

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

FORM 8-K

CURRENT REPORT

Pursuant to Section 13 OR 15(d) of the Securities Exchange Act of 1934

Date of Report (Date of earliest event reported) May 12, 2005

ALBANY INTERNATIONAL CORP.

(Exact name of registrant as specified in its charter)

Delaware

0-16214

14-0462060

(State or other jurisdiction
of incorporation)

(Commission
File Number)

(I.R.S. Employer
Identification No.)

1373 Broadway, Albany, New York

12204

(Address of principal executive offices)

(Zip Code)

Registrant's telephone number, including area code (518) 445-2200

None

(Former name or former address, if changed since last report.)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
- Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
- Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
- Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13a-4(c))

Item 1.01 Entry into a Material Definitive Agreement

2005 Incentive Plan

On February 17, 2005, the Registrant's Board of Directors approved the Registrant's 2005 Incentive Plan (the "Plan"), subject to shareholder approval of the Plan. The Plan was approved by the Registrant's shareholders on May 12, 2005.

The purpose of the Plan is to enable the Registrant to promote the interests of the Registrant and its shareholders by providing the officers and key employees of the Registrant and its subsidiaries, who collectively are responsible for the management, growth and protection of the business of the Registrant, with incentives and rewards to align their interests with those of the shareholders and to encourage them to continue in the service of the Registrant. The Plan is designed to meet this purpose by providing a plan pursuant to which such employees may be given such incentives and awards in various forms.

The Plan provides for the grant to officers and key employees of the Registrant and its subsidiaries of non-qualified stock options, tandem and stand-alone stock appreciation rights and other stock-based awards (collectively referred to herein as "Incentive Awards") payable in cash, stock, or a combination of cash and stock. For stock-based Incentive Awards, the Plan authorizes the issuance of an aggregate number of shares ("Shares") of the Registrant's Class A Common Stock initially equal to 500,000; the Plan will allow the Board of Directors to increase this amount from time to time, provided that it may not be increased by more than 500,000 in any calendar year and that no increase may cause the total number of Shares then available for issuance in respect of new awards to exceed 1,000,000. In addition to the limit on the aggregate number of Shares that are authorized to be issued pursuant to the Plan, the maximum number of Shares that may be covered by Incentive Awards granted to any single participant in the Plan in any fiscal year shall not exceed 200,000 Shares, prorated on a daily basis for any fiscal year that is shorter than 365 days.

The Plan will be administered by the Compensation Committee of the Registrant's Board of Directors, or such other committee as the Board of Directors shall appoint from time to time. Such committee shall from time to time designate those persons who shall be granted Incentive Awards and the amount, type and other terms and conditions of such Incentive Awards. The Board of Directors may at any time suspend or discontinue the Plan or revise or amend it in any respect whatsoever, except that, in general, no revision or amendment may, without the approval of shareholders of the Registrant, (i) increase the number of Shares that may be issued under the Plan or (ii) materially modify the requirements as to eligibility for participation in the Plan. No grants may be made under the Plan after February 18, 2015.

A copy of the Plan, as so approved, is being filed with this report as Exhibit 10(m)(viii), and is incorporated by reference herein.

Performance Bonus Awards Granted under 2005 Incentive Plan

On March 29, 2005, the Compensation Committee of the Registrant's Board of Directors approved 2005 Performance Bonus Awards under the Plan to certain of the Registrant's executives, including certain of the Registrant's named executive officers (as defined by S-K Item 402(a)(3)), subject to shareholder approval of the Plan. The Plan was approved by the Registrant's shareholders on May 12, 2005. A copy of the Form of Performance Bonus Agreement used for such awards is being filed with this report as Exhibit 10(m)(ix), and is incorporated by reference herein.

Awards to each recipient, including the named executive officers specified below, consist of a target amount of Shares. Each award entitles the recipient to receive an amount of Shares equal to from 0% to 200% of such target amount, based upon the extent to which he or she attains certain performance goals during 2005. Success in achieving such goals will be determined during early 2006 by the Compensation Committee (or, with respect to awards to certain officers, by a Performance Committee of "outside directors" (within the meaning of Section 162(m) of the Internal Revenue Code and related IRS regulations)), and the number of Shares earned by each recipient will be credited to a bonus account. Once in the bonus account, these awards will be paid out as follows: (1) 25% in early 2006, in cash, (2) 50% in early 2007, half in cash and half in Shares, and (3) the remaining 25% in early 2007, half in cash and half in Shares.

The target Share amounts for the named executive officers granted awards were as follows: Frank R. Schmeler, 42,000 Shares; Michael C. Nahl, 14,000 Shares; and William M. McCarthy, 14,000 Shares.

Performance goals for the award recipients, including the named executive officers, consist of one or more of the following: increasing net sales, increasing cash flow, increasing operating income and increasing share of market in certain key markets.

Signature

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

ALBANY INTERNATIONAL CORP.

By: /s/ Michael C. Nahl

Name: Michael C. Nahl
Title: Executive Vice President and
Chief Financial Officer
(Principal Financial Officer)

Date: May 17, 2005

EXHIBIT INDEX

Exhibit No. -----	Description -----
10(m)(viii)	2005 Incentive Plan
10(m)(ix)	Form of 2005 Performance Bonus Agreement

ALBANY INTERNATIONAL CORP. 2005 INCENTIVE PLAN

(As Approved by the Board of Directors on February 18, 2005)
(As Approved by Shareholders on May 12, 2005)

1. Purpose of the Plan

This Albany International Corp. 2005 Incentive Plan is intended to promote the interests of Albany International Corp. (including any successor thereto by way of merger, consolidation or reorganization, the "Company") and its shareholders by providing the employees of the Company and its subsidiaries, who are largely responsible for the management, growth and protection of the business of the Company, with incentives and rewards to encourage them to continue in the service of the Company. The Plan is designed to meet this goal by providing such employees with a proprietary interest in pursuing the long-term growth, profitability and financial success of the Company.

