This flexibility is employed in the Committee's practice of adjusting the allocation between long- and short-term compensation, and in its varying use of cash and non-cash elements. It should also be noted that not every component is granted, or made available, to all executives. In 2014, the principal components of the executive compensation program available to achieve the Committee's compensation objectives were:

Base Salary

Annual base salary constitutes the core cash portion of the compensation of every member of management, including the NEOs. 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 the bonus actually paid to a manager is determined by the Committee in its sole discretion, it is generally based on Company, business unit, and/or individual performance against established targets during the previous year. Target bonus opportunities are established as a percentage of base salary. For 2014, the Committee adhered to its prior practice of excluding the senior management team (consisting of the CEO and approximately five to seven top executives working most closely to him, including all the NEOs), from the annual cash incentive bonus. Instead, the senior management team is granted MPP and APP Performance Awards, as described below. Participation in the annual cash incentive bonus program is limited to approximately 350-400 managers worldwide.

Under the Annual Incentive Plan, a bonus at the targeted level is paid only if the Committee determines that the performance levels that it considers appropriate for the particular year have been achieved. Lesser cash incentives may 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 and performance below the threshold levels would generally result in no bonus being earned. Maximum performance levels are also established. The threshold, target and maximum performance levels are set based on the operating plan approved by the Board of Directors.

Performance Awards

Performance Awards are granted pursuant to the Company's 2011 Incentive Plan to the senior management team only. They are designed to reward performance. In granting 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 amounts of Performance Awards actually earned in prior years.

The performance period for the short-term performance incentive award was the 2014 fiscal year. This annual performance period award (the "APP Performance Award") entitled the recipient to receive between 0% and 200% of the target award, initially denominated as a dollar figure, based on the extent to which he or she attained certain performance goals during 2014. Once determined, the awards were paid out in full in a ratio of 50% cash and

50% stock (except in the case of Dr. Morone whose award was allocated 60% cash and 40% stock) in March 2015. The average share price for the first 10 days in January 2015 is used to determine the number of shares issued. The performance period for the long-term performance incentive award runs from January 1, 2014 through December 31, 2016. This multi-year performance period award (the “MPP Performance Award”) entitles the recipient to receive between 0% and 200% of the cash and share award targets stated in the award agreement, based on the extent to which he or she attains 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 2017.

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 for 2014 performance-based incentive compensation program were drawn from the operating plan approved by the Board of Directors in December 2013.

Restricted Stock Units

Restricted Stock Units (“RSUs”) can be granted pursuant to the Company’s Restricted Stock Unit Plan (“RSU Plan”) to function primarily as retention incentives, but they have been used only rarely since 2010. Members of the senior management team generally did not participate in the annual RSU grants prior to 2011, but would receive grants as part of special executive retention incentives adopted from time to time or upon hiring. Before 2011, annual grants were targeted to approximately 200-250 top managers just below the senior management team, who also participate in the annual cash incentive bonus program. The size of a grant to any single manager was typically determined primarily on the basis of salary and grade level, years of service, and internal equity. No RSU grants have been made to this group of top managers since 2010. Instead, beginning in February 2012, the Company began making grants under the 2011 Performance Phantom Stock Plan described below.

Performance Phantom Stock

Performance Phantom Stock (“Performance Phantom Stock”) is granted pursuant to the Company’s Performance Phantom Stock Plan (“Performance Stock Plan”). These grants similarly function as a retention incentive, but with a performance component. The size of any grant is determined primarily on the basis of salary and grade level, years of service, internal equity, consideration of the employee’s value to the Company, and the retentive effect of previously awarded incentives that remain outstanding. The number of units ultimately earned depends on Company performance measured against corporate-wide goals established at the beginning of the one-year performance period. Members of the senior management team have not participated in, and are not expected to participate in, this plan. These grants are targeted to approximately 125-150 top managers just below the senior management team, who also participate in the annual cash incentive bonus program.

