

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

FORM 10-K

(x) ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the fiscal year ended: December 31, 2013
OR

() TRANSITION REPORT PURSUANT TO SECTION 13 or 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from _____ to _____

Commission file number: 1-10026

ALBANY INTERNATIONAL CORP.

(Exact name of registrant as specified in its charter)

Delaware
(State or other jurisdiction of
incorporation or organization)

14-0462060
(IRS Employer
Identification No.)

216 Airport Drive, Rochester, New Hampshire
(Address of principal executive offices)

03867
(Zip Code)

Registrant's telephone number, including area code 603-330-5850

Securities registered pursuant to Section 12(b) of the Act:

<u>Title of each class</u>	<u>Name of each exchange on which registered</u>
Class A Common Stock (\$0.001 par value)	New York Stock Exchange

Securities registered pursuant to Section 12(g) of the Act:

None
(Title of Class)

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes No

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes No

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes No

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of Registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K.

Indicate by check mark whether the Registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a small reporting company.

Large accelerated filer
Non-accelerated filer

Accelerated filer
Smaller reporting company

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act). Yes No

The aggregate market value of the Common Stock held by non-affiliates of the registrant on June 28, 2013, the last business day of the registrant's most recently completed second quarter, computed by reference to the price at which Common Stock was last sold on such a date, was \$926.3 million.

The registrant had 28.5 million shares of Class A Common Stock and 3.2 million shares of Class B Common Stock outstanding as of January 31, 2014.

DOCUMENTS INCORPORATED BY REFERENCE

PART

Portions of the Registrant's Proxy Statement for the Annual Meeting of Shareholders to be held on May 16, 2014

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Forward-Looking Statements

This annual report and the documents incorporated or deemed to be incorporated by reference in this annual report contain statements concerning future results and performance and other matters that are “forward-looking” statements within the meaning of Section 27A of the Securities Act and Section 21E of the Securities Exchange Act of 1934, as amended (the “Exchange Act”). The words “believe,” “expect,” “anticipate,” “intend,” “estimate,” “plan,” “project,” “may,” “will,” “should,” and variations of such words or similar expressions are intended, but are not the exclusive means, to identify forward-looking statements. Because forward-looking statements are subject to risks and uncertainties, actual results may differ materially from those expressed or implied by the forward-looking statements.

There are a number of risks, uncertainties, and other important factors that could cause actual results to differ materially from the forward-looking statements, including, but not limited to:

- Conditions in the industries in which our Machine Clothing segment competes, including the paper industry, along with general risks associated with economic downturns;
- Failure to remain competitive in the industries in which our Machine Clothing segment competes;
- Failure to have achieve or maintain anticipated profitable growth in our Engineered Composites segment; and
- Other risks and uncertainties detailed in this report.

Further information concerning important factors that could cause actual events or results to be materially different from the forward-looking statements can be found in Item 1A - “Risk Factors”, as well as in the “Business Environment and Trends” sections in the business segment discussions in Item 7 of this annual report. Statements expressing our assessments of the growth potential of the Engineered Composites segment are not intended as forecasts of actual future growth, and should not be relied on as such. While we believe such assessments to have a reasonable basis, such assessments are, by their nature, inherently uncertain. This report sets forth a number of assumptions regarding these assessments, including projected timing and volume of demand for aircraft and for LEAP aircraft engines. Such assumptions could prove incorrect. Although we believe the expectations reflected in our forward-looking statements are based on reasonable assumptions, it is not possible to foresee or identify all factors that could have a material and negative impact on our future performance. The forward-looking statements included or incorporated by reference in this annual report are made on the basis of our assumptions and analyses, as of the time the statements are made, in light of our experience and perception of historical conditions, expected future developments, and other factors believed to be appropriate under the circumstances.

Except as otherwise required by the federal securities laws, we disclaim any obligation or undertaking to publicly release any updates or revisions to any forward-looking statement contained or incorporated by reference in this annual report to reflect any change in our expectations with regard thereto or any change in events, conditions, or circumstances on which any such statement is based.

PART I

Item 1. Business

Albany International Corp. (the Registrant, the Company, we, us, or our) and its subsidiaries are engaged in two business segments.

The Machine Clothing (MC) segment includes paper machine clothing - engineered fabrics and belts used in the manufacture of paper and paperboard – as well as engineered fabrics and belts used in many other industrial applications.

We design, manufacture, and market paper machine clothing for each section of the paper machine. We manufacture and sell more paper machine clothing worldwide than any other company. Paper machine clothing consists of large permeable and non-permeable continuous belts of custom-designed and custom-manufactured engineered fabrics that are installed on paper machines and carry the paper stock through each stage of the paper production process. Paper machine clothing products are consumable products of technologically sophisticated design that utilize polymeric materials in a complex structure. The design and material composition of paper machine clothing can have a considerable effect on the quality of paper products produced and the efficiency of the paper machines on which it is used. Principal products in the paper machine clothing segment include forming, pressing, and dryer fabrics, and process belts. A forming fabric assists in paper sheet formation and conveys the very wet sheet (more than 75% water) through the forming section. Press fabrics are designed to carry the sheet through the press section, where water is pressed from the sheet as it passes through the press nip. In the dryer section, dryer fabrics manage air movement and hold the sheet against heated cylinders to enhance drying. Process belts are used in the press section to increase dryness and enhance sheet properties, as well as in other sections of the machine to improve runnability and enhance sheet qualities.

The Machine Clothing segment also supplies consumable fabrics used to process paper pulp, as well as engineered fabrics used in a range of industries other than papermaking. These other products include belts used to make nonwovens, fiber cement building products, roofing shingles, and corrugated sheets used in boxboard, as well as belts used in tannery and textile applications.

We sell our Machine Clothing products directly to customer end-users, which include paper industry companies, nonwovens manufacturers, and building products companies, some of which operate in multiple regions of the world. Our products, manufacturing processes, and distribution channels for Machine Clothing are substantially the same in each region of the world in which we operate. The sales of forming, pressing, and dryer fabrics, individually and in the aggregate, accounted for more than 10% of our consolidated net sales during one or more of the last three years.

The Albany Engineered Composites segment (AEC), including Albany Safran Composites, LLC (ASC), in which our customer SAFRAN Group owns a 10% noncontrolling interest, provides custom-designed advanced composite structures based on proprietary technology to customers in the aerospace and defense industries. AEC's largest current development program relates to the LEAP engine being developed by CFM International. Under this program, AEC through ASC, is developing a family of composite parts, including fan blades, to be incorporated into the LEAP engine under a long-term supply contract. In 2013, approximately 10% of this segment's sales were related to U.S. government contracts or programs.

See "Business Environment and Trends" under Item 7, Management's Discussion and Analysis of Financial Condition and Results of Operations, for a discussion of general segment developments in recent years.

Following is a table of net sales by segment for 2013, 2012, and 2011.

(in thousands)	2013	2012	2011
Machine Clothing	\$674,747	\$693,176	\$739,211
Engineered Composites	82,667	67,765	48,076
Consolidated total	\$757,414	\$760,941	\$787,287

The table setting forth certain sales, operating income, and balance sheet data that appears in Note 4, "Reportable Segments and Geographic Data," of the Consolidated Financial Statements, included under Item 8 of this Form 10-K, is incorporated herein.

International Operations

We maintain manufacturing facilities in Brazil, Canada, China, France, Germany, Italy, Mexico, South Korea, Sweden, the United Kingdom, and the United States. We also have a 50% interest in a company in Russia (see Note 1 of Notes to Consolidated Financial Statements).

Our geographically diversified operations allow us to serve our markets efficiently and to provide extensive technical services to our customers. We benefit from the transfer of research and development and product innovations between geographic regions. The worldwide scope of our manufacturing and marketing efforts helps to mitigate the impact of economic downturns that are limited to a geographic region.

Our global presence subjects us to certain risks, including controls on foreign exchange and the repatriation of funds. We have a cash repatriation strategy that targets a certain amount of foreign current year earnings that are not permanently reinvested. To date, we have been able to make such repatriations without substantial governmental restrictions and do not foresee any material changes in our ability to continue to do so in the future. In addition, we believe that the risks associated with our operations outside the United States are no greater than those normally associated with doing business in those locations.

Technology, Working Capital, Customers, Seasonality, and Backlog

Machine Clothing is custom-designed for each user, depending on the type, size, and speed of the machine, and the products being produced. Product design is also a function of the machine section, the grade of product being produced, and the quality of the stock used. Technical expertise, judgment, and experience are critical in designing the appropriate clothing for machine, position, and application. As a result, we employ highly skilled sales and technical service personnel who work directly with each customer's plant operating management. Our technical service programs give our service engineers field access to the measurement and analysis equipment needed for troubleshooting and application engineering in many areas. Sales, service, and technical expenses are major cost components of the Company. Many employees in sales and technical functions have engineering degrees, paper mill experience, or other manufacturing experience in the markets in which they operate. Our market leadership position reflects our commitment to technological innovation.

Payment terms granted to paper industry and other machine clothing customers reflect general competitive practices. Terms vary with product, competitive conditions, and the country of operation. In some markets, customer agreements require us to maintain significant amounts of finished goods inventories to assure continuous availability of our products.

In addition to supplying paper companies, the Machine Clothing segment is a leading supplier to the nonwovens industry (which includes the manufacture of products such as diapers, personal care and household wipes, and fiberglass-reinforced roofing shingles), the wood and cement-based building products industry, and the pulp industry. These non-paper industries have a wide range of customers, with markets that vary from industrial applications to consumer use.

Albany Engineered Composites primarily serves customers in commercial and military aircraft engine and airframe markets. Sales and Accounts receivable rose sharply in the last couple years. Additionally, we anticipate intensive growth in the future which could lead to further increases in working capital levels.

In the Machine Clothing segment, the summer months and the end of the year are common periods of downtime for our customers, which can lead to weak sales periods for the Company. In recent years, broad industry ramp-ups or slowdowns have resulted in sales being distributed unevenly throughout the year. These combined factors make seasonal trends less predictable. Seasonality is not a significant factor in the Engineered Composites segment.

Backlog in the Machine Clothing segment was \$225.6 million at December 31, 2013, compared to \$266.8 million at December 31, 2012. The decrease reflects a trend toward shorter order-to-delivery times. Backlog in the Engineered Composites segment was \$21.7 million at December 31, 2013 compared to \$33.2 million at December 31, 2012. The backlog is generally expected to be invoiced during the next 12 months.

Research and Development

We invest in research, new product development, and technical analysis with the objective of maintaining our technological leadership in each business segment. While much research activity supports existing products, we also engage in research for new products and product enhancements. New product research has focused primarily on more sophisticated paper machine clothing and engineered fabrics and has resulted in a stream of new products and enhancements such as forming fabric INLINE; press fabrics HYDROCROSS, SPRING, SEAM HYDROCROSS, SEAMPLANE and Seam KMX; shoe press belts VENTABELT EVM and VENTABELT XTS; TRANSBELT GX; dryer fabric AEROPULSE; corrugator belt DURASPIRAL; and for the Nonwovens Industry NEOSTAT and SUPRSTAT.

Product engineering and research and development expenses totaled \$31.1 million in 2013, \$28.5 million in 2012, and \$31.1 million in 2011. In 2013, these costs were 4.1% of total Company net sales, including \$9.4 million or 11.3% of net sales spent in our AEC segment.

We conduct our major research and development in Halmstad, Sweden; Manchester, England; Kaukauna, Wisconsin and Rochester, New Hampshire. Additionally, we conduct process and product design development activities at locations in Quebec, Canada; Kaukauna, Wisconsin; and St. Stephen, South Carolina.

We have developed, and continue to develop, proprietary intellectual property germane to the industries we serve. Our intellectual property takes many forms, including patents, trademarks and domains, and trade secrets. Our trade secrets include, among other things, manufacturing know-how and unique processes and equipment. Because intellectual property in the form of patents is published, we often forgo patent protection and preserve the intellectual property as trade secrets. We aggressively protect our proprietary intellectual property, pursuing patent protection when appropriate. Our active portfolio currently contains well over 2,100 patents, and more than 250 new patents are typically granted each year. While we consider our total portfolio of intellectual property, including our patents, to be an important competitive advantage, we do not believe that any single patent is critical to the continuation of our business. All brand names and product names are trade names of Albany International Corp. or its subsidiaries. We have from time to time licensed some of our patents and/or know-how to one or more competitors, and have been licensed under some competitors' patents, in each case mainly to enhance customer acceptance of new products. The revenue from such licenses is less than 1% of consolidated net sales.

The Engineered Composites segment participates in both Company-sponsored and customer-funded research and development. Some customer-funded research and development may be on a cost-sharing basis, in which case amounts charged to the customer are credited against research and development expense. Expenses

were reduced by \$1.4 million in 2013 and \$0.8 million in 2012 as a result of such arrangements. For customer-funded research and development in which we anticipate funding to exceed expenses, we include amounts charged to the customer in net sales.

Raw Materials

Primary raw materials for our Machine Clothing products are polymer monofilaments and fibers, which have generally been available from a number of suppliers. Therefore, we have not needed to maintain raw material inventories in excess of our current needs to assure availability. In addition, we manufacture polymer monofilaments, a basic raw material for all types of Machine Clothing, at our facility in Homer, New York, which supplies approximately 50% of our worldwide monofilament requirements. This manufacturing enhances our ability to develop proprietary products and helps balance the total supply requirements for monofilaments. Polymer monofilaments are petroleum-based products and are therefore sensitive to changes in the price of petroleum and petroleum intermediates. While carbon fiber and other raw materials used by AEC are available from a number of suppliers, the use of certain suppliers may be mandated by customer agreements and alternative suppliers would be subject to material qualification or other requirements.

Competition

The industries in which our Machine Clothing segment competes include several companies that compete in all global markets, along with other companies that compete primarily on a regional basis. In the paper machine clothing market, we believe that we had a worldwide market share of approximately 30% in 2013, while the two largest competitors each had a market share of approximately half of ours.

While some competitors in the Machine Clothing segment tend to compete more on the basis of price, and others attempt to compete more on the basis of technology, both are significant competitive factors in this industry. Some of the Company's paper machine clothing competitors also supply paper machines and papermaking equipment, and endeavor to compete by bundling clothing and equipment sales. We, like our competitors, provide technical support to customers through our sales and technical service personnel, including (1) consulting on performance of the machine, (2) consulting on machine configurations, both new and rebuilt, (3) selection and custom manufacture of the appropriate machine clothing, and (4) storing fabrics for delivery to the user. Revenues earned from these services are reflected in the prices charged for our products.

The primary competitive factor in the markets in which our Albany Engineered Composites segment competes is product performance. Achieving lower weight without sacrificing strength is the key to improving fuel efficiency, and is a critical performance requirement in the aerospace industry. Our unique, proprietary capabilities in composites enable us to offer customers the opportunity to displace metal components and, in some cases, conventional composites with lower-weight, high-strength, and potentially high-temperature composites. The dominant competitive factor is how the customer weighs these performance benefits, which include fuel savings due to lower weight, against the possible cost advantage of more traditional metal and composite components.

Employees

We employ approximately 4,100 persons, of whom 67% are engaged in manufacturing our products. Wages and benefits are competitive with those of other manufacturers in the geographic areas in which our facilities are located. In general, we consider our relations with employees to be excellent.

A number of hourly employees outside of the United States are members of various unions.

Executive Officers of the Registrant

The following table sets forth certain information with respect to the executive officers of the Company as of February 26, 2014:

Joseph G. Morone, 60, President and Chief Executive Officer, joined the Company in 2005. He has served the Company as President and Chief Executive Officer since January 1, 2006, and President since August 1, 2005. He has been a director of the Company since 1996. From 1997 to July 2005, he served as President of Bentley University in Waltham, Massachusetts. Prior to joining Bentley, he served as the Dean of the Lally School of Management and Technology at Rensselaer Polytechnic Institute, where he also held the Andersen Consulting Professorship of Management. He currently serves as the Presiding Director of Transworld Entertainment Corporation.

John B. Cozzolino, 47, Chief Financial Officer and Treasurer, joined the Company in 1994. He has served the Company as Chief Financial Officer and Treasurer since February 2011. From September 2010 to February 2011, he served as Vice President – Corporate Treasurer and Strategic Planning/Acting Chief Financial Officer, from February 2009 to September 2010, he served as Vice President – Corporate Treasurer and Strategic Planning, and from 2007 to February 2009, he served the Company as Vice President – Strategic Planning. From 2000 until 2007 he served as Director – Strategic Planning, and from 1994 to 2000 he served as Manager – Corporate Accounting.

Ralph M. Polumbo, 62, President – Albany Engineered Composites, joined the Company in 2006. He has served the Company as President – Albany Engineered Composites since November 2013. Prior to that, he served as Chief Operating Officer, Albany Engineered Composites, from December 2010 to November 2013. He previously served the Company as Chief Administrative Officer from September 2008 to December 2010, and as Senior Vice President – Human Resources from 2006 to 2008. From 2004 to April 2006 he served as Head of Human Capital for Deephaven Capital Management. From 1999 to 2004 he served as Vice President – Human Resources and Business Integration for MedSource Technologies. Prior to MedSource, he held the positions of Vice President – Integration and Vice President – Human Resources for Rubbermaid. From 1974 to 1994, he held various management and executive positions for The Stanley Works.

Daniel A. Halftermeyer, 52, President – Machine Clothing, joined the Company in 1987. He has served the Company as President – Machine Clothing since February 2012. He previously served the Company as President – Paper Machine Clothing and Engineered Fabrics from August 2011 to February 2012, as President – Paper Machine Clothing from January 2010 until August 2011, Group Vice President – Paper Machine Clothing Europe from 2005 to August 2008, Vice President and General Manager – North American Dryer Fabrics from 1997 to March 2005, and Technical Director – Dryer Fabrics from 1993 to 1997. He held various technical and management positions in St. Stephen, South Carolina, and Sélestat, France, from 1987 to 1993.

Robert A. Hansen, 56, Senior Vice President and Chief Technology Officer, joined the Company in 1981. He has served the Company as Senior Vice President and Chief Technology Officer since January 2010, Vice President – Corporate Research and Development from April 2006 to January 2010, and Director of Technical and Marketing – Europe Press Fabrics from 2004 to April 2006. From 2000 to 2004, he served as Technical Director – Press Fabrics, Göppingen, Germany. Previously he had the position of Technical Director in Dieren, The Netherlands, and had also held technical management and research and development positions in the Company's Järvenpää, Finland, and Albany, New York facilities.