2. Definitions

As used in the Plan, the following definitions apply to the terms indicated below:

a) "Board of Directors" means the Board of Directors of the Company.

b) "Business Day" means any day other than a Saturday, a Sunday or a day on which banks in the City of New York are authorized or obligated by Law to close.

c) "Change in Control" shall be deemed to have occurred if (i) whether as a result of a merger, consolidation, going-private transaction or any other event, the shares of Common Stock are no longer traded on an "exchange" within the meaning of the Exchange Act for a period of more than ten consecutive days on which there is trading generally in securities on such exchange; (ii) the stockholders of the Company approve a plan of complete liquidation of the Company or an agreement for the sale or disposition by the Company of all or substantially all of the Company's assets; or (iii) Permitted Shareholders no longer are the "beneficial owners" (as defined in Rule 13d-3 under the Exchange Act) of securities of the Company representing in the aggregate at least 40% of the combined voting power of the Company's then outstanding securities; provided that, no such event shall be deemed a Change of Control if contrary to the change of control provisions of Section 409A of the Code.

d) "Code" means the Internal Revenue Code of 1986, as amended from time to time.

e) "Control" means the possession, directly or indirectly, of the power to direct or cause the direction of the management or policies of a Person, whether through the ability to exercise voting power, by contract or otherwise. "Controlling" and "Controlled" have meanings correlative thereto.

f) "Committee" means the Compensation Committee of the Board of Directors.

g) "Common Stock" means the Company's Class A Common Stock, \$.001 par value per share, or any other security into which such stock shall be changed pursuant to the adjustment provisions of Section 10 of the Plan.

h) "Company" means Albany International Corp. and any successor thereto by way of merger, consolidation or reorganization.

i) "Covered Employee" means a Participant who at the time of reference is a "covered employee" as defined in Code Section 162(m) and the regulations promulgated under Code Section 162(m), or any successor statute.

j) "Director" means a member of the Board of Directors who is not at the time of reference an employee of the Company.

k) "Exchange Act" means the Securities Exchange Act of 1934, as amended.

l) "Fair Market Value" means, with respect to a share of Common Stock, as of the applicable date of determination, the fair market value of a share of Common Stock as determined by the Committee in its absolute discretion.

m) "Incentive Award" means an Option, SAR, Other Stock-Based Award or Other Incentive Award granted to a Participant pursuant to the terms of the Plan.

n) "Option" means a stock option to purchase shares of Common Stock granted to a Participant pursuant to Section 6.

o) "Other Incentive Award" means other Incentive Awards that are not equity-based or equity related granted to a Participant pursuant to Section 8. An Other Incentive Award may or may not be Performance-Based Compensation.

p) "Other Stock-Based Award" means an equity or equity-related award granted to a Participant pursuant to Section 8. An Other Stock-Based Award may or may not be Performance-Based Compensation.

q) "Participant" means an employee of the Company or a Subsidiary of the Company who is eligible to participate in the Plan and to whom one or more Incentive Awards have been granted pursuant to the Plan and, following the death of any such employee, his or her successors, heirs, executors and

administrators, as the case may be.

r) "Performance-Based Compensation" means compensation that satisfies the requirements of Section 162(m) of the Code for deductibility of remuneration paid to Covered Employees.

s) "Performance Committee" means such committee or subcommittee of the Board of Directors as shall be designated by the Board of Directors or the Committee from time to time to administer the Plan and exercise such discretion and authority under the Plan as is necessary to satisfy the requirements of Section 162(m) of the Code for Performance-Based Compensation.

t) "Performance Measures" means such measures as are described in Section 9 on which performance goals are based in order to qualify certain Incentive Awards granted hereunder as Performance-Based Compensation.

u) "Performance Period" means the period of time during which the performance goals must be met in order to determine the degree of payout and/or vesting with respect to an Incentive Award that is intended to qualify as Performance-Based Compensation.

v) "Permitted Shareholders" means (a) J. Spencer Standish, (b) any of J. Spencer Standish's descendants or legatees, (c) any executor, personal representative or spouse of J. Spencer Standish or any of his descendants, (d) any corporation, trust or other entity holding voting stock of the Company as to which one or more of the Persons identified in the foregoing clauses (a) through (c) have Control, (e) any trust as to which Persons so identified in clauses (a) through (c) above hold at least 85% of the beneficial interest in the income and principal of the trust disregarding the interests of the contingent remaindermen and (f) any 401(k) or employee stock ownership plan for the benefit of employees of the Company.

w) "Person" means a "person" as such term is used in Section 13(d) and 14(d) of the Exchange Act.

x) "Plan" means this 2005 Incentive Plan, as it may be amended from time to time.

y) "SAR" means a stock appreciation right granted to a Participant pursuant to Section 7.

z) "Securities Act" means the Securities Act of 1933, as amended.

aa) "Subsidiary" means as to any Person, any other Person (i) of which such Person directly or indirectly owns, securities or other equity interests representing 50% or more of the aggregate voting power or (ii) of which such Person possesses the right to designate or elect, or has designated, 50% or more of the directors or Persons holding similar positions.

3. Stock Subject to the Plan

(a) In General

Subject to adjustment as provided in Section 10 as well as otherwise in this Section 3, the aggregate number of shares of Common Stock that may be issued pursuant to Incentive Awards granted under this Plan shall be (a) 500,000 plus (b) such additional number of shares as the Board of Directors shall, from time to time subsequent to January 1, 2006 and during the term of the Plan, determine; provided that the number of shares so added by the Board of Directors shall not exceed, in any one calendar year, 500,000; and provided, further, that the total number of shares of Common Stock then available for issuance under this Plan shall not exceed 1,000,000 at any time.