Other Plans and Programs

In addition to the foregoing, 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 eligible 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 Company’s CEO’s performance under his performance awards. 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. The contributions are made in cash

and allocated to investments chosen by plan participants.

The Company maintains a tax-qualified defined benefit plan (i.e., a pension plan) in which all salaried and hourly 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 accrued retirement benefits under these plans in accordance with their terms until February 28, 2009. These plans were both amended as of that date so that no additional benefits would accrue to any plan participant, effectively freezing the future benefits of any participant based on their years of service and highest earned salaries as of February 28, 2009.

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 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 benefits 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.

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 local Company affiliates. Mr. Haltermeyer is the only NEO employed outside of the United States. As a French citizen serving 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 required by Swiss law, and as an expatriate under a French government-sponsored pension program. The Company pays both the employer and employee contributions to this program in order to maintain Mr. Haltermeyer's participation during his expatriation. The amounts paid by the Company toward both pension plans during 2014 are reported in the "Summary Compensation Table" on page 24, and the present value of the benefits accumulated under the Swiss private pension plan are reported in the "PENSION BENEFITS" table on page 32.

Structuring the 2014 Compensation Program — Pay for Performance

Adopting the 2014 compensation program for our NEOs began with establishing a total direct compensation target for each executive. This was done with reference to benchmarking data and after consideration of the executive's past performance and his or her individual importance to the Company. The Committee considered the total direct compensation target and base salary paid to similarly-situated executives at companies included in its benchmarking group (see page 20). It also noted the mean and median compensation paid to executives in the benchmarking group, and compared those against the amounts awarded to its own executives in prior years. After considering all of the foregoing factors, the Committee determined to establish the total direct compensation target for Dr. Morone at the 75th percentile of the peer group data, and to establish the targets for the other NEOs at or between the 50th and 75th percentile of the peer group data. The total direct compensation targets established are not guaranteed, but paid only if earned by an NEO based on performance.

When establishing total direct compensation targets at certain percentiles of the peer group data, particularly with regard to the Company's CEO, the Committee is made aware of the Company's performance relative to the peer group as measured by a number of different EBITDA — based financial metrics. The Committee is mindful of the growing reliance of investors and shareholder advisory groups on an even wider array of comparative financial metrics to assess the performance of a company relative to its peers, especially in connection with usage of "say on pay" voting guidelines. The Committee believes that a simple comparison of peer group financial metrics in assessing compensation fails to take into account the Company's unique composition, relative to its peer group, as a combination of two very different businesses pursuing two very different business strategies: Machine Clothing, an established, cash-generating, mature business seeking to maintain its reputation as an industry leader as well as its ability to generate cash; and AEC, a cash-consuming, capital intensive business managing the challenges of rapid growth. The Committee feels that an over-reliance on comparative financial metrics would, in the Company's case, fail to adequately measure the overall performance of the Company's executives in executing these two different strategies, resulting in inappropriate compensation outcomes.

After total direct compensation targets are established, the Committee chooses the components to be utilized to pay the compensation, if earned, as well as the share of total direct compensation to be allocated to each component. In

making these determinations, the Committee reviews the mix of the compensation paid to executives in the benchmarking group, focusing on long-term and short-term compensation, fixed and variable components, and the ratio of earned compensation paid as equity or cash. For 2014, the Committee again determined that the total direct compensation target opportunities for NEOs would be paid as base salary, and through short-term and long-term incentive compensation awards, with the latter two components being performance-based and at risk, payable only if earned. To determine the share of the total direct compensation target that would be allocated to each component, the Committee determined the appropriate base salary to be paid to each executive. The Committee also determined that 35% of the total direct compensation target would be granted in the form of a long-term performance incentive award (i.e., the MPP Performance Award), and that the remainder of the target would consist of a short-term performance incentive award (i.e., the APP Performance Award).