David M. Pawlick, 52, Vice President – Controller, joined the Company in 2000. He has served the Company as Vice President – Controller since March 2008, and as Director of Corporate Accounting from 2000 to

2008. From 1994 to 2000 he served as Director of Finance and Controller for Ahlstrom Machinery, Inc. in Glens Falls, New York. Prior to 1994, he was employed as an Audit Manager for Coopers & Lybrand.

Charles J. Silva Jr., 54, Vice President – General Counsel and Secretary, joined the Company in 1994. He has served the Company as Vice President – General Counsel and Secretary since 2002. He served as Assistant General Counsel from 1994 until 2002. Prior to 1994, he was an associate with Cleary, Gottlieb, Steen and Hamilton, an international law firm with headquarters in New York City.

Dawne H. Wimbrow, 56, Vice President – Global Information Services and Chief Information Officer, joined the Company in 1993. She has served the Company as Vice President – Global Information Services and Chief Information Officer since September 2005. She previously served the Company in various management positions in the Global Information Systems organization. From 1980 to 1993, she worked as a consultant supporting the design, development, and implementation of computer systems for various textile, real estate, insurance, and law firms.

Joseph M. Gaug, 50, Associate General Counsel and Assistant Secretary, joined the Company in 2004. He has served the Company as Associate General Counsel since 2004 and as Assistant Secretary since 2006. Prior to 2004, he was a principal with McNamee, Lochner, Titus & Williams, P.C., a law firm located in Albany, New York.

We are incorporated under the laws of the State of Delaware and are the successor to a New York corporation originally incorporated in 1895, which was merged into the Company in August 1987 solely for the purpose of changing the domicile of the corporation. References to the Company that relate to any time prior to the August 1987 merger should be understood to refer to the predecessor New York corporation.

Our 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 available at the Corporate Governance section of our website (www.albint.com).

Our current reports on Form 8-K, quarterly reports on Form 10-Q, and annual reports on Form 10-K are electronically filed with the Securities and Exchange Commission (SEC), and all such reports and amendments to such reports filed subsequent to November 15, 2002, have been and will be made available, free of charge, through our website (www.albint.com) as soon as reasonably practicable after such filing. The public may read and copy any materials filed by the Company with the SEC at the SEC's Public Reference Room at 450 Fifth Street, NW, Washington, D.C. The public may obtain information on the operation of the Public Reference Room by calling the SEC at 1-800-SEC0330. The SEC maintains a website (www.sec.gov) that contains reports, proxy, information statements, and other information regarding issuers that file electronically with the SEC.

Item 1A. RISK FACTORS

The Company's business, operations, and financial condition are subject to various risks. Some of these risks are described below and in the documents incorporated by reference, and investors should take these risks into account in evaluating any investment decision involving the Company. This section does not describe all risks applicable to the Company, its industry or business, and it is intended only as a summary of certain material factors.

A number of factors have had, and in future periods could have, an adverse impact on sales, profitability and cash flow in the Company's Machine Clothing segment

Significant consolidation and rationalization in the paper industry in recent years has reduced global consumption of paper machine clothing in certain markets. Developments in digital media have adversely affected demand for newsprint and for printing and writing grades of paper in North America and Europe, which has had, and could continue to have, an adverse effect on demand for paper machine clothing in those markets. At the same time, technological advances in papermaking, including in paper machine clothing, while contributing to the papermaking efficiency of customers, have in some cases lengthened the useful life of our products and reduced the number of pieces required to produce the same volume of paper. These factors have had, and in future are likely to have, an adverse effect on paper machine clothing sales.

The market for paper machine clothing in recent years has been characterized by increased price competition, especially in Europe, which has negatively affected our net sales and operating results. We expect price competition to remain intense in all paper machine clothing markets, especially during periods of customer consolidation, plant closures, or when major contracts are being renegotiated.

AEC is subject to significant execution risk related to the LEAP program in the short and medium-term

The expected size and steep growth rate of the market for LEAP engines continues to put significant pressure on AEC to execute in the short and medium-term. In the short term, AEC must continue to fulfill critical product and process design and test milestones, continue to ramp production in the first LEAP plant in Rochester, New Hampshire, meet certain production readiness milestones, and continue the construction, equipping and staffing of the second LEAP plant in Commercy, France. In the medium-term, AEC will be required to continue to ramp up these new operations to full production. AEC's ability to realize the full growth potential of the LEAP program will depend on how effectively it accomplishes these goals. Failure to accomplish these goals could have a material adverse impact on the amount and timing of anticipated LEAP program revenues, income, and cash flows, which could in turn have a material adverse impact on our consolidated financial results.

The long-term growth prospects of AEC are subject to a number of risks

Future growth and long-term success of AEC beyond the LEAP program will depend, in part, on the success of new commercial and military aircraft programs. AEC is currently working with customers on projects to develop components for a number of commercial, general aviation, and military aircraft programs. These development projects may or may not result in supply opportunities. In the event that AEC succeeds in developing products and securing contracts to manufacture and supply them, it will face the same industrialization and manufacturing ramp-up risks that it currently faces in the LEAP program, and may or may not be successful in meeting its obligations under these contracts.

In addition to dealing with these development and manufacturing execution risks, future AEC growth will likely require increasingly larger amounts of cash to fund the investments likely to be required in equipment, capital, and development efforts required to achieve this growth. While AEC is starting to generate increasing amounts of cash, it is likely to be some time before AEC generates sufficient cash to fund, or to obtain financing to fund, this growth. Until that time, it will remain dependent on the Machine Clothing segment's ability to generate cash, and a significant decline in Machine Clothing sales, operating income or cash flows could therefore have a material adverse impact on AEC's growth.

Some of the Company's competitors in the Machine Clothing segment have the capability to make and sell paper machines and papermaking equipment as well as other engineered fabrics

Although customers historically have tended to view the purchase of paper machine clothing and the purchase of paper machines as separate purchasing decisions, the ability to coordinate research and development efforts, and to market machines and fabrics together, could provide a competitive advantage. This

underscores the importance of our ability to maintain the technological competitiveness and value of our products, and a failure to do so could have a material adverse effect on our business, financial condition, and results of operations.

Moreover, we cannot predict how the nature of competition in this segment may continue to evolve as a result of future consolidation among our competitors, or consolidation involving our competitors and other suppliers to our customers.

Fixed-price contracts, contract or program terminations, reductions, cancellations, delays or other changes could result in losses or material write-offs in the Engineered Composites segment

AEC has a number of long-term or life-of-program fixed price contracts, and is likely to enter into similar contracts in future. While such contracts enable AEC to enjoy increased profits as the result of cost reductions and efficiencies, estimations of contract costs and profitability over a long period of time are subject to many variables, and may prove to be inaccurate. Additionally, many of the parts AEC agrees to develop and produce have highly complex designs, and technical or quality issues may arise during development or production that result in higher costs or an inability to achieve required technical specifications. If actual production and/or development costs should prove higher, or revenues prove lower, than AEC's estimates, our expected profits may be reduced, or if such costs should exceed contract prices, we may be required to recognize losses for future periods, and potentially for the remaining life of the program, which could significantly affect our reported results.

In addition, the reduction or delay of orders by AEC's customers under these contracts, or the termination of such contracts or orders, including those relating to the LEAP program, could also have a material adverse effect on AEC revenues and earnings in any period. Such events could also result in the write-off of deferred charges that have been accumulated in anticipation of future revenue streams.

The Standish family has a significant influence on our Company and could prevent transactions that might be in the best interests of our other stockholders

As of December 31, 2013, J. Spencer Standish and related persons (including Christine L. Standish and John C. Standish, both directors of the Company) 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. The Standish family has significant influence over the management and affairs of the Company and matters requiring stockholder approval, including the election of directors and approval of significant corporate transactions. The Standish family currently has, in the aggregate, sufficient voting power to elect all of our directors and determine the outcome of any shareholder action requiring a majority vote. This could have the effect of delaying or preventing a change in control or a merger, consolidation, or other business combination at a premium price, even though it might be in the best interest of our other stockholders.

Deterioration of current global economic conditions could have an adverse impact on the Company's business and results of operations

The Company identifies in this section a number of risks, the effects of which may be exacerbated by an unfavorable economic climate. For example, unfavorable global economic and paper industry conditions may lead to greater consolidation and rationalization within the paper industry, further reducing global consumption of paper machine clothing. Reduced consumption of paper machine clothing could in turn increase the risk of greater price competition within the paper machine clothing industry, and greater efforts by competitors to gain market share at the expense of the Company. Sales of the Company's other Machine Clothing products, as well as in the Company's AEC business segment, may also be adversely affected by unfavorable economic conditions.

Weak or unstable economic conditions also increase the risk that one or more of our customers could be unable to pay outstanding accounts receivable, whether as the result of bankruptcy or an inability to obtain working capital financing from banks or other lenders. In such a case, we could be forced to write off such accounts, which could have a material adverse effect on our operating results, financial condition, and/or liquidity. Furthermore, many of our businesses design and manufacture products that are custom-designed for a specific customer application, at a specific location. In the event of a customer liquidity issue, the Company could also be required to write off amounts that are included in inventories.

The Company may experience supply constraints due to a limited number of suppliers of certain raw materials and equipment

There are a limited number of suppliers of polymer fiber and monofilaments, key raw materials used in the manufacture of Machine Clothing, and of carbon fiber and carbon resin, key raw materials used by AEC. In addition, there are a limited number of suppliers of some of the equipment used by AEC. While we have always been able to meet our raw material and equipment needs, the limited number of suppliers of these items creates the potential for disruptions in supply. AEC currently relies on single suppliers to meet the carbon fiber and carbon resin requirements for the LEAP program. Lack of supply, delivery delays, or quality problems relating to supplied raw materials for our key manufacturing equipment could harm our production capacity, and could require the Company to attempt to qualify one or more additional suppliers, which could be a lengthy and uncertain process. Such disruptions could make it difficult to supply our customers with products on time, which could have a negative impact on our business, financial condition, and results of operations.

Conditions in the paper industry have required, and could further require, the Company to reorganize its operations, which could result in significant expense and could pose risks to the Company's operations

During the last several years, we have engaged in significant restructuring that included the closing of a number of manufacturing operations in North America, Europe, and Australia. These restructuring activities were intended to match manufacturing capacity to shifting global demand, and also to improve the efficiency of manufacturing and administrative processes. Future shifting of customer demand, the need to reduce costs, or other factors could cause us to determine in the future that additional restructuring steps are required. Restructuring involves risks such as employee work stoppages, slowdowns, or strikes, which can threaten uninterrupted production, maintenance of high product quality, meeting of customers' delivery deadlines, and maintenance of administrative processes. Increases in output in remaining manufacturing operations can likewise impose stress on these remaining facilities as they undertake the manufacture of greater volume and, in some cases, a greater variety of products. Competitors can be quick to attempt to exploit these situations. Although we consider these risks, we plan each step of the process carefully, and work to reassure customers who could be affected by any such matters that their requirements will continue to be met, we could lose customers and associated revenues if we fail to plan properly, or if the foregoing tactics are ineffective.

We are a "controlled company" within the meaning of the Corporate Governance Rules of the New York Stock Exchange (the "NYSE") and qualify for, and rely on, certain exemptions from corporate governance requirements applicable to other listed companies

As a result of the greater than 50% voting power of the Standish family described above, we are a "controlled company" within the meaning of the rules of the NYSE. Therefore, we are not required to comply with certain corporate governance rules that would otherwise apply to us as a listed company on the NYSE, including the requirement that the Compensation and Governance Committees be composed entirely of "independent" directors (as defined by the NYSE rules). In addition, although we believe that a majority of our current directors may be deemed independent under the NYSE rules, as a controlled company our Board of Directors is not required to include a majority of "independent" directors. Should the interests of the Standish family differ from

those of other stockholders, the other stockholders might not be afforded such protections as might exist if our Board of Directors, or these Committees, were required to have a majority, or be composed exclusively, of directors who were independent of the Standish family or our management.

Inflation as a result of changes in prices of commodities and labor costs may adversely impact our financial results of operations

The Company is a significant user of petroleum-based products required for the manufacture of our products. The Company also relies on the labor market in many regions of the world to meet our operational requirements. Increases in the prices of such commodities or in labor costs, particularly in regions that are experiencing higher-levels of inflation, could increase our costs, and we may not be able to fully offset the effects through price increases, productivity improvements, and cost-reduction programs.

Fluctuations in currency exchange rates could adversely affect the Company's business, financial condition, and results of operations

We operate our business in many regions of the world, and currency rate movements can have a significant effect on operating results. Changes in exchange rates can result in revaluation gains and losses that are recorded in Selling, Technical, General and Research expenses or Other income/expense, net. Revaluation gains and losses occur when our business units have cash, intercompany or third-party trade receivable or payable balances in a currency other than their local reporting (or functional) currency. Operating results can also be affected by the translation of sales and costs, for each non-U.S. subsidiary, from the local functional currency to the U.S. dollar. The translation effect on the income statement is dependent on our net income or expense position in each non-U.S. currency in which we do business. A net income position exists when sales realized in a particular currency exceed expenses paid in that currency; a net expense position exists if the opposite is true.

The Company may fail to adequately protect its proprietary technology, which would allow competitors or others to take advantage of its research and development efforts

Proprietary trade secrets are a source of competitive advantage in each of our segments. If our trade secrets were to become available to competitors, it could have a negative impact on our competitive strength. We employ measures to maintain the confidential nature of these secrets, including maintaining employment and confidentiality agreements; maintaining clear policies intended to protect such trade secrets; educating our employees about such policies; clearly identifying proprietary information subject to such agreements and policies; and vigorously enforcing such agreements and policies. Despite such measures, our employees, consultants, and third parties to whom such information may be disclosed in the ordinary course of our business may breach their obligations not to reveal such information, and any legal remedies available to us may be insufficient to compensate our damages.

At December 31, 2013, the Company had outstanding short-term debt of \$3.8 million and long-term debt of \$300.1 million. The Company may not be able to repay its outstanding debt in the event that default provisions are triggered due to a breach of loan covenants

Existing borrowing agreements contain a number of covenants and financial ratios that the Company is required to satisfy. The most restrictive of these covenants pertain to prescribed leverage and interest coverage ratios and asset dispositions. Any breach of any such covenants or restrictions would result in a default under such agreements that would permit the lenders to declare all borrowings under such agreements to be immediately due and payable and, through cross-default provisions, could entitle other lenders to accelerate their loans. In such an event, the Company would need to modify or restructure all or a portion of such indebtedness. Depending on prevailing economic conditions at the time, the Company might find it difficult to modify or restructure on attractive terms, or at all.

We may incur a substantial amount of additional indebtedness in the future. As of December 31, 2013, we had borrowed \$200 million under our \$330 million revolving credit facility. Incurrence of additional indebtedness could increase the risks associated with higher leverage. These risks include limiting our ability to make acquisitions or capital expenditures to grow our business, limiting our ability to withstand business and economic downturns, limiting our ability to invest operating cash flow in our business, and limiting our ability to pay dividends. In addition, any such indebtedness could contain terms that are more restrictive than our current facilities.

The Company is increasingly dependent on information technology and our systems and infrastructure face certain risks, including cyber security and data leakage risks.

We are increasingly dependent on information technology systems and infrastructure. Any significant breakdown, invasion, destruction or interruption of these systems by employees, others with authorized access to our systems, or unauthorized persons could negatively impact operations. There is also a risk that we could experience a business interruption, theft of information, or reputational damage as a result of a cyber-attack, such as an infiltration of a data center, or data leakage of confidential information either internally or at our third-party providers. While we have invested heavily in the protection of our data and information technology to reduce these risks, there can be no assurance that our efforts will prevent breakdowns or breaches. If we experience such a breach or breakdown, it could have a material adverse effect on our business, financial position and results of operations.

The Company is subject to legal proceedings and legal compliance risks, and has been named as defendant in a large number of suits relating to the actual or alleged exposure to asbestos-containing products

We are subject to a variety of legal proceedings. Pending proceedings that the Company determines are material are disclosed in Note 17 to the Consolidated Financial Statements in Item 8, which is incorporated herein by reference. Litigation is an inherently unpredictable process and unanticipated negative outcomes are always possible. An adverse outcome in any period could have an adverse impact on the Company's operating results for that period.

We are also subject to a variety of legal compliance risks. While we believe that we have adopted appropriate risk management and compliance programs, the global and diverse nature of our operations means that legal compliance risks will continue to exist and related legal proceedings and other contingencies, the outcome of which cannot be predicted with certainty, are likely to arise from time to time. Failure to resolve successfully any legal proceedings related to compliance matters could have an adverse impact on our results in any period.

Changes in actuarial assumptions and differences between actual experience and assumptions could adversely affect our pension and postretirement benefit costs and liabilities

Although we were able to reduce pension liabilities by a significant amount during 2012, as of December 31, 2013, remaining net liabilities under our defined benefit pension plans exceeded plan assets by \$35.9 million (\$11.4 million for the U.S. plan, \$24.5 million for non-U.S. plans). Additionally, the liability for unfunded postretirement welfare benefits, principally in the United States, totaled \$61.1 million. Annual expense associated with these plans, as well as annual cash contributions, are subject to a number of variables, including discount rates, return on plan assets, mortality, and differences between actuarial assumptions and actual experience. In 2012, we settled certain pension obligations in the United States, Canada and Sweden, which led to charges

totaling \$119.7 million. If we were to take actions to settle additional pension or postretirement plan liabilities in the future, we could incur significant additional charges in the periods in which such actions were taken.

Although the Company has taken actions to hedge certain pension plan assets to the pension liabilities, weakness in investment returns on plan assets, changes in discount rates or actuarial assumptions, and actual future experience could result in higher benefit plan expense and the need to increase pension plan contributions in future years, which could have a material effect on our financial condition and results of operations in future periods.