For purposes of the preceding paragraph, shares of Common Stock issuable pursuant to Incentive Awards shall only be counted as used to the extent they are actually issued and delivered to a Participant (or such Participant's permitted transferees as provided in the instrument or agreement evidencing such Incentive Award) pursuant to the Plan. For purposes of clarification, in accordance with the preceding sentence if an Incentive Award is settled for cash or if shares of Common Stock are withheld to pay the exercise price of an Option or to satisfy any tax withholding requirement in connection with an Incentive Award, only the shares issued (if any), net of the shares withheld, will be deemed delivered for purposes of determining the number of shares of Common Stock that are available for issuance under the Plan. In addition, if shares of Common Stock are issued subject to conditions which may result in the forfeiture, cancellation or return of such shares to the Company, any portion of the shares forfeited, cancelled or returned shall be treated as not issued pursuant to the Plan. In addition, if shares of Common Stock owned by a Participant (or such Participant's permitted transferees as provided in the instrument or agreement evidencing such Incentive Award) are tendered (either actually or through attestation) to the Company in payment of any obligation in connection with an Incentive Award, the number of shares tendered shall be added to the number of shares of Common Stock that are available for issuance under the Plan. In addition, if the Company uses cash received by the Company in payment of the exercise price or purchase price in connection with any Incentive Award granted pursuant to the Plan to repurchase

shares of Common Stock from any Person, the shares so repurchased will be added to the aggregate number of shares available for delivery under the Plan. For purposes of the preceding sentence, shares of Common Stock repurchased by the Company shall be deemed to have been repurchased using such funds only to the extent that such funds have actually been previously received by the Company and that the Company promptly designates in its books and records that such repurchase was paid for with such funds. Shares of Common Stock covered by Incentive Awards granted pursuant to the Plan in connection with the assumption, replacement, conversion or adjustment of outstanding equity-based awards in the context of a corporate acquisition or merger (within the meaning of Section 303A.08 of the New York Stock Exchange Listed Company Manual) shall not count as used under the Plan for purposes of this Section 3.

Subject to adjustment as provided in Section 10, the maximum number of shares of Common Stock that may be delivered in any fiscal year of the Company pursuant to Incentive Awards granted under the Plan to any single Participant shall not exceed 200,000 shares and the maximum cash payment made in any fiscal year of the Company pursuant to Incentive Awards granted under the Plan to any single Participant shall not exceed \$3,000,000, in each case prorated on a daily basis for any fiscal year of the Company that is shorter than 365 days.

(b) Prohibition on Substitutions and Repricings

In no event shall any repricing (within the meaning of US generally accepted accounting practices or any applicable stock exchange rule) of Incentive Awards issued under the Plan be permitted at any time under any circumstances, in each case unless the shareholders of the Company expressly approve such substitution or repricing.

4. Administration of the Plan

The Plan shall be administered by a Committee of the Board of Directors and, to the extent necessary to satisfy the requirements of Section 162(m) of the Code for Performance-Based Compensation, by one or more Performance Committees. Each Performance Committee so appointed shall consist of two or more persons, all of whom qualify as "outside directors" within the meaning of Section 162(m) of the Code. As used in the Plan, references to the "Committee" shall be deemed to refer to a Performance Committee to the extent that the action contemplated by the provision in which such reference occurs would be required to be taken by a Performance Committee in order to satisfy the requirements of Section 162(m) of the Code for Performance-Based Compensation.

The Committee shall, consistent with the terms of the Plan, from time to time designate those who shall be granted Incentive Awards under the Plan and the amount, type and other terms and conditions of such Incentive Awards. All of the powers and responsibilities of the Committee under the Plan may be delegated by the Committee, in writing, to any subcommittee thereof.

The Committee shall have full discretionary authority to administer the Plan, including discretionary authority to interpret and construe any and all provisions of the Plan and the terms of any Incentive Award (and any agreement evidencing any Incentive Award) granted thereunder and to adopt and amend from time to time such rules and regulations for the administration of the Plan as the Committee may deem necessary or appropriate. Without limiting the generality of the foregoing, (i) the Committee shall determine whether an authorized leave of absence, or absence in military or government service, shall constitute termination of employment and (ii) the employment of a Participant with the Company shall be deemed to have terminated for all purposes of the Plan if such person is employed by or provides services to a Person that is a Subsidiary of the Company and such Person ceases to be a Subsidiary of the Company, unless the Committee determines otherwise. Decisions of the Committee shall be final, binding and conclusive on all parties.

On or after the date of grant of an Incentive Award under the Plan, the Committee may (i) accelerate the date on which any such Incentive Award becomes vested, exercisable or transferable, as the case may be, (ii) extend the term of any such Incentive Award, including, without limitation, extending the period following a termination of a Participant's employment during which any such Incentive Award may remain outstanding, (iii) waive any conditions to the vesting, exercisability or transferability, as the case may be, of any such Incentive Award or (iv) provide for the payment of dividends or dividend equivalents with respect to any such Incentive Award, except as otherwise proscribed by applicable law.

In addition to such other rights of indemnification as they may have as directors, as members of the Committee or otherwise, the members of the Committee shall be indemnified by the Company against the reasonable expenses, including attorneys' fees, actually and necessarily incurred in connection with the defense of any action, suit or proceeding, or in connection with an appeal therein, to which they or any of them may be a party by reason of any action taken or failure to act under or in connection with the Plan or any Incentive Award granted hereunder and against all amounts paid by them in settlement thereof (provided such settlement is approved by independent legal counsel selected by the Company) or paid by them in satisfaction of a judgment in any such action, suit or proceeding, except in relation to matters as to which it shall be adjudged in such action, suit or proceeding that such Committee member is liable for negligence or misconduct in the performance of his or her duties; provided that within sixty days after institution of any such action, suit or proceeding, a Committee member shall in writing offer the Company the opportunity, at its own expense, to handle and defend the same.

5. Eligibility

The Persons who shall be eligible to receive Incentive Awards pursuant to the Plan shall be those key employees responsible for the management, growth and protection of the business of the Company, as determined by the Committee from time to time in its sole discretion. All Incentive Awards granted under the Plan shall be evidenced by a separate written agreement entered into by the Company and the recipient of such Incentive Award.