After the total direct compensation target is allocated between components, the Committee then establishes the performance measurement metrics and goals for each NEO against which performance would be judged to determine how much of the incentive compensation, if any, is earned by an NEO. Lastly, the Committee determines the form in which each component should be paid, if earned. Base salary is established as cash compensation, but both the short- and long-term performance incentive awards are paid in a combination of cash and equity.

2014 NEO Compensation Opportunities

Following the structure described above, the Committee established a total direct compensation target for each of the Company's NEOs for 2014 as follows:

NEO	2014 Total Direct Compensation Target	2013 Total Direct Compensation Target	% Change	
Joseph G. Morone	\$ 3,916,000	\$ 4,037,000	-3	%
John B. Cozzolino	\$ 1,216,000	\$ 1,098,000	11	%
Daniel A. Halftermeyer	\$ 1,150,000	\$ 1,150,000	0	%
Ralph M. Polumbo	\$ 1,150,000	\$ 958,000	20	%
Robert A. Hansen	\$ 638,600	\$ 602,000	6	%

The Committee reduced Dr. Morone's total direct compensation target by 3% for 2014 to be in line with benchmark data. A moderate increase was applied to the total direct compensation target established for Mr. Hansen, and larger increases for Messrs. Cozzolino and Polumbo. In the case of Mr. Polumbo, the increase in responsibilities when he assumed the role of President, AEC resulted in his total direct compensation target being below the Committee-targeted percentile for similarly situated executives at peer companies. The Committee also wished to recognize Mr. Polumbo for his past performance and to motivate future performance by allocating the majority of this increase to variable incentive compensation. With regard to Mr. Cozzolino, the Committee simply continued in its measured approach (as described in last year's Proxy Statement) of gradually increasing his total direct compensation target toward the 60th percentile of the peer benchmark data. The benchmark data did not warrant an increase for Mr. Halftermeyer.

The Committee then determined the amount of the total direct compensation target that should be paid as base salary.

NEO	2014 Base Salary	% of Total Direct Target	2013 Base Salary	2013 to 2014 % Change	
Morone	\$ 817,000	20.8 %	\$ 817,000	0	%
Cozzolino	\$ 412,000	33.8 %	\$ 400,000	3	%
Halftermeyer	\$ 466,000	40.5 %	\$ 452,000	3	%
Polumbo	\$ 412,000	35.8 %	\$ 400,000	3	%
Hansen	\$ 278,000	43.5 %	\$ 270,000	3	%

With the exception of Dr. Morone, the Committee chose to increase the base salary of each NEO, even those who did not receive an increase to their total direct compensation target, by 3% in recognition of 2013 performance and in anticipation of inflation in 2014.

Finally, the Committee determined the proper allocation between stock and cash for the performance awards. For the MPP Performance Award the allocation was 60% stock and 40% cash, and distinct target opportunities were identified

for each component in the award agreement. The calculation of the MPP Performance Award stock target opportunity used an estimated future stock price. For 2014, the Committee chose to modify the APP Performance Award for all grantees other than Dr. Morone such that the allocation became 50% stock and 50% cash. For Dr. Morone, the allocation remained 60% cash and 40% stock. However, for all the awards, the initial target was denominated as a dollar amount in the award agreement. The calculation of the number of shares paid out would be determined after the performance period based on the average share price for the first ten days thereafter. The following table sets forth the target opportunities established for each of the NEOs for the MPP Performance Award and the APP Performance Award.