The Company is exposed to the risk of increased expense in health-care related costs

We are largely self-insured for some employee and business risks, including health care and workers' compensation programs in the United States. Losses under all of these programs are accrued based upon estimates of the ultimate liability for claims reported and an estimate of claims incurred but not reported, with assistance from third-party actuaries and service providers. However, these liabilities are difficult to assess and estimate due to unknown factors, including the severity of an illness or injury and the number of incidents not reported. The accruals are based upon known facts and historical trends, and management believes such accruals to be adequate. The Company also maintains stop-loss insurance policies to protect against catastrophic claims above certain limits. If actual results significantly differ from estimates, our financial condition, results of operations, and cash flows could be materially impacted by losses under these programs, as well as higher stop-loss premiums in future periods.

Changes in or interpretations of tax rules, structures, country profitability mix, and regulations may adversely affect our effective tax rates

We are a United States-based multinational company subject to tax in the United States and foreign tax jurisdictions. Unanticipated changes in our tax rates, or tax policies of the countries in which we operate, could affect our future results of operations. Our future effective tax rates could be unfavorably affected by changes in or interpretation of tax rules and regulations in the jurisdictions in which we do business, by structural changes in the Company's businesses, by unanticipated decreases in the amount of revenue or earnings in countries with low statutory tax rates, or by changes in the valuation of our deferred tax assets and liabilities.

The Company has substantial deferred tax assets that could become impaired and result in a charge to earnings

The Company has deferred tax assets in several tax jurisdictions, including a U.S. asset of approximately \$73.2 million at December 31, 2013. Realization of this and other deferred tax assets is dependent upon many factors, including generation of future income in specific countries. Lower than expected operating results, organizational changes, or changes in tax laws could result in those deferred tax assets becoming impaired, thus resulting in a charge to earnings.

Our business could be adversely affected by adverse outcomes of pending tax matters

The Company is currently under audit in a non-U.S. taxing jurisdiction, and the Company's position on certain tax matters are being contested by tax authorities in this country. (This is discussed in Note 8 to the Consolidated Financial Statements in Item 8, which is incorporated herein by reference.) While the Company believes that its position is correct and that it has reserved adequately for such matter, a final adverse outcome with respect to this matter could have a material adverse impact on the Company's results in any period in which it occurs.

The Company's insurance coverage may be inadequate to cover other significant risk exposures

In addition to asbestos-related claims, the Company may be exposed to other liabilities related to the products and services we provide. AEC is engaged in designing, developing, and manufacturing components for commercial jet aircraft and defense and technology systems and products. We expect this portion of the business to grow in future periods. Although we maintain insurance for the risks associated with this business, there can be no assurance that the amount of our insurance coverage will be adequate to cover all claims or liabilities. In addition, there can be no assurance that insurance coverage will continue to be available to us in the future at a cost that is acceptable. Any material liability not covered by insurance could have a material adverse effect on our business, financial condition, and results of operations.

In addition to the general risks that the Company already faces outside the U.S., the Company now conducts more of its manufacturing operations in emerging markets than it did in the past, which could involve many uncertainties

We currently have manufacturing facilities outside the U.S. In 2013, 55.3% of consolidated net sales were generated by our non-U.S. subsidiaries. Operations outside of the U.S. are subject to a number of risks and uncertainties, including: governments may impose limitations on our ability to repatriate funds; governments may impose withholding or other taxes on remittances and other payments from our non-U.S. operations, or the amount of any such taxes may increase; an outbreak or escalation of any insurrection or armed conflict may occur; governments may seek to nationalize our assets; or governments may impose or increase investment barriers or other restrictions affecting our business. In addition, emerging markets pose other uncertainties, including the protection of our intellectual property, pressure on the pricing of our products, and risks of political instability. The occurrence of any of these conditions could disrupt our business or prevent us from conducting business in particular countries or regions of the world.

Our global presence subjects us to certain risks, including controls on foreign exchange and the repatriation of funds. However, we have been able to repatriate current earnings in excess of working capital requirements from certain countries in which we operate without substantial governmental restrictions and do not foresee any material changes in our ability to continue to do so in the future. In addition, we believe that the risks associated with our operations outside the United States are no greater than those normally associated with doing business in those locations.

The Company is subject to laws and regulations worldwide, changes to which could increase our costs and have a material adverse effect on our financial condition or results of operations

The Company is subject to laws and regulations relating to employment practices and benefits, taxes, import and export matters, corruption, foreign-exchange controls, competition, workplace health and safety, intellectual property, health-care, the environment and other areas. These laws and regulations have a significant impact on our domestic and international operations.

We incur significant expenses to comply with laws and regulations. Changes or additions to laws and regulations, including those related to climate change, could increase these expenses, which could have an adverse impact on our financial condition and results of operations. Such changes could also have an adverse impact on our customers and suppliers, which in turn could adversely impact the Company.

While we have implemented policies and training programs designed to ensure compliance, there can be no assurance that our employees or agents will not violate such laws, regulations or policies, which could have a material adverse impact on our financial condition or results of operations.

Item 1B. UNRESOLVED STAFF COMMENTS

None.

Item 2. PROPERTIES

Our principal manufacturing facilities are located in Brazil, Canada, China, France, Germany, Italy, Mexico, South Korea, Sweden, the United Kingdom, and the United States. The aggregate square footage of our operating facilities in the United States and Canada is approximately 2.0 million square feet, of which 1.6 million square feet are owned and 0.4 million square feet are leased. Our facilities located outside the United States and Canada comprise approximately 2.6 million square feet, of which 2.4 million square feet are owned and 0.2 million square feet are leased. We consider these facilities to be in good condition and suitable for our purpose. The capacity associated with these facilities is adequate to meet production levels required and anticipated through 2014.

Item 3. LEGAL PROCEEDINGS

The information set forth above under Note 17 to the Consolidated Financial Statements in Item 8, which is incorporated herein by reference.

Item 4. MINE SAFETY DISCLOSURES

None.

PART II

Item 5. MARKET FOR THE REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS, AND ISSUER PURCHASES OF EQUITY SECURITIES

We have two classes of Common Stock, Class A Common Stock and Class B Common Stock, each with a par value of \$0.001 and equal liquidation rights. Our Class A Common Stock is principally traded on the New York Stock Exchange under the symbol AIN. As of December 31, 2013, there were approximately 6,200 beneficial owners of our Class A Common Stock, including employees owning shares through our 401(k) defined contribution plan. Our Class B Common Stock does not trade publicly. As of December 31, 2013, there were 17 holders of Class B Common Stock. Dividends are paid equally on shares of each class. Our cash dividends, and the high and low prices per share of our Class A Common Stock, were as follows for the periods presented:

<u>Quarter Ended</u>	<u>March 31</u>	<u>June 30</u>	<u>September 30</u>	<u>December 31</u>
2013				
Cash dividends per share	\$0.14	\$0.15	\$0.15	\$0.15
Class A Common Stock prices:				
High	\$29.87	\$33.90	\$36.53	\$37.25
Low	\$23.21	\$27.48	\$32.27	\$33.81
2012				
Cash dividends per share	\$0.13	\$0.14	\$0.14	\$0.14
Class A Common Stock prices:				
High	\$25.90	\$24.70	\$22.78	\$22.68
Low	\$22.35	\$17.15	\$17.66	\$20.11

Restrictions on dividends and other distributions are described in Note 14 of the Consolidated Financial Statements in Item 8, which is incorporated herein by reference.

Disclosures of securities authorized for issuance under equity compensation plans and the performance graph are included under Item 12 of this Form 10-K.

In August 2006, we announced that the Board of Directors authorized management to purchase up to 2 million additional shares of our Class A Common Stock. The Board's action authorized management to purchase shares from time to time, in the open market or otherwise, whenever it believes such purchase to be advantageous to our shareholders, and it is otherwise legally permitted to do so. Management has made no share purchases under that authorization.

Item 6. SELECTED FINANCIAL DATA

The following selected historical financial data have been derived from our Consolidated Financial Statements in Item 8, which is incorporated herein by reference. The data should be read in conjunction with those financial statements and Management's Discussion and Analysis of Financial Condition and Results of Operations in Item 7, which is incorporated herein by reference.

(in thousands, except per share amounts)	2013	2012	2011	2010	2009
Summary of Operations					
Net sales (1)	\$ 757,414	\$ 760,941	\$ 787,287	\$ 742,887	\$ 718,629
Cost of goods sold (1) (3)	466,860	455,545	473,121	460,914	474,196
Restructuring and other (3)	25,108	7,061	9,317	3,747	68,113
Pension settlement charges (2)	-	119,735	-	-	-
Operating income/(loss) (1)	52,091	(44,136)	74,608	64,709	(39,720)
Interest expense, net	13,759	16,601	18,121	17,240	20,627
Income/(loss) from continuing operations (4) (6)	17,704	(40,843)	21,266	27,423	(23,532)
Income/(loss) from discontinued operations (1) (5)	(46)	71,820	13,672	10,213	(9,926)
Net income attributable to the Company	17,517	30,977	34,938	37,636	(33,458)
Basic income/(loss) from continuing operations per share	0.55	(1.30)	0.68	0.88	(0.77)
Diluted income/(loss) from continuing operations per share	0.55	(1.30)	0.67	0.88	(0.77)
Dividends declared per share	0.59	0.55	0.51	0.48	0.48
Weighted average number of shares outstanding - basic	31,649	31,356	31,262	31,072	30,612
Capital expenditures, including software	64,457	37,207	27,428	30,957	41,827
Financial position					
Cash	\$ 222,666	\$ 190,718	\$ 118,909	\$ 117,925	\$ 94,139
Property, plant and equipment, net	418,830	420,154	438,953	480,711	505,833
Total assets (1) (4)	1,166,888	1,156,697	1,230,928	1,278,293	1,345,149
Current liabilities	158,508	235,788	170,711	165,856	188,164
Long-term debt	300,111	235,877	373,125	423,634	483,894
Total noncurrent liabilities (4)	460,601	427,398	644,367	686,178	734,372
Total liabilities (1) (4)	619,109	663,186	815,078	852,034	922,536
Shareholders' equity (4) (7)	547,779	493,511	415,850	426,259	422,613

- (1) In 2012, we sold our Albany Door Systems and PrimaLoft Products business resulting in a pre-tax gain of \$92.3 million. Previously reported data for net sales, cost of sales, operating income and liabilities for years prior to 2012 have been adjusted to reflect only the activity from continuing operations.
- (2) In 2012, we took action to settle certain pension plan liabilities in the United States, Canada, and Sweden which led to charges totaling \$119.7 million.
- (3) During the period 2009 through 2013, we recorded restructuring and other charges related to cost reduction initiatives.
- (4) In 2009, we adopted new accounting guidance for convertible debt instruments that may be settled in cash upon conversion, we entered into agreements to exchange a portion of these convertible debt instruments for cash plus an equivalent amount of our Senior Notes ("New Notes"). In each case, we simultaneously entered into additional agreements to purchase the New Notes, which resulted in \$52.0 million of pretax gains on early retirement of debt.

- (5) In 2009, we recorded expenses and paid \$10.0 million for a purchase price adjustment related to the 2008 sale of the Filtration business.
- (6) Income tax expense in 2011 includes a favorable adjustment of \$3.5 million to correct errors from periods prior to 2006. The Company does not believe that the corrected item is or was material to 2011 or any previously reported quarterly or annual financial statements. As a result, the Company has not restated its previously issued annual or quarterly financial statements.
- (7) In 2013, Safran S.A. obtained a 10% noncontrolling equity interest in Albany Safran Composites, LLC (ASC) resulting in an \$18.9 million increase in shareholders' equity.

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Management's Discussion and Analysis ("MD&A") is intended to help the reader understand the results of operations and financial condition of the Company. MD&A is provided as a supplement to, and should be read in conjunction with, our Consolidated Financial Statements and the accompanying Notes.

Overview

Our reportable segments: Machine Clothing (MC) and Engineered Composites (AEC) draw on many of the same advanced textiles and materials processing capabilities, and compete on the basis of proprietary, product-based advantage that is grounded in those core capabilities. As a result, technology and manufacturing advances in one tend to benefit the other.

Machine Clothing is the Company's long-established core business and primary generator of cash. While the paper and paperboard industry in our traditional geographic markets has suffered from well-documented overcapacity in publication grades, especially newsprint, the industry is still expected to grow on a global basis, driven by demand for packaging and tissue grades, as well as the expansion of paper consumption and production in Asia and South America. We feel we are now well-positioned in these markets, with high-quality, low-cost production in growth markets, substantially lower fixed costs in mature markets, and continued strength in new product development, field services, and manufacturing technology. Although we consider the market for Machine Clothing as having flat growth potential, the business has been a significant generator of cash, and we seek to maintain the cash-generating potential of this business by maintaining the low costs that we achieved through restructuring, and competing vigorously by using our differentiated products and services to reduce our customers' total cost of operation and improve their paper quality.

We believe that AEC provides the greatest growth potential, both near and long term, for our Company. Our strategy is to grow organically by focusing our proprietary technology on high-value aerospace and defense applications that cannot be served effectively by conventional composites. AEC (including Albany Safran Composites, LLC ("ASC"), in which our customer SAFRAN Group owns a 10% noncontrolling interest) supplies a number of customers in the aerospace industry. AEC's largest aerospace customer is the SAFRAN Group. Through ASC, AEC develops and sells composite aerospace components to SAFRAN, with the most significant program at present being the production of fan blades and other components for the LEAP engine. AEC (through ASC and otherwise) is also developing other new and potentially significant composite products for aerospace (engine and airframe) applications.

Consolidated Results of Operations

Net sales

The following table summarizes our net sales by business segment:

	(in thousands, except percentages)		
Years ended December 31,	2013	2012	2011
Machine Clothing	\$ 674,747	\$ 693,176	\$ 739,211
Engineered Composites	82,667	67,765	48,076
Total	\$ 757,414	\$ 760,941	\$ 787,287
% change	-0.5%	-3.3%	

2013 vs. 2012

- Changes in currency translation rates had the effect of increasing net sales by \$1.6 million during 2013 as compared to 2012.
- Excluding the effect of changes in currency translation rates:
 - § Net sales were down 0.7% compared to 2012.
 - § Net sales in MC decreased 2.9%.
 - § Net sales in Engineered Composites increased 22.0%.
- 2012 included a change in contract terms with a North American MC customer that increased sales by \$8.0 million.

2012 vs. 2011

- Changes in currency translation rates had the effect of decreasing net sales by \$15.4 million during 2012 as compared to 2011.
- Excluding the effect of changes in currency translation rates:
 - § Net sales decreased 1.4% as compared to 2011.
 - § Net sales in MC decreased 4.1%.
 - § Net sales in Engineered Composites increased 41.0%.
- Compared to 2011, 2012 MC sales in Western Europe declined approximately 15% due to economic weakness and customer overcapacity.

Backlog

Backlog in the Machine Clothing segment was \$225.6 million at December 31, 2013, compared to \$266.8 million at December 31, 2012. The decrease reflects a trend toward shorter order-to-delivery times. Backlog in the Engineered Composites segment was \$21.7 million at December 31, 2013 compared to \$33.2 million at December 31, 2012. The backlog is generally expected to be invoiced during the next 12 months.

Gross Profit

The following table summarizes gross profit by business segment:

	(in thousands, except percentages)		
Years ended December 31,	2013	2012	2011
Machine Clothing	\$289,100	\$303,801	\$317,984
Engineered Composites	4,799	5,627	507
Unallocated expenses	(3,345)	(4,032)	(4,325)
Total	\$290,554	\$305,396	\$314,166
% of Net Sales	38.4%	40.1%	39.9%

The decrease in gross profit during 2013 was principally due to the net effect of the following:

- \$8.1 million decrease due to lower sales in North America for MC, principally due to the 2012 change in contract terms with a key customer.

- \$6.8 million decrease due to lower gross profit margin in MC resulting from lower sales volume.
- AEC 2013 gross margin was negatively affected by inventory write-offs and profitability adjustments associated with legacy programs at the Company's Boerne, Texas, facility that resulted in gross profit losses of \$2.3 million in 2013.

The decrease in gross profit during 2012 was principally due to the net effect of the following:

- \$5.9 million increase due to higher gross profit margin in MC resulting from high plant utilization in the Americas, favorable geographic sales mix, and the cumulative effect of restructuring initiatives.
- \$19.8 million decrease due to lower sales in MC, principally in Western Europe.
- An increase of \$5.1 million in Engineered Composites, principally due to higher sales related to the LEAP program.

Selling, Technical, General, and Research (STG&R)

The following table summarizes STG&R by business segment:

	(in thousands, except percentages)		
Years ended December 31,	2013	2012	2011
Machine Clothing	\$127,835	\$132,542	\$135,545
Engineered Composites	7,233	6,467	4,654
Research	30,220	27,616	29,007
Unallocated expenses	48,067	56,111	61,035
Total	\$213,355	\$222,736	\$230,241
% of Net Sales	28.2%	29.3%	29.2%

STG&R expenses for 2013 decreased \$9.4 million in comparison with 2012, principally due to the net effect of the following:

- A gain on the sale of a former manufacturing facility in Australia reduced 2013 expenses by \$3.8 million.
- Revaluation of nonfunctional currency assets and liabilities resulted in losses of \$0.3 million during 2013 and losses of \$1.6 million in 2012.
- U.S. pension expense decreased by \$1.7 million principally due to the settlement in 2012 of certain pension plan liabilities.

STG&R expenses for 2012 decreased \$7.5 million in comparison with 2011, principally due to the net effect of the following:

- Currency translation decreased STG&R by \$7.1 million as compared to 2011.
- Revaluation of nonfunctional currency assets and liabilities resulted in losses of \$1.6 million in 2012 and gains of \$2.7 million in 2011.
- Pension expense decreased by \$3.4 million as a result of settlement of certain pension plan liabilities.

- We completed our global SAP implementation in 2011. Implementation charges in 2011 were \$2.9 million. No similar expense was incurred in 2012.

Pension Plan

In 2012, we took actions to settle certain pension plan liabilities in the U.S., Canada, and Sweden leading to charges totaling \$119.7 million, which were included in Unallocated Expenses. In the first quarter of 2012, we recorded a settlement charge of \$9.2 million related to the extinguishment of our pension plan liability in Sweden. In the second quarter of 2012, we recorded settlement charges totaling \$110.6 million related to settling a majority of the defined benefit pension plan liabilities in the United States and Canada. No similar charges were incurred in 2013 or 2011.