6. Options

The Committee may from time to time grant Options. Subject to the provisions of the Plan, the Committee shall have authority, within its absolute discretion:

- (a) to determine which of the key employees of the Company and its Subsidiaries shall be granted Options;
- (b) to determine the time or times when Options shall be granted and the number of shares to be subject to each Option;
- (c) to determine the exercise price of the Common Stock subject to each Option, which shall not be less than 100% of the Fair Market Value of the Common Stock on the date of grant;
- (d) to determine the Fair Market Value of the Common Stock on the date of grant of an Option;
- (e) to determine the term of each Option, which shall not continue for more than twenty years from the date of grant of the Option, and to accelerate the expiration of the term of an Option;
- (f) to determine the time or times when each Option shall be exercisable and to accelerate at any time the time or times when an outstanding Option shall be exercisable, provided that no Option may be exercisable before the first anniversary of its date of grant;

- (g) to accept, as full or partial payment of the exercise price and/or any taxes to be withheld by the Company upon exercise of any Option, shares of Common Stock tendered by the Participant or requested by the Participant to be withheld from the shares to be delivered upon such exercise, and to determine the value of the shares so tendered or withheld;
- (h) to determine, to the extent permitted by law, the status under the Internal Revenue Code of any Option granted under the Plan, including, without limitation, whether the option shall be treated as an "incentive stock option" within the meaning of the Code;
- (i) to determine the effect on any Option of the termination of the employment of the Participant, of any conduct or activity of the Participant, or of any Change in Control;
- (j) to determine the extent to which Options granted under the Plan shall be assignable or transferable; and
- (k) to prescribe from time to time the form or forms of the instruments evidencing Options granted under the Plan.

7. Stock Appreciation Rights

(a) Terms

The Committee may from time to time grant SARs. Subject to the provisions of the Plan, the Committee shall have authority, within its absolute discretion:

- (i) to determine which of the key employees of the Company and its Subsidiaries shall be granted SARs;
- (ii) to determine whether SARs are granted on a stand-alone basis or in tandem with an Option, whether contemporaneously with or after the grant of the Options to which they relate;
- (iii) to determine whether SARs may be settled in shares of Common Stock, in cash, or in some combination of Common Stock or cash;
- (iv) to determine the time or times when SARs shall be granted and the number of shares for which they are exercisable;
- (v) to determine the exercise price of each SAR, which shall not be less than 100% of the Fair Market Value of the Common Stock on the date of grant, provided, however that the exercise price of a SAR that is tandem to an Option and that is granted after the grant of such Option may have an exercise price less than 100% of the Fair Market Value of a share of Common Stock on the date on which such SAR is granted provided that such exercise price is at least equal to the exercise price of the related Option;
- (vi) to determine the Fair Market Value of the Common Stock on the date of grant of a SAR;

(vii) to determine the term of each SAR, which shall not continue for more than twenty years from the date of grant of the SAR, and to accelerate the expiration of the term of a SAR;

(viii) to determine the time or times when each SAR shall be exercisable and to accelerate at any time the time or times when an outstanding SAR shall be exercisable, provided that no SAR may be exercisable before the first anniversary of its date of grant;

(ix) to accept, as full or partial payment of any taxes to be withheld by the Company upon exercise of any SAR that is to be settled in shares of Common Stock, shares of Common Stock tendered by the Participant or requested by the Participant to be withheld from the shares to be delivered upon such exercise, and to determine the value of the shares so tendered or withheld;

(x) to determine the effect on any SAR of the termination of the employment of the Participant, of any conduct or activity of the Participant, or of any Change in Control;

(xi) to determine the extent to which SARs granted under the Plan shall be assignable or transferable; and

(xii) to prescribe from time to time the form or forms of the instruments evidencing SARs granted under the Plan.

(b) Benefit Upon Exercise

Unless otherwise provided in the instrument or agreement evidencing such SAR, the exercise of an SAR with respect to any number of shares of Common Stock shall entitle the Participant to (i) a cash payment, for each such share, equal to the excess of (A) the Fair Market Value of a share of Common Stock on the effective date of such exercise over (B) the per share exercise price of the SAR, (ii) the issuance or transfer to the Participant of the greatest number of whole shares of Common Stock which on the date of the exercise of the SAR have an aggregate Fair Market Value equal to such excess or (iii) a combination of cash and shares of Common Stock in amounts equal to such excess; in each case, as and to the extent provided in the instrument or agreement evidencing such SAR.

(c) Exercise of Tandem SARs

The exercise with respect to a number of shares of Common Stock of an SAR granted in tandem with an Option shall cause the immediate cancellation of the Option with respect to the same number of shares. The exercise with respect to a number of shares of Common Stock of an Option to which a tandem SAR relates shall cause the immediate cancellation of the SAR with respect to an equal number of shares.

8. Other Awards

(a) Other Stock-Based Awards

The Committee may grant equity-based or equity-related awards not otherwise described herein in such amounts and subject to such terms and conditions as the Committee shall determine. Without limiting the generality of the preceding sentence, each such Other Stock-Based Award may (i) involve the transfer of actual shares of Common Stock to Participants, either at the time of grant or thereafter, or payment in cash or otherwise of amounts based on the value of shares of Common Stock, (ii) be subject

to performance-based and/or service-based conditions, (iii) be in the form of phantom stock, restricted stock, restricted stock units, performance shares, or share-denominated performance units and (iv) be designed to comply with applicable laws of jurisdictions other than the United States. Other Stock-Based Awards that are intended to qualify as Performance-Based Compensation shall also be subject to Section 9 of the Plan.

(b) Other Incentive Awards

The Committee may grant other Incentive Awards that are not equity-based or equity related, in such amounts as the Committee shall determine. Subject to the terms of the Plan, the Committee shall have the authority, within its absolute discretion, to determine the terms and conditions of such Incentive Awards, including, without limitation, the Performance Measures, if any, relating to such Incentive Awards and the length of any Performance Periods. Other Incentive Awards that are intended to qualify as Performance-Based Compensation shall also be subject to Section 9 of the Plan.