NEO	APP Opportunity Total	MPP Opportunity Shares	MPP Opportunity Cash
Morone	\$ 1,729,400	22,661	\$ 548,240
Cozzolino	\$ 378,400	7,037	\$ 170,240
Halftermeyer	\$ 281,500	6,655	\$ 161,000
Polumbo	\$ 335,000	6,655	\$ 161,000
Hansen	\$ 137,090	3,695	\$ 89,404

Other Compensation Policies and Considerations

Timing of Awards and Grants

Base salary increases are determined by the Committee at its first meeting after completion of the fiscal year when all relevant data is available. This meeting typically occurs in February, with increases becoming effective in April. The Committee also typically approves annual cash incentive bonuses and Performance Phantom Stock grants at this same meeting. At about that time, a special Performance Committee of the Board (intended to ensure the deductibility of these awards under Section 162(m) of the Internal Revenue Code) usually approves new MPP Performance Award grants and APP Performance Awards grants under the 2011 Incentive Plan. RSU grants were generally made in November, though interim grants have been occasionally awarded to specific individuals at other times during the year or at the time of a new hiring or promotion, or in recognition of a special retention need.

The Effect of Prior or Accumulated Compensation

In approving each element of compensation, the Committee reviews “tally sheets” for each executive officer, and other members of the senior management team. These tally sheets contain a summary of all material elements of annual and long-term compensation (including accrued pension and 401(k) benefits) actually earned by each executive in the immediate prior year and, depending on the executive’s length of service, several years prior thereto. 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 accumulated compensation, it is the Committee’s view that neither the historical data nor any perceived wealth accumulation justifies 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 accumulated compensation is the result of his or her achievement of a series of objectives over time. Furthermore, it is the Company’s view that the effect of such accumulated compensation is not sufficient to call into question the Committee’s 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 based on past employment and performance. 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 Committee does not believe that the compensation paid to its executives, including the NEOs, or any individual element of that compensation, is lavish or extraordinary.

Independence of Compensation Consultant and Identity of Benchmarking Group

For its 2014 benchmarking and comparative compensation analysis, The Committee again retained the services of Pearl Meyer & Partners (“PMP”). The Committee has used the services of PMP since 2010. PMP did not provide any other services to the Company in 2014. The Company paid PMP approximately \$18,039 for 2014 compensation consulting services. The Committee routinely assesses the independence of PMP using criteria established by the New York Stock Exchange and has consistently determined it to be independent.

For 2014 PMP benchmarked individual compensation against a peer group of 28 publicly traded U.S. companies (identified below) in the same or related industries with comparable revenues, employees, and international operations. For 2014, this group was revised and expanded to reflect changes within the Company following the divestiture of certain business segments and the growing significance of the AEC business segment.

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

Astronics Corp.	Curtiss-Wright Corp.	Neenah Paper, Inc.
IDEX Corp.	Watts Water Technologies	Actuant Corp.
Esterline Technologies, Corp.	Hexcel Corp.	Clarcor, Inc.
Barnes Group, Inc.	Nordson Corp.	Xerium Technologies, Inc.
Enpro Industries, Inc.	Key W Holding Corp.	Rogers Corp.
Tredegar Corp.	Circor International Inc.	Schweitzer-Maudit International, Inc.
Cytec Industries, Inc.	Glatfelter	Trimas Corp.
Omnov Industries, Inc.	Heico Corp.	Kadant, Inc.
Ducommun Inc.	Esco Technologies, Inc.	National Presto Industries.
Raven Industries, Inc.		

Representatives from PMP communicate directly with members of management as needed, particularly the Company's CEO and personnel from the Human Resources function, with the encouragement and acquiescence of the Committee. However, the consultant is retained by, instructed by, serves for, and reports to the Committee, and its main point of contact remains the Chairman of the Committee. Notwithstanding the use of a compensation consultant, the Committee is ultimately responsible for all compensation matters.

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 CEO. The guidelines provide that the CEO 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 CEO'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 188,722 shares owned by Dr. Morone as of December 31, 2014 had a value of more than three times his then current base salary based on the most recent closing share price on that date.

The Committee does not believe that adoption of share ownership guidelines for other officers is warranted. The Committee recognizes that the adoption of such requirements is sometimes perceived as creating greater alignment of executive and shareholder interests, but the Board of Directors believes that substantial alignment already exists. A Company executive officer, with a significant portion of his or her net worth in the form of unvested RSUs or Performance Phantom Stock, undistributed Performance Awards, past Company common stock contributions to his or her 401(k) account, and other shares he or she already owns, has a significant interest in the continued financial well-being of the Company.