Restructuring

In addition to the items discussed above affecting gross profit, STG&R, and pension settlement charges, operating income/(loss) was affected by restructuring costs of \$25.1 million in 2013, \$7.1 million in 2012, and \$1.3 million in 2011.

The following table summarizes restructuring expense by business segment:

	(in thousands)		
Years ended December 31,	2013	2012	2011
Machine Clothing	\$24,568	\$7,386	\$5,680
Engineered Composites	540	-	57
Unallocated expenses	-	(325)	3,580
Total	\$25,108	\$7,061	\$9,317

During the second quarter of 2013, the Company commenced a program to restructure operations at the Company's Machine Clothing production facilities in France. The restructuring, when completed, will have reduced employment by approximately 200 positions at these locations. As of December 31, 2013, approximately 150 positions had been eliminated.

Under the terms of the restructuring plan, the Company provides training, outplacement and other benefits, the costs of which are recorded as restructuring when they are incurred. In 2013, the Company recorded a curtailment gain of \$1.1 million related to the elimination of pension accruals, which reduced net restructuring expense as reflected in the above table. Such curtailment gains are recorded as employees terminate employment and, accordingly, we expect to record additional curtailment gains in 2014. The total amount of such gains has not yet been determined, but will be less than the 2013 gain. Remaining costs for this program, net of curtailment gains, are expected to be between \$3 to \$5 million, most of which we expect to be incurred in 2014. We expect the annual cost savings associated with this restructuring to be approximately \$10 million. Whereas most of the affected employees were involved in the production process, the full effect of the cost savings associated with this restructuring program will not be full realized until mid-2014.

During 2013, the Company incurred some restructuring costs in the Engineered Composites segment that were related to organizational changes and exiting certain aerospace programs.

Restructuring expenses in 2012 were principally due to a reduction in workforce in Sweden and curtailment of manufacturing in New York and Wisconsin, driven by lower demand for paper machine clothing. Those costs were partially offset by a reduction in accruals related to the Company's headquarters.

Restructuring expenses for 2011 were the result of restructuring and performance improvement plans affecting each of our reportable segments, and included actions to reduce costs and to create process efficiencies within administrative functions.

Restructuring actions taken in 2011, 2012 and 2013 have resulted in cost reductions in line with Company expectations, and have helped to maintain or improve gross profit margins, or reduce STG&R expenses. For more information on our restructuring charges, see Note 6 to the Consolidated Financial Statements in Item 8, which is incorporated herein by reference.

Operating Income/(loss)

The following table summarizes operating income/(loss) by business segment:

	(in thousands)		
Years ended December 31,	2013	2012	2011
Machine Clothing	\$136,698	\$163,873	\$176,759
Engineered Composites	(2,974)	(840)	(4,204)
Research expenses	(30,220)	(27,616)	(23,000)
Unallocated expenses-pension settlement	-	(119,735)	-
Unallocated expenses-other	(51,413)	(60,818)	(74,947)
Total	\$52,091	(\$45,136)	\$74,608

Other Earnings Items

	(in thousands)		
Years ended December 31,	2013	2012	2011
Interest expense, net	\$13,759	\$16,601	\$18,121
Other expense/(income), net	7,256	7,629	2,639
Income tax expense/(benefit)	13,372	(27,523)	32,582
(Loss)/income from discontinued operations, net of tax	(46)	71,820	13,672
Net income attributable to the noncontrolling interest	141	-	-

Interest Expense, net

Interest expense, net, decreased \$2.8 million in 2013, of which \$2.0 million was due to lower interest rates, and the remainder due to lower average debt. Interest expense, net declined \$1.5 million in 2012 principally due to a decline in net debt. See the Capital Resources section below for further discussion of borrowings and interest rates.

Other Expense/(income), net

Other expense/(income), net included the following:

- Foreign currency revaluations of cash and intercompany balances resulted in losses of \$5.2 million in 2013, \$5.7 million in 2012, and gains of \$0.1 million in 2011. The revaluation effects were principally due to the euro's relative strength against the U.S. dollar, Canadian dollar, Australian dollar, and Japanese yen.
- Bank fees and amortization of debt issuance costs were \$1.5 million, \$2.4 million, and \$1.8 million in 2013, 2012, and 2011, respectively.
- Fees for a letter-of-credit (LOC) were \$0.0 million, \$1.0 million, and \$1.5 million in 2013, 2012, and 2011, respectively. The fees were associated with an LOC required by the Canadian government for tax contingencies that were resolved in 2012.
- In July 2013, the Company's manufacturing facility in Germany was damaged by severe weather. The Company expensed the remaining book value of the damaged property, but that value was minimal. We have filed an insurance claim, but the final amount that the Company will recover has not been determined. We expect to record a gain for this involuntary conversion when the insurance claim is settled, but the amount of the gain cannot presently be determined.

Income Taxes

The Company has operations which constitute a taxable presence in 19 countries outside of the United States. All of these countries except one had income tax rates that were lower than the United States federal tax rate of 35% during the periods reported. The jurisdictional location of earnings is a significant component of our effective tax rate each year, and therefore on our overall income tax expense.

The Company's effective tax rate for fiscal years 2013, 2012, and 2011 was 43.0%, 40.3%, and 60.5%, respectively. The tax rate is affected by recurring items, such as the income tax rate in the U.S. and in non-U.S. jurisdictions and the mix of income earned in those jurisdictions. The rate is also affected by U.S. tax costs on foreign earnings that have been or will be repatriated to the U.S., and discrete items that may occur in any given year but are not consistent from year to year.

Significant items that impacted the 2013 tax rate included the following (percentages reflect the effect of each item as a percentage of income before income taxes):

- A discrete charge of \$1.8 million (5.7%) related to the settlement of a competent authority claim with U.S. and France.
- A discrete tax benefit of \$3.7 million (12.0%) related to the release of a valuation allowance on deferred tax assets.
- A \$0.1 million (0.6%) net tax benefit related to other discrete items.
- A net tax rate increase of 0.2% was recognized in 2013 from rate differences between non-U.S. and U.S. jurisdictions. Lesser earnings in jurisdictions where tax rates differ substantially from the U.S. tax rate coupled with lower tax benefits on non-U.S. restructuring charges contributed to the net tax rate increase.
- The income tax rate on continuing operations, excluding discrete items, was 49%.

Significant items that impacted the 2012 tax rate included the following:

- A \$39.5 million (57.7%) discrete income tax benefit related to pension settlements in the U.S., Canada and Sweden.
- A discrete tax benefit of \$7.1 million (10.3%) related to the settlement of a tax audit in Canada.
- A \$0.8 million (1.1%) net tax benefit related to other discrete items.
- A net tax rate reduction of 1.7% was recognized in 2012 from rate differences between non-U.S. and U.S. jurisdictions. The tax rate benefit from earnings in Switzerland and Brazil that are taxed at lower rates was offset by pension settlement and restructuring charges recognized outside the U.S. that resulted in a lower tax benefit, as compared to the benefit calculated using the U.S. notional tax rate of 35%.
- The income tax rate on continuing operations, excluding discrete items, was 39%.

Significant items that impacted the 2011 tax rate included the following:

- \$22.8 million (42.1%) of expense for valuation allowances, principally in Germany, that resulted from the Company's sale of Albany Door Systems.
- A favorable tax adjustment of \$3.5 million (6.4%) to correct errors from periods prior to 2006. (The Company does not believe that the corrected item was material to 2011 or any of the previously reported quarterly or annual financial statements. As a result, the Company has not restated its previously issued financial statements.)
- A \$3.3 million (6.2%) reduction in expense resulting from a change in the applicable tax regime in Mexico.
- A \$1.2 million (2.2%) net tax benefit related to the settlement of certain audits and other discrete tax matters.
- A net tax rate reduction of 14.3% was recognized from rate differences between non-U.S. and U.S. jurisdictions. Earnings in Switzerland and Brazil, where tax rates are lower than the U.S. notional rate of 35%, contributed to the majority of the reduction noted. U.S. tax costs on foreign earnings and foreign withholdings offset the tax rate benefits gained from operating in low tax jurisdictions by 12.8%.
- The income tax rate on continuing operations, excluding discrete items, was 33%.

Income from Discontinued Operations

In October, 2011 we entered into a contract to sell the assets and liabilities of our Albany Door Systems (ADS) business to Assa Abloy AB for \$130 million. Closing on the transaction occurred on January 11, 2012 Under the terms of the contract, Assa Abloy AB acquired our equity ownership of Albany Doors Systems GmbH in Germany, Albany Door Systems AB in Sweden, and other ADS affiliates in Germany, France, the Netherlands, Turkey, Poland, Belgium, New Zealand, and other countries, as well as the remaining ADS business assets, most of which were located in the United States, Australia, China, and Italy. In January 2012, the Company completed the sale of Albany Door Systems, and in March 2012, we finalized certain post-closing adjustments that increased the sale price by \$5 million. As of December 31, 2012, \$122 million of the total \$135 million sale price had been received, with the remainder received in July 2013.

In May 2012, we announced an agreement to sell our PrimaLoft Products business and that transaction closed on June 29, 2012. Under the terms of the agreement, the purchaser acquired all of the assets of that business, which were located in the United States, Italy and Germany. The purchase price of \$38.0 million included \$3.8 million held in escrow accounts, and which was received in 2013. The Company recorded a pre-tax gain of \$34.9 million as result of that sale.

We provided customary representations and warranties in the sale of both of these businesses, but we do not expect any material negative financial consequence will result from these arrangements. In accordance with the applicable accounting guidance for discontinued businesses, the associated results of operations and financial position are reported separately in the accompanying Consolidated Statements of Income and Balance Sheets. Cash flows of the discontinued operation were combined with cash flows from continuing operations in the Consolidated Statements of Cash Flows.

Segment Results of Operations

Machine Clothing Segment Business Environment and Trends

Machine Clothing is our primary business segment and accounted for 89% of our consolidated revenues during 2013. Machine clothing is purchased primarily by manufacturers of paper and paperboard.

According to RISI, Inc., global production of paper and paperboard is expected to grow at an annual rate of approximately 2% over the next five years, driven primarily by secular demand increases in Asia and South America, with stabilization in the mature markets of Europe and North America.

Shifting demand for paper, across different paper grades as well as across geographical regions, continues to drive the elimination of papermaking capacity in areas with significant established capacity, primarily in the mature markets of Europe and North America. At the same time, the newest, most efficient machines were being installed in areas of growing demand, including Asia and South America generally, as well as tissue and towel paper grades in all regions. Recent technological advances in Paper Machine Clothing, while contributing to the papermaking efficiency of customers, have lengthened the useful life of many of our products and had an adverse impact on overall paper machine clothing demand.

The Company's manufacturing and product platforms position us well to meet these shifting demands across product grades and geographic regions. Our strategy for meeting these challenges continues to be to grow share in all markets, with new products and technology, and to maintain our manufacturing footprint to align with global demand, while we offset the effects of inflation through continuous productivity improvement.

We have incurred significant restructuring charges in recent periods as we reduced Machine Clothing manufacturing capacity in the United States, Canada, Germany, Finland, France, the Netherlands, Sweden, and Australia.

(in thousands, except percentages)

Years ended December 31,	2013	2012	2011
Net sales	\$674,747	\$693,176	\$739,211
% change from prior year	-2.7%	-6.2%	5.4%
Gross profit	289,100	303,801	317,984
% of net sales	42.8%	43.8%	43.0%
Operating income	136,698	163,873	176,759

Net Sales

2013 vs. 2012

- Changes in currency translation rates had the effect of increasing net sales by \$1.6 million during 2013 as compared to 2012.
- Excluding the effect of changes in currency translation rates, 2013 sales decreased 2.9% as compared to 2012. The decrease principally resulted from a change in contract terms with a North American MC customer that increased 2012 sales by \$8.0 million, and from lower 2013 sales in Asia resulting from very strong sales in the first half of 2012.

2012 vs. 2011

- Changes in currency translation rates had the effect of decreasing 2012 sales by \$15.4 million.
- Excluding the effect of changes in currency translation rates, 2012 sales decreased 4.1% as compared to 2011.
- The decrease in 2012 sales was principally due to a decline of approximately 15% in Western Europe due to economic weakness and customer overcapacity.
- Sales remained relatively stable in the Americas and China.

Gross Profit

The decrease in 2013 gross profit was principally due to the net effect of the following:

- \$8.1 million decrease due to lower sales.
- \$6.8 million decrease due to lower gross profit margin, resulting from lower sales volume.

The decrease in 2012 gross profit was principally due to the net effect of the following:

- \$5.9 million increase due to higher gross profit margin, resulting from high plant utilization in the Americas, favorable geographic sales mix, and the cumulative effect of restructuring initiatives.
- \$19.8 million decrease due to lower sales, principally in Western Europe.

Operating Income/(loss)

The decrease in 2013 operating income was principally due to the net effect of the following:

- Restructuring charges of \$24.6 million in 2013 compared to \$7.4 million in 2012.
- Lower gross profit, as described above.
- Revaluation of nonfunctional currency assets and liabilities resulted in losses of \$0.3 million in 2013 compared to \$1.6 million in 2012.

The decrease in 2012 operating income was principally due to the net effect of the following:

- Lower gross profit, as described above.
- Revaluation of nonfunctional currency assets and liabilities resulted in losses of \$1.6 million in 2012 compared to gains of \$1.7 million in 2011.

Engineered Composites Segment Business Environment and Trends

The Albany Engineered Composites segment (AEC), including Albany Safran Composites, LLC (ASC), in which our customer SAFRAN Group owns a 10 percent noncontrolling interest, provides custom-designed advanced composite structures based on proprietary technology to customers in the aerospace and defense industries. AEC's largest current development program relates to the LEAP engine being developed by CFM International. Under this program, AEC, through ASC, is developing a family of composite parts, including fan blades, to be incorporated into the LEAP engine. In 2013, approximately 10 percent of this segment's sales were related to U.S. government contracts or programs.

Review of Operations

(in thousands, except percentages)

Years ended December 31,	2013	2012	2011
Net sales	\$82,667	\$67,765	\$48,076
% change from prior year	22.0%	41.0%	14.8%
Gross profit	4,799	5,627	507
% of net sales	5.8%	8.3%	1.1%
Operating income/(loss)	(2,974)	(840)	(4,204)

Net Sales

- The increase in 2013 sales over 2012 was principally due to LEAP program activities. The majority of revenue recognized for the LEAP program was earned under a cost plus fixed fee arrangement.
- The increase in 2012 sales over 2011 was principally due to LEAP program activities.
- AEC uses the percentage of completion method for long-term fixed price contracts. Revenue recognized for these contracts amounted to \$10.4 million in 2013, \$19.6 million in 2012, and \$22.2 million in 2011. The decrease in 2013 reflects a lower amount of LEAP program revenue generated by fixed price contracts.

Gross Profit

2013 vs. 2012

- AEC gross profit for 2013 was negatively affected by inventory write-offs and lower profitability associated with legacy programs at the Company's Boerne, Texas facility that resulted in gross profit losses of \$2.3 million in 2013. Those losses were partially offset by increased revenue associated with the LEAP program.

2012 vs. 2011

The increase in 2012 gross profit included the following:

- A \$4.2 million increase due to higher sales related to the LEAP program.
- Ongoing improvements in the manufacturing processes also contributed to an increase in gross profit.

Long-term contracts

In the accounting for long-term fixed price contracts, we estimate the profit margin expected at the completion of the contract and recognize a pro-rata share of that profit during the course of the contract using a cost-to-cost or units of delivery approach. Changes in estimated contract profitability will affect revenue and gross profit when the change occurs, which could have a significant favorable or unfavorable effect on revenue and gross profit in any reporting period. The table below provides a summary of long-term contracts that were in process at the end of each year.

(in thousands)

As of December 31,	2013	2012	2011
Total value of contracts in process	\$9,690	\$37,937	\$37,127
Revenue recognized to date	7,776	26,319	18,456
Revenue to be recognized in future periods	1,914	11,618	18,671

Operating Income/(loss)

2013 operating income/(loss) decreased principally due to the decrease in gross profit as described above.

2012 operating income/(loss) improved principally due to the increase in gross profit as described above.

Liquidity and Capital Resources

Cash Flow Summary

For the years ended December 31,	(in thousands)		
	2013	2012	2011
Net income	\$17,658	\$30,977	\$34,938
Depreciation and amortization	63,789	63,235	66,385
Changes in working capital	(1,511)	34,085	(1,086)
Gain on disposition of assets	(3,763)	(92,457)	(1,022)
Changes in long-term liabilities, deferred taxes and other credits	(12,261)	(123,887)	237
Write-off of pension liability adjustment	-	118,350	-
Other operating items	(1,281)	4,204	5,817
Net cash provided by operating activities	62,631	34,507	105,269
Net cash provided by/(used in) investing activities	(41,392)	113,447	(25,820)
Net cash provided by/(used in) financing activities	3,865	(76,064)	(65,923)
Effect of exchange rate changes on cash flows	6,844	(81)	(3,373)
Increase in cash and cash equivalents	31,948	71,809	10,153
Change in cash balances of discontinued operations	-	-	(9,169)
Cash and cash equivalents at beginning of year	190,718	118,909	117,925
Cash and cash equivalents at end of year	\$222,666	\$190,718	\$118,909

Operating activities

Cash provided by operating activities was \$62.6 million in 2013 compared to \$34.5 million for 2012. Cash flow in 2012 was heavily influenced by contributions to pension plans, which is included in changes in long-term liabilities, deferred taxes and other credits in the above table. As part of the Company's plan to fund or settle part of our pension liabilities in the U.S., Canada, and Sweden, \$30 million of cash was used to settle Swedish pension liabilities and we contributed \$68 million to pension plans in the United States and Canada as part of settling more than half of those pension liabilities. As a result of the settlement activities, we recorded total settlement expense of \$119.7 million in 2012, which included the write-off of \$118.4 million of deferred pension charges that were previously recorded in Other comprehensive income. Changes in working capital used cash flow of \$1.5 million in 2013, compared to cash flow generation of \$34.1 million in 2012, principally resulting from higher payments for income taxes offset by a decrease in Accounts receivable of \$8.9 million and an increase in Inventories of \$5.7 million. Cash paid for income taxes was \$29.4 million, \$15.1 million, and \$13.7 million in 2013, 2012 and 2011, respectively. Cash paid for restructuring was \$22.4 million, \$9.7 million, and \$2.7 million in 2013, 2012 and 2011, respectively.