9. Performance-Based Compensation

(a) Performance Measures and Periods

The performance goals upon which the payment or vesting of any Incentive Award (other than Options and SARs) to a Covered Employee that is intended to qualify as Performance-Based Compensation depends shall relate to one or more of the following Performance Measures, each of which may be based on absolute standards, ratios, or comparisons: revenue; net sales; cost of goods sold; operating income; operating cash flow; net income; marginal contribution; interest income; interest expense; earnings per share; return on sales; return on assets; return on equity; return on invested capital; working capital; market share; inventory; accounts receivable; costs of goods sold; selling and/or general expenses; technical and/or research expenses; net income or earnings before any or all of interest, taxes, depreciation, amortization and non-cash charges; other income or expense; income before income taxes; shareholders' equity; cash provided by operating activities; and Consolidated EBITDA, Consolidated Tangible Net Worth and Leverage Ratio, each as defined in the Company's Revolving Credit Facility Agreement dated January 8, 2004 (a copy of which is filed as an exhibit to the Company's Annual Report of Form 10-K for the year ended December 31, 2004).

Performance Periods may be less than, equal to or longer than one fiscal year of the Company and may be overlapping. Within 90 days after the beginning of a Performance Period, and in any case before 25% of the Performance Period has elapsed, the Committee shall establish (a) performance goals and objectives for the Company for such Performance Period, (b) target awards for each Participant, and (c) schedules or other objective methods for determining the applicable performance percentage to be applied to each such target award.

The measurement of any Performance Measure(s) may exclude the impact of charges for restructurings, discontinued operations, extraordinary items, and other unusual or non-recurring items, and the cumulative effects of accounting changes, each as defined by generally accepted accounting principles or as identified in the Company's audited financial statements, including the notes thereto, as well as (a) severance costs or charges, (b) equipment relocation costs or charges, or (c) equipment write-off or write-down costs or charges. Any Performance Measure(s) may be used to measure the performance of the Company or a Subsidiary as a whole or any business unit of the Company or any Subsidiary or any combination thereof, as the Committee may deem appropriate, or any of the above Performance Measures as compared to the performance of a group of comparator companies, or a published index that the Committee, in its sole discretion, deems appropriate.

Nothing in this Section 9 is intended to limit the Committee's discretion to adopt conditions or goals that relate to performance other than the Performance Measures with respect to any Incentive Award (x) that is not intended to qualify as Performance-Based Compensation, or (y) in the case of an Incentive Award that is intended to qualify as Performance-Based Compensation, where such goals, measures or conditions are used only to decrease the amount payable pursuant to such Incentive Award. In addition, the Committee may, subject to the terms of the Plan, amend previously granted Incentive Awards in a way that disqualifies them as Performance-Based Compensation.

(b) Committee Discretion

With respect to any Performance Period, the Committee shall not have discretion to change the performance goals, increase the amount of a potential award, or modify any other provision after the time permitted to set such goals under the requirements of Section 162(m) in any way that would cause such compensation to be not Performance-Based Compensation, unless the Committee intends that such compensation be disqualified as Performance-Based Compensation.

In the event that the requirements of Section 162(m) and the regulations thereunder change to permit Committee discretion to alter the Performance Measures without obtaining shareholder approval of such changes, the Committee shall have sole discretion to make such changes without obtaining shareholder approval.

10. Adjustment Upon Changes in Common Stock

Notwithstanding any other provision of the Plan, in the event of any change in the outstanding shares of Common Stock by reason of a stock dividend, recapitalization, merger, consolidation, split-up, combination or exchange of shares or the like, the aggregate number and class of shares for which options may be granted under the Plan, the number and class of shares covered by or issuable pursuant to Incentive Awards granted under the Plan and the value of any outstanding Incentive Awards may be (but are not required to be) appropriately adjusted by the Committee, whose determination shall be conclusive. No fractional shares shall be issued under the Plan and any fractional shares resulting from computations pursuant to this Section shall be eliminated from the Incentive Award.

11. Rights as a Stockholder

No person shall have any rights as a stockholder with respect to any shares of Common Stock covered by or relating to any Incentive Award granted pursuant to the Plan until the date of the issuance of a stock certificate with respect to such shares. Except as otherwise expressly provided in Section 10 hereof, no adjustment of any Incentive Award shall be made for dividends or other rights for which the record date occurs prior to the date such stock certificate is issued.

12. No Special Employment Rights; No Right to Incentive Award

(a) Nothing contained in the Plan or any Incentive Award shall confer upon any Participant any right with respect to the continuation of his or her employment by or service to the Company or interfere in any way with the right of the Company at any time to terminate such employment or to increase or decrease the compensation of the Participant from the rate in existence at the time of the grant of an Incentive Award.

(b) No person shall have any claim or right to receive an Incentive Award hereunder. The Committee's granting of an Incentive Award to a Participant at any time shall neither require the Committee to grant an Incentive Award to such Participant or any other Participant or other person at any

time nor preclude the Committee from making subsequent grants to such Participant or any other Participant or other person.

13. Securities Matters

(a) The Company shall be under no obligation to effect the registration pursuant to the Securities Act of any shares of Common Stock to be issued hereunder or to effect similar compliance under any state laws. Notwithstanding anything herein to the contrary, the Company shall not be obligated to cause to be issued or delivered any certificates evidencing shares of Common Stock pursuant to the Plan unless and until it is advised by its counsel that the issuance and delivery of such certificates is in compliance with all applicable laws, regulations of governmental authority and the requirements of any securities exchange on which shares of Common Stock are traded. The Committee may require, as a condition to the issuance and delivery of certificates evidencing shares of Common Stock pursuant to the terms hereof, that the recipient of such shares make such covenants, agreements and representations, and that such certificates bear such legends, as the Committee deems necessary or desirable.

(b) The exercise of any Option granted hereunder shall only be effective at such time as counsel to the Company shall have determined that the issuance and delivery of shares of Common Stock pursuant to such exercise is in compliance with all applicable laws, regulations of governmental authority and the requirements of any securities exchange on which shares of Common Stock are traded. The Company may, in its sole discretion, defer the effectiveness of an exercise of an Option hereunder or the issuance or transfer of shares of Common Stock pursuant to any Incentive Award to ensure compliance under federal or state securities laws. The Company shall inform the Participant in writing of its decision to defer the effectiveness of the exercise of an Option or the issuance or transfer of shares of Common Stock pursuant to any Incentive Award. During the period that the effectiveness of the exercise of an Option has been deferred, the Participant may, by written notice, withdraw such exercise and obtain the refund of any amount paid with respect thereto.