Risk Assessment of Compensation Plans and Programs

The Committee annually reviews its compensation plans and programs, particularly those components employed as part of the incentive compensation plans for the NEOs and other executives, and has consistently 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 compiles an inventory of all executive compensation plans and programs globally and evaluates those plans and programs as potential contributors to Company risks. The conclusion recognizes that the Company's executive compensation structure consists of a balanced mix of components that utilize both equity and cash elements, 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 relies on the Company's policies related to severance, perquisites, and change-in-control provisions, as well as its adoption of clawback/recoupment mechanisms. During its discussions, the Committee acknowledged its own oversight responsibilities and noted that it requires all senior management

incentive compensation calculations to be reviewed by its external auditor. It is the Committee's conclusion is that its practices, coupled with the policies and the structure of the executive compensation plans and programs, mitigate any risks associated with compensation programs.

Employment Contracts — Named Executive Officers

The Company entered into an Employment Agreement with Dr. Morone on May 12, 2005 which provided that Dr. Morone would be hired initially as President, then becoming President and CEO on January 1, 2006. Employment may be terminated by either party at any time. The Agreement provided for the award of 30,000 restricted stock units pursuant to the Company's RSU Plan, which have since fully vested and been paid. The Agreement entitles Dr. Morone to four weeks of vacation with pay, or such greater amount as the Company's vacation policy applicable to executive officers provides. The Agreement otherwise entitles Dr. Morone to participate in the Company's employee benefit plans, policies, and arrangements applicable to executive officers generally (including, for example, 401(k), health care, vision, life insurance, and disability); in each case, as the same may exist from time to time, as well as such perquisites as may from time to time be made generally available to senior executives of the Company. The Agreement includes a severance provision which is more fully described below. The Company has not entered into employment contracts with any other NEO.

PART II

2014 EXECUTIVE COMPENSATION EARNED

Performance Award Metrics and Goals

The 2014 APP Performance Awards granted to each of the NEOs contained performance measurement metrics and goals appropriate to that executive. In some cases, where appropriate, executives may share a metric and its related goal. The following table sets forth the metrics chosen for each NEO's APP Performance Award, the percentage that each metric counted toward the NEO's overall performance, and the threshold, target and maximum goals for each metric. (The definitions of the listed metrics are contained in Appendix A to this Proxy Statement.)

	Metric	Percentage of Overall Performance	Threshold	Target	Maximum
Morone	2014 Weighted Corporate Performance Metric	100%	Determined pursuant to Threshold, Target and Maximum goals of component parts of the metric as described in Appendix A		
Cozzolino	2014 Weighted Corporate Performance Metric	100%	Determined pursuant to Threshold, Target and Maximum goals of component parts of the metric as described in Appendix A		
Halftermeyer	2014 Global MC Cash Flow	100%	\$123.3M	\$176.1M	\$246.5M
Polumbo	2014 Adjusted Global ASC EBITDA	50%	\$5.8M	\$9.8M	\$17.8M
		20%	-\$6.5M	-\$2.5M	\$5.5M

2014 Adjusted Global AEC EBITDA excluding
ASC and R&D

	Success in Achieving AEC Program Progress Milestone Goals	30%	Performance Percentage Scale set forth in Appendix A		
Hansen	2014 Global MC Cash Flow	40%	\$123.3M	\$176.1M	\$246.5M
	Success in Achieving R&D Development Project Goals	60%	Performance Percentage Scale set forth in Appendix A		

The following table sets forth the metrics chosen for each NEO's 2014 MPP Performance Award, and the percentage that metric each counted toward overall performance. In each case, these metrics are aggregated to reflect the three-year performance period, and the goals established as the cumulative projected results for each metric in 2014, 2015, and 2016. (The Committee has determined that disclosing actual goals would result in competitive harm to the Company.)