At December 31, 2013, the Company had \$222.7 million of cash and cash equivalents, of which \$177.7 million was held by subsidiaries outside of the United States. As disclosed in Note 8 of the Notes to Consolidated Financial Statements in Item 8, which is incorporated herein by reference, we determined that all but \$11.8 million of this amount (which represents the amount of cumulative earnings expected to be repatriated to the United States at some point in the future) is intended to be utilized by these non-U.S. operations for an indefinite period of time. Our current plans do not anticipate that we will need funds generated from foreign operations to fund our domestic operations or satisfy debt obligations in the United States. In the event that such funds were to be needed to fund operations in the U.S., and if associated accruals for U.S. tax have not already been provided, we would be required to accrue and pay additional U.S. taxes to repatriate these funds.

Investing Activities

Total capital expenditures for continuing operations, including purchased software, were \$64.4 million in 2013, compared to \$37.2 million in 2012, and \$27.4 million in 2011, respectively. The increase in 2013 reflects investments in the Engineered Composites segment, for which capital expenditures were \$36.9 million in 2013, compared to \$19.0 million in 2012, and \$9.7 million in 2011, respectively. We currently expect average annual capital spending, for the entire Company, to be \$60-\$75 million in 2014, an average of \$55-\$65 million in 2015-2016, then growing to an average of \$70 million for the balance of the decade. During 2013, the Company completed the sale of its production facility in Gosford, Australia, resulting in net proceeds of \$6.3 million.

In January 2012, the Company completed the sale of Albany Door Systems, and in March 2012, we finalized certain post-closing adjustments that increased the sale price by \$5 million. As of December 31, 2012, \$122 million of the total \$135 million sale price had been received, and the remaining \$13.0 million was received in July 2013. During Q2 2012, the Company completed the sale of PrimaLoft Products business. Of the \$38 million sale price, \$34 million was received in June, with the remainder received in December 2013.

Financing Activities

Effective October 31, 2013, Safran S.A. (Safran) acquired a 10 percent equity interest in a new Albany subsidiary, Albany Safran Composites, LLC ("ASC"). Under the terms of the transaction agreements, ASC is the exclusive supplier to Safran of advanced 3D-woven composite parts for use in aircraft and rocket engines, thrust reversers and nacelles, and aircraft landing and braking systems (the "Safran Applications"). AEC remains free to develop and supply parts other than advanced 3D-woven composite parts for all aerospace applications, as well as advanced 3D-woven composite parts for any aerospace applications that are not Safran Applications (such as airframe applications) and any non-aerospace applications. AEC contributed to ASC its existing assets and operations currently dedicated to the development and production of LEAP components, and Safran contributed \$28 million in cash.

Dividends have been declared each quarter since the fourth quarter of 2001. Decisions with respect to whether a dividend will be paid, and the amount of the dividend, are made by the Board of Directors each quarter. The dividend declared in the fourth quarter of 2012 was also paid during that quarter which resulted in five dividend payments during 2012 and three dividend payments in 2013. Cash dividends paid were \$13.9 million, \$21.3 million, and \$15.6 million, in 2013, 2012, and 2011, respectively. To the extent the Board declares cash dividends in the future, we expect to pay such dividends out of operating cash flows. Future cash dividends will also depend on debt covenants and on the Board's assessment of our ability to generate sufficient cash flows.

Capital Resources

We finance our business activities primarily with cash generated from operations and borrowings, largely through our revolving credit agreement as discussed below. Our subsidiaries outside of the United States may also maintain working capital lines with local banks, but borrowings under such local facilities tend not to be significant. Substantially all of our cash balance at December 31, 2013 was held by non-U.S. subsidiaries. Based on cash on hand and credit facilities, we anticipate that the Company has sufficient capital resources to operate for the foreseeable future. We were in compliance with all debt covenants as of December 31, 2013.

On March 26, 2013, we entered into a \$330 million, unsecured Five-Year Revolving Credit Facility Agreement ("Credit Agreement"), under which \$200 million of borrowings were outstanding as of December 31, 2013. The Credit Agreement replaced the previous \$390 million five-year Credit Agreement made in 2010. The applicable interest rate for borrowings under the Credit Agreement, as well as under the former agreement, is LIBOR plus a spread, based on our leverage ratio at the time of borrowing. At the time of the last borrowing on December 23, 2013, the spread was 1.375%. The spread is based on a pricing grid, which ranges from 1.25% to 1.875%, based on our leverage ratio. The Company also amended its note agreement with Prudential to

substantially conform the financial and other covenants to the Credit Agreement. The total cost for the amendments was \$1.6 million. For more information on our borrowings, see Note 14 to the Consolidated Financial Statements in Item 8, which is incorporated herein by reference.

On July 16, 2010, we entered into interest rate hedging transactions that have the effect of fixing the LIBOR portion of the effective interest rate (before addition of the spread) on \$105 million of the indebtedness drawn under the Credit Agreement at the rate of 2.04% until July 16, 2015. Under the terms of these transactions, we pay the fixed rate of 2.04% and the counterparties pay a floating rate based on the three-month LIBOR rate at each quarterly calculation date, which on October 16, 2013 was 0.25%. The net effect is to fix the effective interest rate on \$105 million of indebtedness at 2.04%, plus the applicable spread, until these swap agreements expire. On December 31, 2013, the all-in rate on the \$105 million of debt was 3.415%.

On May 20, 2013, we entered into interest rate hedging transactions for the period July 16, 2015 through March 16, 2018. These transactions have the effect of fixing the LIBOR portion of the effective interest rate (before addition of the spread) on \$110 million of indebtedness drawn under the Credit Agreement at the rate of 1.414% during this period. Under the terms of these transactions, we pay the fixed rate of 1.414% and the counterparties pay a floating rate based on the one-month LIBOR rate at each monthly calculation date, which on December 31, 2013 was 0.17%. The net effect is to fix the effective interest rate on \$110 million of indebtedness at 1.414%, plus the applicable spread, during the swap period. As of December 31, 2013, our leverage ratio was 1.78 to 1.00 and our interest coverage ratio was 8.85 to 1.00. We may purchase our Common Stock or pay dividends to the extent our leverage ratio remains at or below 3.50 to 1.00, and may make acquisitions with cash provided our leverage ratio would not exceed 3.50 to 1.00 after giving pro forma effect to the acquisition.

These interest rate swaps are accounted for as hedges of future cash flows. For more information on our interest rate swaps, see Note 14 to the Consolidated Financial Statements in item 8, which is incorporated herein by reference.

Off-Balance Sheet Arrangements

As of December 31, 2013, we have no off-balance sheet arrangements required to be disclosed pursuant to Item 303(a)(4) of Regulation S-K.

Contractual Obligations

As of December 31, 2013, we have the following cash flow obligations:

(in millions)	Total	Payments Due by Period			
		Less than one year	One to three years	Three to five years	After five years
Total debt	\$304.5	\$4.5	\$50.0	\$250.0	\$-
Interest payments (a)	39.5	12.1	19.0	8.4	-
Pension plan contributions (b)	6.4	6.4	-	-	-
Other postretirement benefits (c)	61.1	5.1	9.5	8.8	37.7
Restructuring accruals	9.7	9.7	-	-	-
Other noncurrent liabilities (d)	-	-	-	-	-
Operating leases	10.5	4.4	4.1	0.6	1.4
Totals	\$431.7	\$42.2	\$82.6	\$267.8	\$39.1

- (a) The terms of variable-rate debt arrangements, including interest rates and maturities, are included in Note 14 of Notes to Consolidated Financial Statements. The interest payments are based on the assumption that we maintain \$200.0 million of variable rate debt until the March 2013 credit agreement matures on March 26, 2018, and the rate as of December 31, 2013 (2.53%) continues until July 16, 2015, then continues at 2.23% until maturity. Both rates include the effects of interest rate hedging transactions.
- (b) We estimate that our 2014 contributions to defined benefit pension plans and pension benefits to be paid directly by the company to be \$6.4 million. However, that estimate is subject to revision based on many factors. The amount of contributions after 2014 is subject to many variables, including return of pension plan assets, interest rates, and tax and employee benefit laws. Therefore, contributions beyond 2014 are not included in this schedule.
- (c) Estimated cash outflow for other postretirement benefits is consistent with the expected benefit payments as presented in Note 5 of Notes to Consolidated Financial Statements in Item 8.
- (d) Estimated payments for deferred compensation, taxes, and other noncurrent liabilities are not included in this table due to the uncertain timing of the ultimate cash settlement. Also, this table does not reflect unrecognized tax benefits of \$12.5 million, the timing of which is uncertain. Refer to Note 8 of the Consolidated Financial Statements in Item 8, which is incorporated herein by reference, for additional discussion on unrecognized tax benefits.

The foregoing table should not be deemed to represent all of our future cash requirements, which will vary based on our future needs. While the cash required to satisfy the obligations set forth in the table is reasonably determinable in advance, many other cash needs, such as raw materials costs, payroll, and taxes, are dependent on future events and are harder to predict. In addition, while the contingencies described in Note 17 of Notes to Consolidated Financial Statements are not currently anticipated to have a material adverse effect on our Company, there can be no assurance that this may not change. Subject to the foregoing, we currently expect that cash from operations and the other sources of liquidity described above will be sufficient to enable us to meet the foregoing cash obligations, as well as to meet our other cash requirements.

Recent Accounting Pronouncements

The information set forth above may be found under Item 8. Financial Statements and Supplementary Data, Note 1, which is incorporated herein by reference.

Critical Accounting Estimates

For the discussion on our accounting policies, see Item 8. Financial Statements and Supplementary Data, Note 1, which is incorporated herein by reference. The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make assumptions and estimates that directly affect the amounts reported in the Consolidated Financial Statements. Each of these assumptions is subject to uncertainties and changes in those assumptions or judgments can affect our results of operations. In addition to the accounting policies stated in Item 8. Financial Statements and Supplementary Data, Note 1, financial statement amounts and disclosures are significantly influenced by market factors, judgments and estimates as described below.

Revenue Recognition

A significant portion of AEC's revenue is derived from fixed price contracts that are accounted for using the percentage of completion method. For these contracts, we estimate the profit margin expected at the completion of the contract and recognize a pro-rata share of that profit during the course of the contract using a cost-to-cost or units of delivery approach, depending on the type of contract. Changes in estimated contract profitability will affect revenue and gross profit when

the change occurs, which could have a significant favorable or unfavorable effect on revenue and gross profit in any reporting period. The Engineered Composites segment has some long-term aerospace contracts under which there are two phases: a phase during which the production part is designed and tested, and a phase of supplying production parts. Certain costs are capitalized during the first phase, such as costs for engineering, equipment, and inventory, where recovery is probable. Revenue will be recognized during the second phase using a percentage of completion method. Accumulated capitalized costs are written-off when those costs are determined to be unrecoverable. Also, refer to information under *Long-term Contracts* in Item 7 *Management's Discussion and Analysis* of this Form 10-K, which is incorporated herein by reference.

Health Care Liabilities

The Company is self-insured for some employee and business risks, including health care and workers' compensation programs in the United States. Losses under all of these programs are accrued based on estimates of the ultimate liability for claims reported and an estimate of claims incurred but not reported, with assistance from third-party actuaries and service providers. However, these liabilities are difficult to assess and estimate due to unknown factors, including the severity of an illness or injury and the number of incidents not reported. The accruals are based upon known facts and historical trends, and management believes such accruals to be adequate. If actual results significantly differ from estimates used to calculate the liability, the Company's financial condition, results of operations and cash flows could be materially impacted by losses under these programs, as well as higher stop-loss premiums in future periods.

Pension and Postretirement Liabilities

The Company has pension and postretirement benefit costs and liabilities that are developed from actuarial valuations. Inherent in these valuations are key assumptions, including discount rates and expected return on plan assets, which are updated on an annual basis. As of December 31, 2013, net liabilities under our defined benefit pension plans exceeded plan assets by \$35.9 million, of which \$24.5 million was for plans outside of the U.S. Additionally, at December 31, 2013 postretirement liabilities totaled \$61.1 million, substantially all of which related to our U.S. plan. As of December 31, 2013, we have unrecognized net losses of \$74.8 million for pension plans, and an unrecognized net gain of \$3.2 million for postretirement benefit plans that will be amortized in future periods. The unrecognized net loss in pension plans is primarily attributable to past changes in interest rates and unfavorable investment returns in 2008.

We are required to consider current market conditions, including changes in interest rates, in making these assumptions. We anticipate 2014 employer contributions and direct employment payments of \$6.4 million for pension plans and \$5.1 million for postretirement benefit plans. Changes in the related pension and postretirement benefit costs or credits may occur in the future due to changes in the assumptions. The amount of annual pension plan funding and annual expense is subject to many variables, including the investment return on pension plan assets and interest rates, and actual contributions could vary significantly. Assumptions used for determining pension plan liabilities and expenses are evaluated and updated at least annually.

Contingencies

We have contingent liabilities for litigation, claims, and assessments that result from the ordinary course of business. These matters are more fully described in Note 17 of the Consolidated Financial Statements in Item 8.

Financial Assets and Liabilities

We have certain financial assets and liabilities that are measured at fair value on a recurring basis, in accordance with the applicable accounting guidance. Fair values are based on assumptions that market participants would use in pricing an asset or liability, which include review of observable inputs, market quotes, and assumptions of expected cash flows. In certain cases this determination of value may require some level of valuation analysis, interpretation of information, and judgment. As these key observable inputs and assumptions change in future periods, the Company will update its valuation to reflect market conditions.

We may enter into hedging transactions from time to time in order to mitigate volatility in cash flows, which can be caused by changes in currency exchange rates. To qualify for hedge accounting under the applicable accounting guidance, the hedging relationship between the hedging instrument and the hedged item must be effective in achieving the offset of changes that are attributable to the hedged risk, both at the inception of the hedge and on a continuing basis until maturity or settlement of the hedging instrument. Hedge effectiveness, which would be tested by the Company periodically, is dependent upon market factors and changes in currency exchange rates, which are unpredictable. In the event that the hedged item falls below the hedging instrument, any gains or losses related to the ineffective portion of the hedge will be recognized in the current period in earnings.

Non-GAAP Measures

This Form 10-K contains certain items, such as earnings before interest, taxes, depreciation and amortization (EBITDA), Adjusted EBITDA, sales excluding currency effects, income tax rate exclusive of income tax adjustments, net debt, and certain income and expense items on a per share basis that could be considered non-GAAP financial measures. Such items are provided because management believes that, when presented together with the GAAP items to which they relate, they provide additional useful information to investors regarding the Company's operational performance. Presenting increases or decreases in sales, after currency effects are excluded, can give management and investors insight into underlying sales trends. An understanding of the impact in a particular quarter of specific restructuring costs, or other gains and losses, on operating income or EBITDA can give management and investors additional insight into quarterly performance, especially when compared to quarters in which such items had a greater or lesser effect, or no effect. All non-GAAP financial measures in this release relate to the Company's continuing operations.

The effect of changes in currency translation rates is calculated by converting amounts reported in local currencies into U.S. dollars at the exchange rate of a prior period. That amount is then compared to the U.S. dollar amount reported in the current period. The Company calculates Income tax adjustments by adding discrete tax items to the effect of a change in tax rate for the reporting period. The Company calculates its Income tax rate, exclusive of Income tax adjustments, by removing Income tax adjustments from total Income tax expense, then dividing that result by Income before tax. The Company calculates EBITDA by removing the following from Net income: Interest expense net, Income taxes, Depreciation and Amortization, and Income or loss from Discontinued Operations. Adjusted EBITDA is calculated by adding to EBITDA, costs associated with restructuring and pension settlement charges, adding or subtracting revaluation losses or gains, subtracting building sale gains, and subtracting Income attributable to the noncontrolling interest. The Company believes that EBITDA and Adjusted EBITDA provide useful information to investors because they provide an indication of the strength and performance of the Company's ongoing business operations, including its ability to fund discretionary spending such as capital expenditures and strategic investments, as well as its ability to incur and service debt. While depreciation and amortization are operating costs under GAAP, they are non-cash expenses equal to current period allocation of costs associated with capital and other long-lived investments made in prior periods. While restructuring expenses, foreign currency revaluation losses or gains, pension settlement charges, and building sale gains have an impact on the Company's net income, removing

them from EBITDA can provide, in the opinion of the Company, a better measure of operating performance. EBITDA is also a calculation commonly used by investors and analysts to evaluate and compare the periodic and future operating performance and value of companies. EBITDA, as defined by the Company, may not be similar to EBITDA measures of other companies. Such EBITDA measures may not be considered measurements under GAAP, and should be considered in addition to, but not as substitutes for, the information contained in the Company's statements of income.