14. Withholding Taxes

(a) Cash Remittance

Whenever shares of Common Stock are to be issued upon the exercise of an Option or the grant or vesting of an Incentive Award, the Company shall have the right to require the Participant to remit to the Company in cash an amount sufficient to satisfy federal, state and local withholding tax requirements, if any, attributable to such exercise, grant or vesting prior to the delivery of any certificate or certificates for such shares or the effectiveness of the lapse of such restrictions. In addition, upon the exercise or settlement of any Incentive Award in cash, the Company shall have the right to withhold from any cash payment required to be made pursuant thereto an amount sufficient to satisfy the federal, state and local withholding tax requirements, if any, attributable to such exercise or settlement.

15. Amendment or Termination of the Plan

The Board of Directors may at any time suspend or discontinue the Plan or revise or amend it in any respect whatsoever; provided, however, that without approval of the shareholders no revision or amendment shall, except as provided in Section 10 hereof, (i) increase the number of shares of Common Stock that may be issued under the Plan or (ii) materially modify the requirements as to eligibility for participation in the Plan. Nothing herein shall restrict the Committee's ability to exercise its discretionary authority hereunder pursuant to Section 4 hereof, which discretion may be exercised without amendment to the Plan. No action hereunder may, without the consent of a Participant, reduce the Participant's rights

under any previously granted and outstanding Incentive Award. Nothing herein shall limit the right of the Company to pay compensation of any kind outside the terms of the Plan.

16. No Obligation to Exercise

The grant to a Participant of an Option, SAR or other Incentive Award that requires exercise before benefits are distributed or paid, shall impose no obligation upon such Participant to exercise such Option, SAR or other Incentive Award.

17. Transfers Upon Death

Except as otherwise provided in the instrument evidencing such award, upon the death of a Participant, or upon the transfer of an Incentive Award in the manner (if any) permitted pursuant to the instrument evidencing such award, outstanding Incentive Awards granted to such Participant may be exercised by the executors or administrators of the Participant's estate or by any person or persons who shall have acquired such right to exercise by will, by the laws of descent and distribution, or by such permitted transfer. No transfer of any Incentive Award, or the right to exercise any Incentive Award, shall be effective to bind the Company unless the Committee shall have been furnished with (a) written notice thereof and with a copy of any will, deed of transfer and/or such evidence as the Committee may deem necessary to establish the validity of the transfer and (b) an agreement by the transferee to comply with all the terms and conditions of the Incentive Award that are or would have been applicable to the Participant and to be bound by the acknowledgements made by the Participant in connection with the grant of the Incentive Award.

18. Expenses and Receipts

The expenses of the Plan shall be paid by the Company. Any proceeds received by the Company in connection with any Incentive Award will be used for general corporate purposes.

19. Governing Law

The Plan and the rights of all persons under the Plan shall be construed and administered in accordance with the laws of the State of New York without regard to its conflict of law principles.

20. Effective Date and Term of Plan

The Plan was adopted by the Board of Directors on February 18, 2005, subject to the approval of the Plan by the shareholders of the Company. No grants may be made under the Plan after February 18, 2015.

PERFORMANCE BONUS AGREEMENT

PERFORMANCE BONUS AGREEMENT (the "Agreement"), dated as of the 18th day of February, 2005, between Albany International Corp., a Delaware corporation (the "Company"), and [_____] (the "Participant").

WHEREAS, the Company adopted and maintains the Albany International Corp. 2005 Incentive Plan (the "Plan");

WHEREAS, Section 8 of the Plan provides for the grant of performance-based awards to participants in the Plan; and

WHEREAS, Section 9 of the Plan provides for the annual establishment of performance measures ("Performance Measures") for performance-based awards;

NOW THEREFORE, in consideration of the agreements and obligations hereinafter set forth, the parties hereto agree as follows:

1. Definitions; References.

As used herein, the following terms shall have the meanings indicated below. Capitalized terms used but not defined herein shall have the meanings assigned to them in the Plan.

(i) "Annual Distribution Amount" shall mean, with respect to a Bonus, the portion of such Bonus that is required to be distributed in any calendar year determined pursuant to Section 6 hereof.

(ii) "Applicable Bonus Percentage" for the Participant for the Performance Period shall mean the percentage established by the Committee for the Participant in Section 4 hereof. The Committee shall in every case provide for a specific Applicable Bonus Percentage when the Performance Percentage is equal to 100%, which Applicable Bonus Percentage will be used to determine the Target Amount.

(iii) "Beneficiary" shall mean the person(s) designated by the Participant in a written instrument delivered pursuant to the Plan to receive a payment due under the Plan upon the Participant's death, signed by the Participant and delivered to the Company prior to the Participant's death or, if no such written instrument is on file, the Participant's estate.

(iv) "Bonus" with respect to the Performance Period shall mean a number of shares of Common Stock equal to the product of the Target Amount multiplied by the Applicable Bonus Percentage for the Performance Period, together with the Cash Dividend Equivalents, if any, provided for from time to time pursuant to Section 5(b).

(v) "Bonus Account" shall have the meaning set forth in Section 5 hereof.

(vi) "Cash Dividend Equivalents" shall have the meaning set forth in Section 5(b) hereof.

(vii) "Cause" shall be deemed to exist if a majority of the members of the Board of Directors determine that the Participant has (i) caused substantial harm to the Company with intent to do so or as a result of gross negligence in the performance of his or her duties; (ii) not made a good faith effort to carry out his or her duties; (iii) wrongfully and substantially enriched himself or herself at the expense of the Company; or (iv) been convicted of a felony.

(viii) "Determination Date" shall mean, with respect to the Performance Period, the date on which the Committee shall have determined the Performance Percentage for the Participant and whether the Bonus shall be paid in cash or in shares of Common Stock, which date shall not be later than the last day of the first February following the Performance Period and shall have determined.

(ix) "Disability" shall be deemed to exist if (i) by reason of mental or physical illness the Participant has not performed his or her duties for a period of six consecutive months; and (ii) the Participant does not return to the performance of his or her duties within thirty days after written notice is given by Company or one of its subsidiaries that the Participant has been determined by the Committee to be "Disabled" under the Company's long term disability policy.