	Metric	Percentage of Overall Performance
Morone	Aggregated Global MC Cash Flow	60%
	Weighted Average of Three AEC Performance Metrics	40%
Cozzolino	Aggregate Global MC Cash Flow	60%
	Weighted Average of Three AEC Performance Metrics	40%
Halftermeyer	Aggregate Global MC Cash Flow	100%
	Aggregate Adjusted Global ASC EBITDA	50%
	Aggregate Adjusted Global AEC EBITDA excluding ASC and R&D	20%
Polumbo	Success in Achieving Long Term AEC Research and Technology Development Goals	30%
	Aggregate Global MC Cash Flow	40%
Hansen	Success in Achieving Long Term Development Project Goals	60%

According to the applicable incentive plan and award agreements, the foregoing goals (including the threshold and maximum goals) are subject to subsequent adjustment in the event of unanticipated business developments during the applicable performance periods, such as acquisition or divestiture of business operations.

The Committee purposefully chose to utilize cash flow metrics in both the short-term and long-term performance incentive grants. It was the Committee's determination that creating an incentive for the senior executive team based on cash flow was consistent with the Company's previously stated Cash & Grow strategy, and that a three-year performance period created sufficient balance against a one-year performance period.

Achievement of Goals and Awards Earned

Following the completion of the applicable performance period, it is the Committee's responsibility to review performance against goals and establish final incentive compensation payouts. It is only then that it can be determined how much of the total direct compensation target is actually earned by the NEO. In early 2015, and based upon the Company's audited 2014 financial statements, the Committee determined one-year performance versus threshold, target and maximum goals for each performance metric. The Committee determined that 2014 Global MC Cash Flow was \$157.2 million, representing an achievement of 82.1% of goal; that 2014 Adjusted Global ASC EBITDA was \$7.8 million, representing 75.6% of goal; that 2014 Adjusted Global AEC EBITDA excluding ASC and R&D was \$2.1 million, representing 157.9% of goal; that 2014 Other Cash Flow (as defined in Appendix A) was -\$42.6 million,

representing 114% of goal. The Committee also determined that success was achieved with regard to 7 of the AEC progress milestones, representing 105% achievement of goal, and that success was also achieved in 7 of the R&D Development Projects, representing achievement of 110% of goal. Based on the foregoing, the Committee determined that 91% of the 2014 Weighted Corporate Performance Metric goal was attained.

Based upon the level of achievement of the foregoing performance measurement metrics, the Committee determined each NEO's overall performance percentage achieved, and calculated the amount of APP Performance Award targets actually earned, as follows:

	Percentage of Overall Performance Achieved		Shares Earned	Cash Earned
Morone	91	%	17,433	\$ 944,252
Cozzolino	91	%	4,768	172,172
Halftermeyer	82.1	%	3,200	115,556
Polumbo	100.9	%	4,687	169,260
Hansen	98.9	%	1,877	67,791

The performance period under the MPP Performance Awards granted in 2014 runs through December 31, 2016. The Company considers compensation earned under an MPP Performance Award to have been earned over the entirety of the performance period. However, 2014 was the final year of the three-year performance period for the MPP Performance Awards granted in 2012. The metrics chosen for each NEO's 2012 MPP Performance Award, the percentage that each metric counted toward the NEO's overall performance, and the threshold, target and maximum goals for each metric are presented in the table below:

	Metric	Percentage of Overall Performance	Threshold	Target	Maximum
Morone	Aggregate Corporate Cash Flow	60%	\$324.3M	\$446.0M	\$666.0M
	Aggregate AEC Net Sales	40%	\$137.2M	\$196.0M	\$274.4M
Cozzolino	Aggregate Corporate Cash Flow	100%	\$324.3M	\$446.0M	\$666.0M
Halftermeyer	Net Aggregate Global PMC Cash Flow	100%	\$462.7M	\$661.0M	\$925.4M
Polumbo	Aggregate Adjusted Global AEC EBITDA	100%	-\$27.6M	-\$15.6M	\$8.4M
Hansen	Aggregate Corporate Cash Flow	40%	\$324.3M	\$446.0M	\$666.0M
	Successful New Product Trials	60%	3	6	11