The following tables show the calculation of EBITDA and Adjusted EBITDA:

(in thousands)

Years ended December 31,	2013	2012	2011
Net income	\$17,658	\$30,977	\$34,938
Loss/(income) from discontinued operations	46	(71,820)	(13,672)
Interest expense, net	13,759	16,601	18,121
Income tax expense/(benefit)	13,372	(27,523)	32,582
Depreciation and amortization	63,789	63,067	63,812
EBITDA	108,624	11,302	135,781
Restructuring and other, net	25,108	7,061	9,317
Foreign currency revaluation losses/(gains)	5,567	7,350	(2,761)
Gain on sale of former manufacturing facilities	(3,763)	-	(1,008)
Pension settlement expense	-	119,735	-
Income attributable to noncontrolling interest in ASC	(141)	-	-
Adjusted EBITDA	\$135,395	\$145,448	\$141,329

(in thousands)

Year ended December 31, 2013	Machine Clothing	AEC	Research and Unallocated	Total Company
Net income	\$136,698	(\$2,974)	(\$116,066)	\$17,658
Loss from discontinued operations	-	-	46	46
Interest expense, net	-	-	13,759	13,759
Income tax expense	-	-	13,372	13,372
Depreciation and amortization	45,237	7,640	10,912	63,789
EBITDA	181,935	4,666	(77,977)	108,624
Restructuring and other, net	24,568	540	-	25,108
Foreign currency revaluation losses	295	41	5,231	5,567
Gain on sale of former manufacturing facilities	-	-	(3,763)	(3,763)
Income attributable to noncontrolling interest in ASC	-	(141)	-	(141)
Adjusted EBITDA	\$206,798	\$5,106	(\$76,509)	\$135,395

(in thousands)

Year ended December 31, 2012	Machine Clothing	AEC	Research and Unallocated	Total Company
Net income	\$163,873	(\$840)	(\$132,056)	\$30,977
Income from discontinued operations			(71,820)	(71,820)
Interest expense, net	-	-	16,601	16,601
Income tax benefit	-	-	(27,523)	(27,523)
Depreciation and amortization	46,843	5,920	10,304	63,067
EBITDA	210,716	5,080	(204,494)	11,302
Restructuring and other, net	7,386	-	(325)	7,061
Foreign currency revaluation losses	1,633	2	5,715	7,350
Pension plan settlement charges	-	-	119,735	119,735
Income attributable to noncontrolling interest in ASC	-	-	-	-
Adjusted EBITDA	\$219,735	\$5,082	(\$79,369)	\$145,448

(in thousands)

Year ended December 31, 2011	Machine Clothing	AEC	Research and Unallocated	Total Company
Net income	\$176,759	(\$4,204)	(\$137,617)	\$34,938
Income from discontinued operations			(13,672)	(13,672)
Interest expense, net	-	-	18,121	18,121
Income tax expense	-	-	32,582	32,582
Depreciation and amortization	48,181	4,959	10,672	63,812
EBITDA	224,940	755	(89,914)	135,781
Restructuring and other, net	5,680	57	3,580	9,317
Foreign currency revaluation gains	(2,685)	1	(77)	(2,761)
Gain on sale of former manufacturing facilities	-	-	(1,008)	(1,008)
Income attributable to noncontrolling interest in ASC	-	-	-	-
Adjusted EBITDA	\$227,935	\$813	(\$87,419)	\$141,329

We disclose certain income and expense items on a per share basis. We believe that such disclosures provide important insight into the underlying earnings and are financial performance metrics commonly used by investors. We calculate the per share amount for items included in continuing operations by using the effective tax rate utilized during the applicable reporting period and the weighted average number of shares outstanding for the period.

The following tables show the earnings per share effect of certain income and expense items:

(in thousands, except per share amounts)

Year ended December 31, 2013	Pre tax Amounts	Tax Effect	After tax Effect	Shares Outstanding	Per Share Effect
Restructuring and other, net	\$25,108	\$12,253	\$12,855	31,649	\$0.41
Foreign currency revaluation losses	5,567	2,717	2,850	31,649	0.09
Gain on sale of former manufacturing facility	3,763	1,836	1,927	31,649	0.06
Net favorable discrete tax adjustments	-	1,800	1,800	31,649	0.06

(in thousands, except per share amounts)

Year ended December 31, 2012	Pre tax Amounts	Tax Effect	After tax Effect	Shares Outstanding	Per Share Effect
Restructuring and other, net	\$7,061	\$2,718	\$4,343	31,356	\$0.14
Foreign currency revaluation losses	7,350	2,830	4,520	31,356	0.14
Pension plan settlement charges	119,735	39,460	80,275	31,356	2.56
Net favorable discrete tax adjustments	-	7,833	7,833	31,356	0.25

(in thousands, except per share amounts)

Year ended December 31, 2011	Pre tax Amounts	Tax Effect	After tax Effect	Shares Outstanding	Per Share Effect
Restructuring and other, net	\$9,317	\$3,084	\$6,233	31,262	\$0.20
Foreign currency revaluation gains	2,761	914	1,847	31,262	0.06
Gain on sale of buildings	1,008	334	674	31,262	0.02
Net unfavorable discrete tax adjustments	-	14,768	14,768	31,262	0.47

The following table contains the calculation of net debt:

(in thousands)	December 31, 2013	December 31, 2012
Notes and loans payable	\$625	\$586
Current maturities of long-term debt	3,764	83,276
Long-term debt	300,111	235,877
Total debt	304,500	319,739
Cash	222,666	190,718
Net debt	\$81,834	\$129,021

Item 7a. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

We have market risk with respect to foreign currency exchange rates and interest rates. The market risk is the potential loss arising from adverse changes in these rates as discussed below.

Foreign Currency Exchange Rate Risk

We have manufacturing plants and sales transactions worldwide and therefore are subject to foreign currency risk. This risk is composed of both potential losses from the translation of foreign currency financial statements and the remeasurement of foreign currency transactions. To manage this risk, we periodically enter into forward exchange contracts either to hedge the net assets of a foreign investment or to provide an economic hedge against future cash flows. The total net assets of non-U.S. operations and long-term intercompany loans denominated in nonfunctional currencies subject to potential loss amount to approximately \$589.7 million. The potential loss in fair value resulting from a hypothetical 10% adverse change in quoted foreign currency exchange rates amounts to \$59.0 million. Furthermore, related to foreign currency transactions, we have exposure to various nonfunctional currency balances totaling \$121.6 million. This amount includes, on an absolute basis, exposures to assets and liabilities held in currencies other than our local entity's functional currency. On a net basis, we had \$52.9 million of foreign currency liabilities as of December 31, 2013. As currency rates change, these nonfunctional currency balances are revalued, and the corresponding adjustment is recorded in the income statement. A hypothetical change of 10% in currency rates could result in an adjustment to the income statement of approximately \$5.3 million. Actual results may differ.

Interest Rate Risk

We are exposed to interest rate fluctuations with respect to our variable rate debt, depending on general economic conditions.

On December 31, 2013, we had the following variable rate debt:

(in thousands, except interest rates)

Short-term debt

Notes payable, end of period interest rate of 1.16% \$625

Long-term debt

Credit agreement with borrowings outstanding, net of \$110 million fixed rate portion, at an end of period interest rate of 1.55% in 2013, due in 2018 95,000

Various notes and mortgages relative to operations principally outside the United States, at an average end of period rate of 3.02% in 2013, due in varying amounts through 2014 3,750

Total \$99,375

Assuming borrowings were outstanding for an entire year, an increase/decrease of one percentage point in weighted average interest rates would increase/decrease interest expense by \$1.0 million. To manage interest rate risk, we may periodically enter into interest rate swap agreements to effectively fix the interest rates on variable debt to a specific rate for a period of time.

Item 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

INDEX TO CONSOLIDATED FINANCIAL STATEMENTS

Report of Independent Registered Public Accounting Firm

Consolidated Statements of Income for the years ended

December 31, 2013, 2012, and 2011

Consolidated Statements of Comprehensive Income for the years ended

December 31, 2013, 2012, and 2011

Consolidated Balance Sheets as of December 31, 2013 and 2012

Consolidated Statements of Cash Flows for the years ended

December 31, 2013, 2012, and 2011

Notes to Consolidated Financial Statements

Report of Independent Registered Public Accounting Firm

To the Board of Directors and Shareholders of Albany International Corp.:

In our opinion, the accompanying consolidated balance sheets and consolidated statements of income, comprehensive income and cash flows present fairly, in all material respects, the financial position of Albany International Corp. and its subsidiaries at December 31, 2013 and December 31, 2012, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2013 in conformity with accounting principles generally accepted in the United States of America. In addition, in our opinion, the financial statement schedule listed in the accompanying index under item 15(a)(2) presents fairly, in all material respects, the information set forth therein when read in conjunction with the related consolidated financial statements. Also in our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2013, based on criteria established in Internal Control - Integrated Framework (1992) issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). The Company's management is responsible for these financial statements and financial statement schedule, for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in Management's Report on Internal Control over Financial Reporting. Our responsibility is to express opinions on these financial statements, on the financial statement schedule, and on the Company's internal control over financial reporting based on our integrated audits. We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement and whether effective internal control over financial reporting was maintained in all material respects. Our audits of the financial statements included examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audits also included performing such other procedures as we considered necessary in the circumstances. We believe that our audits provide a reasonable basis for our opinions.

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

/s/ PricewaterhouseCoopers LLP
Albany, New York
February 26, 2014

Albany International Corp.
Consolidated Statements of Income
For the years ended December 31,
(in thousands, except per share amounts)

	2013	2012	2011
Net sales	\$757,414	\$760,941	\$787,287
Cost of goods sold	466,860	455,545	473,121
Gross profit	290,554	305,396	314,166
Selling, general and administrative expenses	157,688	169,774	174,395
Technical, product engineering, and research expenses	55,667	52,962	55,846
Restructuring and other, net	25,108	7,061	9,317
Pension settlement expense	-	119,735	-
Operating income/(loss)	52,091	(44,136)	74,608
Interest income	(1,468)	(1,517)	(2,027)
Interest expense	15,227	18,118	20,148
Other expense/(income), net	7,256	7,629	2,639
Income/(loss) before income taxes	31,076	(68,366)	53,848
Income tax expense/(benefit)	13,372	(27,523)	32,582
Income/(loss) from continuing operations	17,704	(40,843)	21,266
(Loss)/income from operations of discontinued businesses	(75)	4,776	24,101
Gain/(loss) on sale of discontinued businesses	-	92,296	-
Income tax (benefit)/expense on discontinued operations	(29)	25,252	10,429
(Loss)/income from discontinued operations	(46)	71,820	13,672
Net income	17,658	30,977	34,938
Net income attributable to the noncontrolling interest	141	-	-
Net income attributable to the Company	\$17,517	\$30,977	\$34,938
Earnings per share attributable to Company shareholders - Basic			
Income/(loss) from continuing operations	\$0.55	(\$1.30)	\$0.68
Discontinued operations	0.00	2.29	0.44
Net Income attributable to Company shareholders	\$0.55	\$0.99	\$1.12
Earnings per share attributable to Company shareholders - Diluted			
Income/(loss) from continuing operations	\$0.55	(\$1.30)	\$0.67
Discontinued operations	0.00	2.27	0.44
Net Income attributable to Company shareholders	\$0.55	\$0.97	\$1.11
Dividends declared per share	\$0.59	\$0.55	\$0.51

The accompanying notes are an integral part of the consolidated financial statements.

Albany International Corp.

Consolidated Statements of Comprehensive Income
For the years ended December 31,
(in thousands)

	2013	2012	2011
Net income	\$17,658	\$30,977	\$34,938
Other comprehensive income/(loss), before tax:			
Foreign currency translation adjustments	8,135	11,865	(13,070)
Pension and postretirement settlements and curtailments	46	118,350	327
Pension and postretirement plan remeasurement	20,500	(48,233)	(28,375)
Pension and postretirement plan amendments	7,361	-	-
Amortization of pension liability adjustments:			
Transition obligation	70	79	83
Prior service (credit)/cost	(3,905)	(3,631)	(3,629)
Net actuarial loss	6,512	7,438	8,694
Payments related to derivatives included in earnings	1,900	1,700	1,900
Derivative valuation adjustment, net of payments	1,216	(2,167)	(5,699)
Income taxes related to items of other comprehensive income:			
Pension and postretirement settlements and curtailments	(18)	(39,146)	(72)
Pension and postretirement plan remeasurement	(6,757)	14,711	6,382
Pension and postretirement plan amendments	(2,871)	-	-
Amortization of pension liability adjustment	(451)	(1,360)	(1,159)
Payments related to derivatives included in earnings	(741)	(663)	(741)
Derivative valuation adjustment	(474)	845	2,222
Comprehensive income	48,181	90,765	1,801
Comprehensive income attributable to the noncontrolling interest	-	-	-
Comprehensive income attributable to the Company	\$48,181	\$90,765	\$1,801

The accompanying notes are an integral part of the consolidated financial statements.

Albany International Corp.
Consolidated Balance Sheets
At December 31,
(in thousands, except share and per share data)

	2013	2012
Assets		
Current assets:		
Cash and cash equivalents	\$222,666	\$190,718
Accounts receivable, net	163,547	171,535
Inventories	112,739	119,183
Deferred income taxes	13,873	20,594
Prepaid expenses and other current assets	9,659	10,435
Total current assets	522,484	512,465
Property, plant and equipment, net	418,830	420,154
Intangibles	616	848
Goodwill	78,890	76,522
Income taxes receivable and deferred	119,612	123,886
Other assets	26,456	22,822
Total assets	\$1,166,888	\$1,156,697
Liabilities		
Current liabilities:		
Notes and loans payable	\$625	\$586
Accounts payable	36,397	35,117
Accrued liabilities	112,331	103,257
Current maturities of long-term debt	3,764	83,276
Income taxes payable and deferred	5,391	13,552
Total current liabilities	158,508	235,788
Long-term debt	300,111	235,877
Other noncurrent liabilities	106,014	136,012
Deferred taxes and other credits	54,476	55,509
Total liabilities	619,109	663,186
Commitments and Contingencies		
	-	-
Shareholders' Equity		
Preferred stock, par value \$5.00 per share; authorized 2,000,000 shares; none issued	-	-
Class A Common Stock, par value \$.001 per share; authorized 100,000,000 shares; issued 36,996,227 in 2013 and 36,642,204 in 2012	37	37
Class B Common Stock, par value \$.001 per share; authorized 25,000,000 shares; issued and outstanding 3,236,098 in 2013 and 2012	3	3
Additional paid-in capital	416,728	395,381
Retained earnings	434,598	435,775
Accumulated items of other comprehensive income:		
Translation adjustments	(138)	(7,659)
Pension and postretirement liability adjustments	(48,383)	(69,484)
Derivative valuation adjustment	(977)	(2,878)
Treasury stock (Class A), at cost; 8,463,635 shares in 2013 and 8,467,873 shares in 2012	(257,571)	(257,664)
Total Company shareholders' equity	544,297	493,511
Noncontrolling interest	3,482	-
Total Equity	547,779	493,511
Total liabilities and shareholders' equity	\$1,166,888	\$1,156,697

The accompanying notes are an integral part of the consolidated financial statements.

Albany International Corp.
Consolidated Statements of Cash Flows

For the years ended December 31,
(in thousands)

	2013	2012	2011
Operating Activities			
Net income	\$17,658	\$30,977	\$34,938
Adjustments to reconcile net income to net cash provided by/(used in) operating activities:			
Depreciation	57,182	56,769	57,502
Amortization	6,607	6,466	8,883
Noncash interest expense	-	1,027	753
Change in long-term liabilities, deferred taxes and other credits	(12,261)	(123,887)	237
Provision for write-off of property, plant and equipment	619	427	2,345
Write-off of pension liability adjustment due to settlement	-	118,350	-
Loss/(gain) on disposition of assets	(3,763)	(92,457)	(1,022)
Excess tax benefit of options exercised	(1,134)	(40)	(93)
Compensation and benefits paid or payable in Class A Common Stock	(766)	2,790	2,812
Changes in operating assets and liabilities, net of business divestitures:			
Accounts receivable	(8,878)	(4,990)	(12,082)
Inventories	5,739	11,565	7,105
Prepaid expenses and other current assets	545	592	314
Income taxes prepaid and receivable	5,731	9,472	(3,747)
Accounts payable	955	3,298	(1,677)
Accrued liabilities	4,628	7,616	6,124
Income taxes payable	(7,348)	7,308	2,422
Other, net	(2,883)	(776)	455
Net cash provided by operating activities	62,631	34,507	105,269
Investing Activities			
Purchases of property, plant and equipment	(61,844)	(37,046)	(24,988)
Purchased software	(2,613)	(161)	(3,692)
Proceeds from sale of assets	6,268	-	2,860
Proceeds from sale of discontinued operations, net of expenses	16,797	150,654	-
Net cash (used in)/provided by investing activities	(41,392)	113,447	(25,820)
Financing Activities			
Proceeds from borrowings	117,452	46,028	14,386
Principal payments on debt	(132,691)	(102,128)	(65,575)
Cash received for noncontrolling interest in Albany Safran Composites	28,000	-	-
Proceeds from options exercised	5,538	1,311	789
Excess tax benefit of options exercised	1,134	40	93
Debt acquisition costs	(1,639)	-	-
Dividends paid	(13,929)	(21,315)	(15,616)
Net cash provided by/(used in) financing activities	3,865	(76,064)	(65,923)
Effect of exchange rate changes on cash and cash equivalents	6,844	(81)	(3,373)
Increase in cash and cash equivalents	31,948	71,809	10,153
Change in cash balances of discontinued operations	-	-	(9,169)
Cash and cash equivalents at beginning of year	190,718	118,909	117,925
Cash and cash equivalents at end of year	\$222,666	\$190,718	\$118,909

The accompanying notes are an integral part of the consolidated financial statements.

1. Accounting Policies

Basis of Consolidation

The consolidated financial statements include the accounts of Albany International Corp. and its subsidiaries (the Company, we, us, or our) after elimination of intercompany transactions. We have a 50% interest in an entity in Russia. The consolidated financial statements include our original investment in the entity, plus our share of undistributed earnings or losses, in the account "Other Assets."

The Company owns 90 percent of the common equity of Albany Safran Composites (ASC). Additional information regarding that entity is included in Note 3, which is incorporated herein by reference.

Estimates

The preparation of the consolidated financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Estimates are used in accounting for, among other things, revenue recognition, allowances for doubtful accounts, rebates and sales allowances, inventory allowances, pension benefits, goodwill and intangible assets, contingencies and other accruals. Our estimates are based on historical experience and on various other assumptions, which are believed to be reasonable under the circumstances. Due to the inherent uncertainty involved in making estimates, actual results reported in future periods may differ from those estimates. Estimates and assumptions are reviewed periodically, and the effects of any revisions are reflected in the consolidated financial statements in the period they are determined to be necessary.

Revenue Recognition

We record sales when persuasive evidence of an arrangement exists, delivery has occurred, title has been transferred, the selling price is fixed, and collectability is reasonably assured. We include in revenue any amounts invoiced for shipping and handling. The timing of revenue recognition is dependent upon the contractual arrangement with customers. These arrangements, which may include provisions for transfer of title and guarantees of workmanship, are specific to each customer. Some of these contracts provide for a transfer of title upon delivery, or upon reaching a specific date, while other contracts provide for title transfer to occur upon consumption of the product.

Products and services provided under long-term contracts represent a significant portion of sales in the Engineered Composites segment. We have a contract with a major customer for which revenue is recognized under a cost plus fixed fee arrangement. We use the percentage of completion (actual cost to estimated cost) method for accounting for other long-term contracts. That method requires significant judgment and estimation, which could be considerably different if the underlying circumstances were to change. When adjustments in estimated contract revenues or costs are required, any changes from prior estimates are included in earnings in the period the change occurs.