(x) "Dividend Payment Date" shall have the meaning set forth in Section 5(b) hereof.

(xi) "Fair Market Value" shall mean, with respect to any share of Common Stock, the closing price of such share as reported in "New York Stock Exchange Composite Transactions" in "The Wall Street Journal" for the relevant date or, if no quotation shall have been made on such relevant date, on the next preceding day on which there were quotations or, if the Company's shares of Common Stock are not traded on such exchange, such price as reported on such other securities market or exchange on which such shares are traded as the Committee shall determine.

(xii) "First Distribution Date" is the first Business Day on or after March 1 of the year immediately following the end of the Performance Period.

(xiii) "Performance Percentage" shall mean with respect to the Performance Period the percentage determined pursuant to the Scorecard.

(xiv) "Performance Period" shall mean the period that begins on January 1

and ends on December 31 of the year specified in Section 3.

(xv) "Scorecard" shall mean a performance scorecard as set forth in Section 3 hereof.

(xvi) "Second Distribution Date" is the first Business Day on or after March 1 of the second year following the end of the Performance Period.

(xvii) "Target Amount", with respect to the Performance Period, shall mean a number of shares of Common Stock specified in Section 2, which is the amount of the Bonus for the Performance Period if the Performance Percentage is 100%.

(xviii) "Third Distribution Date" is the first Business Day on or after March 1 of the third year following the end of the Performance Period.

(xix) "Value" of shares of Common Stock on any date means the average Fair Market Value of a share of Common Stock over the Business Days in the February preceding such date.

2. Establishment of the Target Amount. Pursuant to, and subject to, the terms and conditions set forth herein and in the Plan, the Company hereby establishes the Participant's Target Amount at [_____] shares of Common Stock for the Performance Period. The Bonus shall be determined based on Target Amount in the manner set forth in Sections 3 and 4 hereof.

3. Establishment of the Scorecard. Pursuant to, and subject to, the terms and conditions set forth herein and in the Plan, the Company hereby establishes the Scorecard, attached hereto as Exhibit A, based on the objective criteria specified, with which to evaluate the Participant's performance for 2005 (the "Performance Period"). The Scorecard shall represent an objective basis for determining the Performance Percentage for 2005.

4. Adjustment of the Target Amount. As soon as practicable after the end of the Performance Period, and in no event later than the last day of the first February following the Performance Period, the Committee shall determine the Performance Percentage based on the Scorecard. The Applicable Bonus Percentage with respect to the Participant for the Performance Period shall be equal to the Performance Percentage so determined. The Committee shall have discretion to reduce (but not increase) the amount of the Bonus determined for the Participant for the Performance Period at any time prior to the crediting of such Bonus to the Participant's Bonus Account as provided in Section 5 below. The Committee may, but shall not be required to, set forth in Exhibit B hereto such criteria (which may be subjective) to be used as the basis by the Committee to make any such reduction.

5. Bonus Account. Pursuant to, and subject to, the terms and conditions set forth herein and in the Plan, the Company shall establish a Bonus Account in the name of, and for the benefit of, the Participant (the "Bonus Account"). There shall be a separate Bonus Account for the Participant for each Performance Period.

a. Within thirty (30) days of the Determination Date, but in no event later than March 1 immediately following the Determination Date, the Company shall credit to the Bonus Account the Bonus.

b. The Company shall credit the Bonus Account of each Participant as of each date on which the Company pays a cash dividend on shares of Common Stock (a "Dividend Payment Date") with additional shares of Common Stock, the number of which shall be determined by first (i) multiplying the number of shares of Common Stock in the Participant's Bonus Account on the Dividend Payment Date by the per-share dollar

amount of the dividend so paid, and then (ii) dividing the resulting amount by the Fair Market Value of a share of Common Stock on the Dividend Payment Date (such additional shares of Common Stock being referred to herein as "Cash Dividend Equivalents").

The Company shall continue to maintain the Bonus Account until it has satisfied all of its obligations hereunder, provided that the amounts credited to the Bonus Account shall represent an unsecured obligation of the Company and the Participant shall have the status of an unsecured creditor in respect of such accounts.

6. Vesting; Payment of Annual Distribution Amount.

a. Twenty-five percent of the Bonus shall vest on January 1 of the year immediately following the Performance Period, 50% of the Bonus shall vest on January 1 of the second year following the Performance Period, and the remainder of the Bonus shall vest on January 1 of the third year following the Performance Period.

b. The Annual Distribution Amount shall be paid at the following times:

- i. On the First Distribution Date, an amount equal to 25% of the Bonus shall be distributed by the Company or one of its subsidiaries to the Participant, and the amount credited to the Participant's Bonus Account shall be debited by the amount so distributed.
- ii. On the Second Distribution Date, an amount equal to 50% of Bonus shall be distributed by the Company or one of its subsidiaries to the Participant, and the amount credited to the Participant's Bonus Account shall be debited by the amount so distributed.
- iii. On the Third Distribution Date, the remainder of the Bonus shall be distributed by the Company or one of its subsidiaries to the Participant, and the amount credited to the Participant's Bonus Account shall be debited by the amount so distributed such that the amount credited to the Participant's Bonus Account shall be zero.

c. The Annual Distributions Amount shall be paid in the following form:

- i. The portion of the Bonus payable on the First Distribution Date shall be paid in cash based on the Value of the shares of Common Stock required to be distributed; and
- ii. One half of the portion of the Bonus payable on the Second Distribution Date and the Third Distribution Date shall be distributed in shares of Common Stock and the other half of the portion of the Bonus payable on the Second

Distribution Date and the Third Distribution Date shall be paid in cash based on the Value of the shares of Common Stock required to be distributed.

d. In the event that a payment is called for hereunder to a Participant who is deceased, such payment shall be made to such Participant's Beneficiary.