In early 2015, based upon the Company's audited financial statements for 2012 through 2014 (which include each year in the performance period), the Committee determined performance versus threshold, target and maximum goals for each of the foregoing performance metrics. In some cases the goals were modified to adjust for unused capital expenditure budgets, as well as to reflect the sale of the PrimaLoft business segment in 2012. The Committee determined that the Aggregate Corporate Cash Flow over the three year period was \$376.3 million, representing 82.7% of target. The Committee also determined that Aggregate AEC Net Sales were \$240.8 million, representing 157% of target; that Net Aggregate Global PMC Cash Flow was \$595.3 million, or 83.4% of target; and that Aggregate Adjusted Global AEC EBITDA was -\$3.8 million, representing 149% achievement of the adjusted target. Finally, the Committee determined that there were 7 successful new product trials during the performance period.

Based upon the level of achievement of the foregoing performance measurement metrics, the Committee determined each NEO's overall performance percentage achieved and calculated the amount of MPP Performance Award targets actually earned, as follows:

	Percentage of Overall Performance Achieved		Shares Earned	Cash Earned
Morone	112.5	%	31,591	\$ 635,828
Cozzolino	82.7	%	5,171	104,202
Halftermeyer	83.4	%	6,671	134,274
Polumbo	149.4	%	9,956	200,375
Hansen	99.1	%	4,149	83,521

PART III**REQUIRED COMPENSATION TABLES**Summary Compensation Table

The following table sets forth information concerning the compensation of the Named Executive Officers for 2012, 2013 and 2014.

Name and Principal Position	Year	Salary (\$)	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	2012	787,250	0	1,438,389	—	1,860,269 ⁽⁵⁾	0	15,110 ⁽⁶⁾	4,101,018
	2013	811,000	0	1,556,240	—	1,470,704 ⁽⁷⁾	0	16,274 ⁽⁸⁾	3,854,218
	2014	817,000	0	1,509,361	—	1,497,224 ⁽⁹⁾	0	14,902 ⁽¹⁰⁾	3,838,487
John B. Cozzolino, Chief Financial Officer and Treasurer	2012	351,250	0	245,394	—	281,047 ⁽¹¹⁾	19,000	13,770 ⁽¹²⁾	910,461
	2013	391,250	0	347,959	—	317,578 ⁽¹³⁾	-18,000	11,360 ⁽¹⁴⁾	1,050,147
	2014	409,000	0	443,082	—	347,144 ⁽¹⁵⁾	39,000	12,114 ⁽¹⁶⁾	1,250,340
Daniel A. Halftermeyer, President, Machine Clothing	2012	602,282 ⁽¹⁷⁾	0	1,324,531	—	351,325 ⁽¹⁸⁾	10,627	350,338 ^(17,19)	2,639,103
	2013	632,225 ⁽²⁰⁾	0	355,612	—	323,961 ⁽²¹⁾	11,989	272,244 ^(20,22)	1,596,031
	2014	658,632 ⁽²³⁾	0	380,853	—	276,556 ⁽²⁴⁾	-2,019	279,521 ^(23,25)	1,593,543
Ralph M. Pumbo, President, AEC	2012	363,273	0	1,270,236	—	360,554 ⁽²⁶⁾	0	43,859 ⁽²⁷⁾	2,037,922
	2013	376,166	0	296,005	—	213,061 ⁽²⁸⁾	0	15,297 ⁽²⁹⁾	900,529
	2014	409,000	0	407,853	—	334,992 ⁽³⁰⁾	0	14,914 ⁽³¹⁾	1,283,759