The Engineered Composites segment also has long-term aerospace contracts under which there are two phases: a phase during which the production part is designed and tested, and a phase of supplying production parts. Certain costs are capitalized during the first phase, such as costs for engineering, equipment, and inventory, where recovery is probable. Revenue will be recognized during the second phase using a percentage of completion method. Accumulated capitalized costs are written off when those costs are determined to be unrecoverable. Depending on the type of contract, we determine our percentage of completion using either the cost-to-cost method, or the units of delivery method. Included in Others assets is capitalized cost of \$4.1 million as of December 31, 2013 and \$2.5 million as of December 31, 2012, principally for engineering services, that will be amortized into expense as deliveries are made in the future. Capitalized costs as of December 31, 2013

included \$3.9 million for a contract that is expected to go into production in 2014, and \$0.2 million for a contract that is already in the delivery phase.

We limit the concentration of credit risk in receivables by closely monitoring credit and collection policies. We record allowances for sales returns as a deduction in the computation of net sales. Such provisions are recorded on the basis of written communication with customers and/or historical experience. Any value added taxes that are imposed on sales transactions are excluded from net sales.

Cost of Goods Sold

Cost of goods sold includes the cost of materials, provisions for obsolete inventories, labor and supplies, shipping and handling costs, depreciation of manufacturing facilities and equipment, purchasing, receiving, warehousing, and other expenses.

Selling, General, Administrative, Technical, Product Engineering, and Research Expenses

Selling, general, administrative, technical, and product engineering expenses are primarily comprised of wages, benefits, travel, professional fees, revaluation of trade foreign currency balances, and other costs, and are expensed as incurred. Provisions for bad debts are included in selling expense. Research expenses are charged to operations as incurred and consist primarily of compensation, supplies, and professional fees incurred in connection with intellectual property.

The Engineered Composites segment participates in both Company-sponsored, and customer-funded research and development. Some customer-funded research and development may be on a cost-sharing basis, in which case amounts charged to the customer are credited against research and development expense. Expenses were reduced by \$1.4 million in 2013 and \$0.8 million in 2012 as a result of such arrangements. For customer funded research and development in which we anticipate funding to exceed expenses, we include amounts charged to the customer in net sales. Total Company research expense was \$30.2 million in 2013, \$27.6 million in 2012, and \$29.0 million in 2011.

Restructuring Expense

We may incur expenses related to restructuring of our operations, which could include employee termination costs, costs to consolidate or close facilities, or costs to terminate contractual relationships. Employee termination costs include the severance pay and social costs for periods after employee service is completed. Termination costs related to an ongoing benefit arrangement are recognized when the amount becomes probable and estimable. Termination costs related to a one-time benefit arrangement are recognized at the communication date to employees. Costs related to contract termination, relocation of employees, outplacement and the consolidation or the closure of facilities, are recognized when incurred.

Income Taxes

Deferred income taxes are recognized for the tax consequences of temporary differences by applying enacted statutory tax rates applicable for future years to differences between financial statement and tax bases of existing assets and liabilities. The effect of tax rate changes on deferred taxes is recognized in the income tax provision in the period that includes the enactment date. A tax valuation allowance is established, as needed, to reduce net deferred tax assets to the amount expected to be realized. In the event it becomes more likely than not that some or all of the deferred tax asset allowances will not be needed, the valuation allowance will be adjusted.

In the ordinary course of business there is inherent uncertainty in quantifying our income tax positions. We assess our income tax positions and record tax benefits for all years subject to examination based upon management's evaluation of the facts, circumstances, and information available at the reporting date. For those tax positions where it is more likely than not that a tax benefit will be sustained, we have determined the amount

of the tax benefit to be recognized by estimating the largest amount of tax benefit that has a greater than 50% likelihood of being realized upon ultimate settlement with a taxing authority that has full knowledge of all relevant information. For those income tax positions where it is not more-likely-than-not that a tax benefit will be sustained, no tax benefit has been recognized in the financial statements. Where applicable, associated interest and penalties has also been recognized. We recognize accrued interest and penalties related to unrecognized tax benefits as a component of income tax expense.

Discontinued Operations

The income/(loss) from discontinued operations includes operating income and expenses previously attributed to businesses that were sold in 2012 and, additionally, amounts previously reported as Unallocated expenses, and Other income/expense that were directly related to the divested businesses. Unallocated expenses attributed to the discontinued business include expenses related to global information systems. Interest expense is attributed to the discontinued business only when such expense results from direct third-party borrowings.

Earnings Per Share

Net income or loss per share is computed using the weighted average number of shares of Class A Common Stock and Class B Common Stock outstanding during each year. Diluted net income per share includes the effect of all potentially dilutive securities. If we report a net loss from continuing operations, the diluted loss is equal to the basic earnings per share calculation.

Translation of Financial Statements

Assets and liabilities of non-U.S. operations are translated at year-end rates of exchange, and the income statements are translated at the average rates of exchange for the year. Gains or losses resulting from translating non-U.S. currency financial statements are recorded in other comprehensive income and accumulated in shareholders' equity in the caption Translation adjustments.

Gains or losses resulting from cash and short-term intercompany loans and balances denominated in a currency other than the entity's local currency, forward exchange contracts that are not designated as hedges for accounting purposes, and futures contracts are generally included in income in Other expense/(income), net. Gains and losses on long-term intercompany loans not intended to be repaid in the foreseeable future are recorded in other comprehensive income. Gains and losses resulting from other balances denominated in a currency other than the entity's local currency are recorded in Selling, general, and administrative expenses.

The following table summarizes foreign currency transaction gains and losses recognized in the income statement:

(in thousands)	2013	2012	2011
Losses/(gains) included in:			
Selling, general, and administrative expenses	\$341	\$1,642	(\$2,677)
Other expense/(income), net	5,227	5,708	(84)
Total transaction losses/(gains)	\$5,568	\$7,350	(\$2,761)

Cash and Cash Equivalents

Cash and cash equivalents consist of cash and highly liquid short-term investments with original maturities of three months or less.

Accounts Receivable

Accounts receivable includes trade receivables and revenue in excess of progress billings on long-term contracts in the Engineered Composites business. The Company maintains allowances for doubtful accounts for estimated losses resulting from the inability of its customers to make required payments. The Company determines the allowance based on historical write-off experience, customer specific facts and economic conditions. If the financial condition of the Company's customers were to deteriorate, resulting in an impairment of their ability to make payments, additional allowances may be required.

As of December 31, 2013 and 2012, Accounts receivable consisted of the following:

(in thousands)	2013	2012
Trade accounts receivable	\$154,296	\$149,737
Revenue in excess of progress billings	20,525	17,105
Receivables related to the sale of discontinued businesses	-	16,555
Less: allowance for doubtful accounts	(11,274)	(11,862)
Total Accounts receivable	\$163,547	\$171,535

Inventories

Inventories are stated at the lower of cost or market, and are valued at average cost, net of reserves. The Company maintains reserves for possible impairment in the value of inventories. Such reserves can be specific to certain inventory, or general based on judgments about the overall condition of the inventory. General reserves are established based on percentage write-downs applied to aged inventories, or for inventories that are slow-moving. If actual results differ from estimates, additional inventory write-downs may be necessary. These general reserves for aged inventory are relieved through income only when the inventory is sold.

As of December 31, 2013 and 2012, inventories consisted of the following:

(in thousands)	2013	2012
Raw materials	\$25,754	\$25,082
Work in process	45,998	44,866
Finished goods	40,987	49,235
Total inventories	\$112,739	\$119,183

Property, Plant and Equipment

Property, plant and equipment are recorded at cost. Depreciation is recorded using the straight-line method over the estimated useful lives of the assets for financial reporting purposes; in some cases, accelerated methods are used for income tax purposes. Significant additions or improvements extending assets' useful lives are capitalized; normal maintenance and repair costs are expensed as incurred. The cost of fully depreciated assets remaining in use is included in the respective asset and accumulated depreciation accounts. When items are sold or retired, related gains or losses are included in net income.

Computer software purchased for internal use, at cost, is amortized on a straight-line basis over five to eight years, depending on the nature of the asset, after being placed into service, and is included in property, plant, and equipment. We capitalize internal and external costs incurred related to the software development stage. Capitalized salaries, travel, and consulting costs related to the software development amounted to \$1.1 million in 2013 and \$0.4 million in 2012.

We review the carrying value of property, plant and equipment and other long-lived assets for impairment whenever events and circumstances indicate that the carrying value of an asset may not be recoverable from the estimated future cash flows expected to result from its use and eventual disposition.

Goodwill, Intangibles, and Other Assets

Goodwill and intangible assets with indefinite useful lives are not amortized, but are tested for impairment at least annually. Goodwill represents the excess of the purchase price over the fair value of the net tangible and identifiable intangible assets acquired in each business combination. Our reporting units are consistent with our operating segments. See additional information set forth above under Note 12.

We have an investment in a company in Russia that is accounted for under the equity method of accounting and is included in Other assets. We perform regular reviews of the financial condition of the investee to determine if our investment is other than temporarily impaired. If the financial condition of the investee were to no longer support their valuation, we would record an impairment provision.

Stock-Based Compensation

We have stock-based compensation plans for key employees. Stock options are accounted for in accordance with applicable guidance for the modified prospective transition method of share-based payments. No options have been granted since 2002. See additional information set forth under Note 19.

Derivatives

We use derivatives from time to time to reduce potentially large adverse effects from changes in currency exchange rates and interest rates. We monitor our exposure to these risks and evaluate, on an ongoing basis, the risk of potentially large adverse effects versus the costs associated with hedging such risks.

We use interest rate swaps in the management of interest rate exposures and foreign currency derivatives in the management of foreign currency exposure related to assets and liabilities (including net investments in subsidiaries located outside the U.S.) denominated in foreign currencies. When we enter into a derivative contract, we make a determination whether the transaction is deemed to be a hedge for accounting purposes. For those contracts deemed to be a hedge, we formally document the relationship between the derivative instrument and the risk being hedged. In this documentation, we specifically identify the asset, liability, forecasted transaction, cash flow, or net investment that has been designated as the hedged item, and evaluate whether the derivative instrument is expected to reduce the risks associated with the hedged item. To the extent these criteria are not met, we do not use hedge accounting for the derivative.

All derivative contracts are recorded in the balance sheet at fair value. For transactions that are designated as hedges, we perform an evaluation of the effectiveness of the hedge. To the extent that the hedge is effective, changes in the fair value of the hedge are recorded, net of tax, in other comprehensive income. We measure the effectiveness of hedging relationships both at inception and on an ongoing basis. The ineffective portion of a hedge, if any, and changes in the fair value of a derivative not deemed to be a hedge, are recorded in Other expense/(income), net.

For derivatives that are designated and qualify as hedges of net investments in subsidiaries located outside the United States, changes in the fair value of derivatives are reported in other comprehensive income as part of the Cumulative translation adjustment.

Pension and Postretirement Benefit Plans

As described in Note 5, we have pension and postretirement benefit plans covering substantially all employees. Our defined benefit pension plan in the United States was closed to new participants as of October 1998 and, as of February 2009, benefits accrued under this plan were frozen. We have liabilities for postretirement benefits in the U.S. and Canada. Substantially all of the liability relates to the U.S. plan. Effective January 2005, our postretirement benefit plan was closed to new participants, except for certain life insurance benefits. In September 2008, we changed the cost sharing arrangement under this program such that increases in health care costs are the responsibility of plan participants and, in August 2013, we reduced the life insurance benefit for retirees and eliminated that benefit for active employees.

The pension plans are generally trustee or insured, and accrued amounts are funded as required in accordance with governing laws and regulations. The annual expense and liabilities recognized for defined benefit pension plans and postretirement benefit plans are developed from actuarial valuations. Inherent in these valuations are key assumptions, including discount rates and expected return on plan assets, which are updated on an annual basis at the beginning of each fiscal year. We consider current market conditions, including changes in interest rates, in making these assumptions. Discount rate assumptions are based on the population of plan participants and a mixture of high-quality fixed-income investments for which the average maturity approximates the average remaining service period of plan participants. The assumption for expected return on plan assets is based on historical and expected returns on various categories of plan assets.

Reportable Segments

In accordance with applicable disclosure guidance for enterprise segments and related information, the internal organization that is used by management for making operating decisions and assessing performance is used as the basis for our reportable segments. The reportable segments, which are described in more detail in Note 4, are Machine Clothing and Engineered Composites. In the determination of segment operating income, we exclude expenses for Research and Development, and Unallocated expenses, which consist primarily of corporate headquarters and global information systems costs.

Recent Accounting Pronouncements

In February 2013, the Financial Accounting Standards Board (FASB) issued ASU 2013-02 which requires enhanced disclosures about changes in Accumulated Other Comprehensive Income. We adopted these provisions in the first quarter of 2013 by adding a Note to the Consolidated Financial Statements that provides the additional disclosures.

In the first quarter of 2013, the Company adopted the provisions of ASU 2013-01 which requires enhanced disclosures of the effect or potential effect of netting arrangements on an entity's financial position. This includes the effect or potential effect of rights of setoff associated with an entity's recognized assets and recognized liabilities within the scope of this Update. The Company has interest rate swap agreements that are within the scope of this Update and we have added additional disclosure in the Notes to Consolidated Financial Statements about the offsetting asset and liability components of that agreement.

In July 2013, amended accounting guidance was issued regarding the financial statement presentation of an unrecognized tax benefit when a net operating loss carryforward, a similar tax loss or a tax credit carryforward exists. This guidance is effective prospectively for annual and interim reporting periods beginning after December 15, 2013. The adoption of this standard is not expected to have a material effect on the Company's financial position, results of operations or cash flows.

2. Discontinued Operations

In October 2011 we entered into a contract to sell the assets and liabilities of our Albany Door Systems (ADS) business to Assa Abloy AB for \$130 million. Closing on the transaction occurred on January 11, 2012. Under the terms of the contract, Assa Abloy AB acquired our equity ownership of Albany Doors Systems GmbH in Germany, Albany Door Systems AB in Sweden, and other ADS affiliates in Germany, France, the Netherlands, Turkey, Poland, Belgium, New Zealand, and other countries, as well as the remaining ADS business assets, most of which were located in the United States, Australia, China, and Italy. In January 2012, the Company completed the sale of Albany Door Systems, and in March 2012, we finalized certain post-closing adjustments that increased the sale price by \$5 million. As of December 31, 2012, \$122 million of the total \$135 million sale price had been received, with the remainder received in July 2013.

In May 2012, we announced an agreement to sell our PrimaLoft Products business and that transaction closed on June 29, 2012. Under the terms of the agreement, the purchaser acquired all of the assets of that business, which were located in the United States, Italy and Germany. The purchase price of \$38.0 million included \$3.8 million held in escrow accounts, which was received in 2013. The Company recorded a pre-tax gain of \$34.9 million as result of that sale.

We provided customary representations and warranties in the sale of both of these businesses but we do not expect any material negative financial consequence will result from these arrangements. In accordance with the applicable accounting guidance for discontinued businesses, the associated results of operations and financial position are reported separately in the accompanying Consolidated Statements of Income and Balance Sheets. Cash flows of the discontinued operation were combined with cash flows from continuing operations in the Consolidated Statements of Cash Flows.

The table below summarizes operating results of the discontinued operations:

(in thousands)	2013	2012	2011
Net sales	\$-	\$19,774	\$211,551
(Loss)/income from operations of discontinued business	(75)	4,776	24,101
Gain on disposition of discontinued operations	-	92,296	-
Income tax (benefit)/expense	(29)	25,252	10,429

Income tax expense includes a charge of \$5.4 million in 2012 and \$2.6 million in 2011 pertaining to cash repatriations that occurred in 2012 as a result of the sale of the Albany Doors Systems.

3. Noncontrolling Interest

Effective October 31, 2013, Safran S.A. (Safran) acquired a 10 percent equity interest in a new Albany subsidiary, Albany Safran Composites, LLC (ASC). Under the terms of the transaction agreements, ASC will be the exclusive supplier to Safran of advanced 3D-woven composite parts for use in aircraft and rocket engines, thrust reversers and nacelles, and aircraft landing and braking systems (the "Safran Applications"). AEC will remain free to develop and supply parts other than advanced 3D-woven composite parts for all aerospace applications, as well as advanced 3D-woven composite parts for any aerospace applications that are not Safran Applications (such as airframe applications) and any non-aerospace applications.

Albany contributed to ASC its existing assets and operations currently dedicated to the development and production of LEAP components, and Safran contributed \$28 million in cash. We recorded a \$15.5 million increase to Additional paid-in capital related to the excess of Safran's contribution over the initial book value of

their equity interest. The agreement provides Safran an option to purchase Albany's remaining 90 percent interest upon the occurrence of certain bankruptcy or performance default events, or if Albany's Engineered Composites business is sold to a direct competitor of Safran. The purchase price is based initially on the same valuation of ASC used to determine Safran's 10% equity interest, and increases over time as LEAP production increases.

In accordance with the operating agreement, Albany received a \$28 million preferred holding in ASC which includes a preferred return based on the Company's revolving credit agreement. The common shares of ASC are owned 90 percent by Albany and 10 percent by Safran.

The table below presents a reconciliation of income attributable to the noncontrolling interest and noncontrolling equity:

(in thousands)	2013
Net income of ASC	\$1,569
Less: Return attributable to the Company's preferred holding	164
Net income of ASC available for common ownership	1,405
Ownership percentage of noncontrolling shareholder	10%
Net income attributable to noncontrolling interest, year ended December 31, 2013	\$141
ASC Net assets contributed by Albany	\$33,414
Ownership percentage of noncontrolling shareholder	10%
Noncontrolling interest at time of investment	3,341
Net income attributable to noncontrolling interest	141
Changes in other comprehensive income attributable to noncontrolling interest	-
Noncontrolling interest as of December 31, 2013	\$3,482

4. Reportable Segments and Geographic Data

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

The accounting policies of the segments are the same as those described in Note 1. We have not allocated research costs and other Unallocated expenses to the segments because the decision-making for the majority of these expenses did not reside within the segments. Unallocated expenses include wages and benefits for Corporate headquarters personnel, costs related to information systems development and support, and professional fees related to legal, audit, and other activities.