7. Effect of Termination of Employment.

a. In the event the Participant's employment with the Company is terminated for any reason during the Performance Period, no credit provided for by Section 5 shall thereafter be made with respect to the Participant's Bonus Account and the Participant shall not be entitled to any payment under Section 6 or have any other rights with respect to the Bonus.

b. In the event the Participant voluntarily terminates employment with the Company any time after the end of the Performance Period, the Participant shall forfeit any amount then credited to the Participant's Bonus Account that had not vested in accordance with Section 6 hereof; provided that, if the Participant shall have reached age 62 prior to any such voluntary termination, 50% of the unvested amount then credited to the Participant's Bonus Account shall vest and be distributed to the Participant in accordance with the otherwise applicable provisions of this Agreement and the remainder shall be forfeited and the Participant shall not be entitled to any other payment under Section 6 or have any other rights with respect to the Bonus.

c. In the event the Participant's employment with the Company terminates due to the Participant's death or Disability or is terminated by the Company other than for Cause, 50% of the unvested amount then credited to the Participant's Bonus Account shall vest and be distributed to the Participant in accordance with the otherwise applicable provisions of this Agreement and the remainder shall be forfeited and the Participant shall not be entitled to any other payment under Section 6 or have any other rights with respect to the Bonus.

d. In the event the Company terminates the Participant's employment for Cause, the Participant shall forfeit all amounts then credited to the Participant's Bonus Account and the Participant shall not be entitled to any other payment under Section 6 or have any other rights with respect to the Bonus, unless the Committee determines otherwise in its absolute discretion.

e. If counsel to the Committee notifies the Committee that a distribution provided for by this Section 7 should be deferred in order to avoid having a tax imposed on the Participant by Section 409A of the Code by virtue of a failure to comply with Section 409A(a)(2)(b)(1) of the Code (relating to distributions to "key employees") to such distribution, then the distribution shall be deferred to the extent determined by the Committee.

8. Elective Deferrals. The Participant may elect to defer any portion of the Bonus by submitting a deferral election, a form of which is attached hereto as Exhibit C, prior to

the first day of the Performance Period; provided that the date on which the deferred amount shall be paid must be the later of a specified date or six months following the Participant's termination of employment with the Company.

9. Modification and Waiver. Except as provided in the Plan with respect to determinations of the Committee and subject to the Company's Board of Directors' right to amend the Plan, neither this Agreement nor any provision hereof can be changed, modified, amended, discharged, terminated or waived orally or by any course of dealing or purported course of dealing, but only by an agreement in writing signed by the Participant and the Company. No such agreement shall extend to or affect any provision of this Agreement not expressly changed, modified, amended, discharged, terminated or waived or impair any right consequent on such a provision. The waiver of or failure to enforce any breach of this Agreement shall not be deemed to be a waiver or acquiescence in any other breach thereof.

10. Notices. All notices and other communications hereunder shall be in writing, shall be deemed to have been given if delivered in person or by first-class registered or certified mail, return receipt requested, and shall be deemed to have been given when personally delivered or five (5) days after mailing to the following address (or to such other address as either party may have furnished to the others in writing in accordance herewith, except that notices of change of address shall only be effective upon receipt):

If to the Company:

Albany International Corp.
1373 Broadway
Menands, New York 12204
Fax: (518) 447-6575
Attention: Legal Department

If to the Participant, to the most recent address of the Participant that the Company has in its records.

11. Participant Acknowledgement. The Participant hereby acknowledges receipt of a copy of the Plan.

12. Incorporation of the Plan. All terms and provisions of the Plan are incorporated herein and made part hereof as if stated herein. If any provision hereof and of the Plan shall be in conflict, the terms of the Plan shall govern. All capitalized terms used herein and not defined herein shall have the meanings assigned to them in the Plan.

13. Counterparts. This Agreement may be executed in two or more counterparts, each of which shall be deemed to be an original, but each of which together shall constitute one and the same document.

14. Governing Law; Choice of Forum. This Agreement shall be governed by and interpreted in accordance with New York law, without regard to its conflicts of law principles, and the parties hereby submit to the jurisdiction of the courts and tribunals of New York.

15. Binding Effect. This Agreement shall be binding upon, inure to the benefit of, and be enforceable by the heirs, personal representatives and successors of the parties hereto. Nothing expressed or referred to in this Agreement is intended or shall be construed to give any person other than the parties to this Agreement, or their respective heirs, personal representatives or successors, any legal or equitable rights, remedy or claim under or in respect of this Agreement or any provision contained herein.

16. Severability. If any term, provision, covenant or restriction of this Agreement is held by a court of competent jurisdiction to be invalid, void or unenforceable, the remainder of the terms, provisions, covenants and restrictions of this Agreement shall remain in full force and effect and shall in no way be affected, impaired or invalidated.

17. Miscellaneous. The headings contained in this Agreement are for reference purposes only and shall not affect in any way the meaning or interpretation of this Agreement.

[Remainder of Page Left Intentionally Blank]

ALBANY INTERNATIONAL CORP.

By: _____
Name:
Title:

[_____]

By: _____
Name:
Title:

EXHIBIT A

Albany International 2005 Performance Bonus Scorecard
 Position: [_____]

Performance Metrics	Weight	Measurement	Metric Percentage				
			0%	50%	100%	150%	200%
1. Increase Consolidated EBITDA* vs. 2004	[__]%	Financial Statements	[__]	[__]	[__]	[__]	[__]
2. Achieve PMC Share of Market for Combined [_____]	[__]%	Industry Association Data	[__]%	[__]%	[__]%	[__]%	[__]%
3. Increase Consolidated Operating Income for [_____]	[__]%	Financial Statements	[__]	[__]	[__]	[__]	[__]
4. Increase Consolidated Net Sales of [_____]	[__]%	Financial Statements	[__]	[__]	[__]	[__]	[__]

The Performance Percentage = ([____]% x Metric Percentage of Metric 1) + ([____]% x Metric Percentage of Metric 2), etc. For performance between the data points indicated, the Metric Percentage shall be the interpolated value based on the next higher and lower data points. Neither the Applicable Percentage, nor any Metric Percentage, shall exceed 200%.

All of the foregoing calculations shall be performed in a manner consistent with the Company's past practice.

* EBITDA shall, to the extent required by GAAP, reflect expenses incurred pursuant to the Plan, including amounts paid out under this or any Plan award.