Machine Clothing:

The Machine Clothing segment includes paper machine clothing – engineered fabrics and belts used in the manufacture of paper and paperboard – as well as engineered fabrics and belts used in many other industrial applications. We sell our Machine Clothing products directly to customer end-users, which include paper industry companies, nonwovens manufacturers, and building products companies, some of which operate in multiple regions of the world. Our products, manufacturing processes, and distribution channels for Machine Clothing are substantially the same in each region of the world in which we operate.

We design, manufacture, and market paper machine clothing for each section of the paper machine. We manufacture and sell more paper machine clothing worldwide than any other company. Paper machine clothing consists of large permeable and non-permeable continuous belts of custom-designed and custom-manufactured

engineered fabrics that are installed on paper machines and carry the paper stock through each stage of the paper production process. Paper machine clothing products are consumable products of technologically sophisticated design that utilize polymeric materials in a complex structure.

The Machine Clothing segment also supplies consumable fabrics used to process paper pulp, as well as engineered fabrics used in a range of industries other than papermaking. These other products include belts used to make nonwovens, fiber cement building products, roofing shingles, and corrugated sheets used in boxboard, as well as belts used in tannery and textile applications.

Engineered Composites:

The Engineered Composites segment (AEC) provides custom-designed advanced composite structures based on proprietary technology to customers in the aerospace and defense industries. AEC's largest current development program relates to the LEAP engine being developed by CFM International. Under this program, AEC is developing a family of composite parts, including fan blades, to be incorporated into the LEAP engine under a long-term supply contract.

The following tables show data by reportable segment, reconciled to consolidated totals included in the financial statements:

(in thousands)	2013	2012	2011
Net sales			
Machine Clothing	\$674,747	\$693,176	\$739,211
Engineered Composites	82,667	67,765	48,076
Consolidated total	\$757,414	\$760,941	\$787,287
Depreciation and amortization			
Machine Clothing	\$45,237	\$46,843	\$48,181
Engineered Composites	7,640	5,920	4,959
Research expense	2,104	1,252	1,314
Unallocated expenses	8,808	9,052	9,358
Consolidated total	\$63,789	\$63,067	\$63,812
Operating income/(loss)			
Machine Clothing	\$136,698	\$163,873	\$176,759
Engineered Composites	(2,974)	(840)	(4,204)
Research expense	(30,220)	(27,616)	(29,007)
Unallocated expenses	(51,413)	(179,553)	(68,940)
Operating income/(loss) before reconciling items	52,091	(44,136)	74,608
Reconciling items:			
Interest income	(1,468)	(1,517)	(2,027)
Interest expense	15,227	18,118	20,148
Other expense/ (income), net	7,256	7,629	2,639
Income/(loss) from continuing operations before income taxes	\$31,076	(\$68,366)	\$53,848

The table below presents pension settlement and restructuring costs by reportable segment (also see Note 6):

(in thousands)	2013	2012	2011
Pension settlement			
Unallocated expenses	\$ -	\$119,735	\$ -
Restructuring expense			
Machine Clothing	\$24,568	\$7,386	\$5,680
Engineered Composites	540	-	57
Unallocated expenses	-	(325)	3,580
Consolidated total	\$25,108	\$7,061	\$9,317

In the measurement of assets utilized by each reportable segment, we include accounts receivable, inventories, net property, plant and equipment, intangibles and goodwill. Excluded from segment assets are cash, tax related assets, prepaid and other current assets, other assets, and assets from discontinued businesses. The following table presents assets and capital expenditures by reportable segment:

(in thousands)	2013	2012	2011
Segment assets			
Machine Clothing	\$624,388	\$660,595	\$713,142
Engineered Composites	147,104	109,717	80,916
Reconciling items:			
Cash	222,666	190,718	118,909
Income taxes receivable and deferred	133,485	144,480	164,654
Other assets	39,245	51,187	34,670
Assets of discontinued operations	-	-	118,637
Consolidated total assets	\$1,166,888	\$1,156,697	\$1,230,928
Capital expenditures and purchased software			
Machine Clothing	\$14,881	\$14,717	\$11,141
Engineered Composites	36,928	18,979	9,684
Research expenses	8,011	1,493	2,052
Unallocated expenses	4,637	2,018	4,551
Consolidated total	\$64,457	\$37,207	\$27,428

The decrease in Other assets in the above table includes \$16.6 million of receivables related to the sale of discontinued operations which were received during 2013. Capital expenditures in the discontinued operations were \$1.3 million in 2011.

The following table shows data by geographic area. Net sales are based on the location of the operation recording the final sale to the customer.

(in thousands)	2013	2012	2011
Net sales			
United States	\$338,729	\$324,764	\$306,371
Switzerland	190,035	203,478	245,562
Brazil	62,076	58,755	61,493
China	43,265	39,929	34,977
Canada	31,167	36,182	40,422
Other countries	92,142	97,833	98,462
Consolidated total	\$757,414	\$760,941	\$787,287
Property, plant and equipment, at cost, net			
United States	\$162,380	\$137,405	\$133,651
China	103,109	114,037	126,072
Korea	35,542	38,266	34,102
United Kingdom	25,246	26,269	27,196
Canada	22,434	27,396	29,650
Sweden	19,508	23,397	26,210
Other countries	50,611	53,384	62,072
Consolidated total	\$418,830	\$420,154	\$438,953

5. Pensions and Other Postretirement Benefit Plans

Pension Plans

The Company has defined benefit pension plans covering certain U.S. and non-U.S. employees. The U.S. qualified defined benefit pension plan has been closed to new participants since October 1998 and, as of February 2009, benefits accrued under this plan were frozen. As a result of the freeze, employees covered by the pension plan will receive, at retirement, benefits already accrued through February 2009, but no new benefits accrue after that date. Benefit accruals under the U.S. Supplemental Executive Retirement Plan ("SERP") were similarly frozen. The U.S. pension plan accounts for 44 percent of consolidated pension plan assets, and 32 percent of consolidated pension plan obligations. The eligibility, benefit formulas, and contribution requirements for plans outside of the U.S. vary by location.

Other Postretirement Benefits

In addition to providing pension benefits, the Company provides various medical, dental, and life insurance benefits for certain retired United States employees. U.S. employees hired prior to 2005 may become eligible for these benefits if they reach normal retirement age while working for the Company. Benefits provided under this plan are subject to change. Retirees share in the cost of these benefits. Effective January 2005, any new employees who wish to be covered under this plan will be responsible for the full cost of such benefits. In September 2008, we changed the cost sharing arrangement under this program such that increases in health care costs are the responsibility of plan participants. In August 2013, we reduced the life insurance benefit for retirees and eliminated the benefit for active employees.

The Company also provides certain postretirement life insurance benefits to retired employees in Canada. As of December 31, 2013, the accrued postretirement liability was \$60.2 million in the U.S. and \$0.9 million in Canada. The Company accrues the cost of providing postretirement benefits during the active service period of the employees. The Company currently funds the plan as claims are paid.

Accounting guidance requires the recognition of the funded status of each defined benefit and other postretirement benefit plan. Each overfunded plan is recognized as an asset and each underfunded plan is

recognized as a liability. Company pension plan data for U.S. and non-U.S. plans has been combined for both 2013 and 2012, except where indicated below.

The Company's pension and postretirement benefit costs and benefit obligations are based on actuarial valuations that are affected by many assumptions, the most significant of which are the assumed discount rate, expected rate of return on pension plan assets, and mortality. Each of the assumptions is reviewed and updated annually, as appropriate. The assumed rates of return for pension plan assets are determined for each major asset category based on historical rates of return for assets in that category and expectations of future rates of return based, in part, on simulated future capital market performance. The assumed discount rate is based on yields from a portfolio of currently available high-quality fixed-income investments with durations matching the expected future payments, based on the demographics of the plan participants and the plan provisions.

The benefit obligation for the U.S. plans as of December 31, 2013 was calculated using the IRS 2014 mortality table. The benefit obligation as of December 31, 2012, as well as pension expense for 2013, was calculated using the IRS 2013 mortality table. For U.S. pension funding purposes, the Company uses the plan's IRS-basis current liability as its funding target, which is determined based on mandated assumptions. Weak investment returns and low interest rates could result in higher than expected contributions to pension plans in future years.

Gains and losses arise from changes in the assumptions used to measure the benefit obligations, and experience different from what had been assumed, including asset returns different than what had been expected. The Company amortizes gains and losses in excess of a "corridor" over the average future service of the plan's current participants. The corridor is defined as 10 percent of the greater of the plan's projected benefit obligation or market-related value of plan assets. The market-related value of plan assets is also used to determine the expected return on plan assets component of net periodic cost. The Company's market-related value for its U.S. plan is measured by first determining the absolute difference between the actual and the expected return on the plan assets. The absolute difference in excess of 5 percent of the expected return is added to the market-related value over two years; the remainder is added to the market-related value immediately.

To the extent the Company's unrecognized net losses and unrecognized prior service costs, including the amount recognized through accumulated other comprehensive income, are not reduced by future favorable plan experience, they will be recognized as a component of the net periodic cost in future years. The Company's unrecognized net loss in its pension plans is primarily attributable to unfavorable investment returns in 2008.

The following table sets forth the plan benefit obligations:

(in thousands)	As of December 31, 2013		As of December 31, 2012	
	Pension plans	Other postretirement benefits	Pension plans	Other postretirement benefits
Benefit obligation, beginning of year	\$218,538	\$84,368	\$405,880	\$79,009
Service cost	3,662	875	3,486	1,071
Interest cost	8,852	3,080	12,180	3,691
Plan participants' contributions	331	-	344	-
Actuarial loss/(gain)	(17,461)	(13,396)	49,582	6,343
Benefits paid	(5,999)	(5,773)	(14,909)	(5,778)
Settlements and curtailments	(2,950)	-	(249,709)	-
Plan Amendments and Other	613	(7,974)	571	-
Foreign currency changes	(1,252)	(72)	11,113	32
Benefit obligation, end of year	\$204,334	\$61,108	\$218,538	\$84,368
Accumulated benefit obligation	\$190,561	\$-	\$202,917	\$-

Weighted average assumptions used to determine benefit obligations, end of year:

Discount rate - U.S. plan	5.22%	4.68%	4.28%	3.93%
Discount rate - non-U.S. plans	4.50%	4.75%	4.09%	4.00%
Compensation increase - U.S. plan	-	-	-	3.00%
Compensation increase - non-U.S. plans	3.39%	3.00%	3.26%	3.00%

The following sets forth information about plan assets:

(in thousands)	As of December 31, 2013		As of December 31, 2012	
	Pension plans	Other postretirement benefits	Pension plans	Other postretirement benefits
Fair value of plan assets, beginning of year	\$173,434	\$-	\$304,658	\$-
Actual return on plan assets, net of expenses	(2,292)	-	19,493	-
Employer contributions	6,777	4,438	110,172	4,961
Plan participants' contributions	331	1,335	344	817
Benefits paid	(5,999)	(5,773)	(14,909)	(5,778)
Settlements	(1,650)	-	(249,709)	-
Foreign currency changes	(2,211)	-	3,385	-
Fair value of plan assets, end of year	\$168,390	\$-	\$173,434	\$-

The funded status of the plans was as follows:

(in thousands)	As of December 31, 2013		As of December 31, 2012	
	Pension plans	Other postretirement benefits	Pension plans	Other postretirement benefits
Fair value of plan assets	\$168,390	\$-	\$173,434	\$-
Benefit obligation	204,334	61,108	218,538	84,368
Funded status	(35,944)	(\$61,108)	(\$45,104)	(\$84,368)
Accrued benefit cost, end of year	(35,944)	(\$61,108)	(\$45,104)	(\$84,368)
Amounts recognized in the statement of financial position consist of the following:				
Noncurrent asset	\$7,358	\$-	7,034	\$-
Current liability	(2,321)	(5,056)	(2,318)	(5,547)
Noncurrent liability	(40,981)	(56,052)	(49,820)	(78,821)
Net amount recognized	(\$35,944)	(\$61,108)	(\$45,104)	(\$84,368)
Amounts recognized in accumulated other comprehensive income consist of:				
Net actuarial loss	\$73,908	\$41,175	\$84,784	\$57,966
Prior service cost/(credit)	866	(44,364)	405	(40,329)
Transition obligation	-	-	70	-
Net amount recognized	\$74,774	(\$3,189)	\$85,259	\$17,637

The composition of the net periodic benefit plan cost for the years ended December 31, 2013, 2012 and 2011, was as follows:

(in thousands)	Pension plans			Other postretirement benefits		
	2013	2012	2011	2013	2012	2011
Components of net periodic benefit cost:						
Service cost	\$3,662	\$3,486	\$3,117	\$875	\$1,071	\$931
Interest cost	8,852	12,180	19,958	3,080	3,691	3,869
Other adjustments	-	-	-	-	-	945
Expected return on assets	(8,677)	(11,799)	(15,858)	-	-	-
Amortization of prior service cost/(credit)	35	35	37	(3,940)	(3,666)	(3,666)
Amortization of transition obligation	70	79	83	-	-	-
Amortization of net actuarial loss	3,117	4,223	5,672	3,395	3,215	3,022
Settlement	502	119,986	327	-	-	-
Curtailement (gain)/loss	(1,143)	-	-	-	-	-
Special / contractual termination benefits	-	-	233	-	-	-
Net periodic benefit cost	\$6,418	\$128,190	\$13,569	\$3,410	\$4,311	\$5,101

Weighted average assumptions used to determine net cost:

Discount rate - U.S. plan	4.28%	4.82%	5.59%	3.93%	4.86%	5.55%
Discount rate - non-U.S. plan	4.09%	4.48%	5.29%	4.00%	4.20%	-
Expected return on plan assets - U.S. plan	4.61%	4.82%	5.80%	-	-	-
Expected return on plan assets - non-U.S. plans	5.53%	6.26%	6.80%	-	-	-
Rate of compensation increase - U.S. plan	-	-	-	3.00%	3.00%	3.00%
Rate of compensation increase - non-U.S. plans	3.26%	3.19%	3.47%	3.00%	3.00%	-
Health care cost trend rate (U.S. and non-U.S. plans):						
Initial rate	-	-	-	-	-	-
Ultimate rate	-	-	-	-	-	-
Years to ultimate	-	-	-	-	-	-

Other changes in plan assets and benefit obligations recognized in other comprehensive income during 2013 were as follows:

(in thousands)	Pension plan	Other postretirement benefits
Settlements/curtailments	(\$46)	\$-
Asset/liability loss (gain)	(6,492)	(21,370)
Amortization of actuarial (loss)	(3,117)	(3,395)
Amortization of prior service (cost)/credit	(35)	3,940
Amortization of transition (obligation)	(70)	-
Currency impact	(726)	(285)
Total recognized in other comprehensive income	(\$10,486)	(\$21,110)
Total recognized in net periodic benefit cost and other comprehensive income	(\$4,068)	(\$17,700)

The estimated amounts that will be amortized from accumulated other comprehensive income into net periodic benefit cost in 2014 are as follows:

(in thousands)	Total pension	Total postretirement benefits
Actuarial loss	\$2,456	\$2,908
Prior service cost/(benefit)	55	(4,488)
Total	\$2,511	(\$1,580)

Investment Strategy

Our investment strategy for pension assets differs for the various countries in which we have defined benefit pension plans. Some of our defined benefit plans do not require funded trusts and, in those arrangements, the Company funds the plans on a "pay as you go" basis. The largest of the funded defined benefit plans is the United States plan.

United States plan:

During 2009, we changed our investment strategy for the United States pension plan by adopting a liability-driven investment strategy. Under this arrangement, the Company seeks to invest in assets that track closely to the discount rate that is used to measure the plan liabilities. Accordingly, the plan assets are primarily debt securities. The change in investment strategy is reflective of the Company's 2008 decision to freeze benefit accruals under the plan.

Non-United States plans:

For the countries in which the Company has funded pension trusts, the investment strategy is to achieve a competitive, total investment return, achieving diversification between and within asset classes and managing other risks. Investment objectives for each asset class are determined based on specific risks and investment opportunities identified. Actual allocations to each asset class vary from target allocations due to periodic investment strategy changes, market value fluctuations, the length of time it takes to fully implement investment allocation positions, and the timing of benefit payments and contributions.

Fair-Value Measurements

The following tables present plan assets as of December 31, 2013 and 2012, using the fair-value hierarchy, which has three levels based on the reliability of inputs used, as described in Note 15:

(in thousands)	Total fair value at December 31, 2013	Quoted prices in active markets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)
Common stocks	\$33,685	\$33,685	\$ -	\$ -
Debt securities	122,699	-	122,699	-
Insurance contracts	2,875	-	-	2,875
Limited partnerships	7,034	-	-	7,034
Hedge funds	392	-	-	392
Cash and short-term investments	1,705	1,705	-	-
Total plan assets	\$168,390	\$35,390	\$122,699	\$10,301

(in thousands)	Total fair value at December 31, 2012	Quoted prices in active markets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)
Common stocks	\$46,625	\$46,625	\$-	\$-
Debt securities	114,136	-	114,136	-
Insurance contracts	2,542	-	-	2,542
Limited partnerships	7,556	-	-	7,556
Hedge funds	536	-	-	536
Cash and short-term investments	2,039	2,039	-	-
Total plan assets	\$173,434	\$48,664	\$114,136	\$10,634

The following tables present a reconciliation of Level 3 assets held during the years ended December 31, 2013 and 2012:

(in thousands)	December 31, 2012	Net realized gains/(losses)	Net unrealized gains/(losses)	Net purchases, issuances and settlements	Net transfers (out of) Level 3	December 31, 2013
Insurance contracts	\$2,542	\$-	\$41	\$292	\$-	\$2,875
Limited partnerships	7,556	94	533	(1,149)	-	7,034
Hedge funds	536	-	15	(159)	-	392
Total	\$10,634	\$94	\$589	(\$1,016)	\$-	\$10,301

(in thousands)	December 31, 2011	Net realized gains/(losses)	Net unrealized gains/(losses)	Net purchases, issuances and settlements	Net transfers (out of) Level 3	December 31, 2012
Insurance contracts	\$2,361	\$-	\$39	\$142	\$-	\$2,542
Limited partnerships	8,676	-	521	(1,641)	-	7,556
Hedge funds	557	-	32	(53)	-	536
Total	\$11,594	\$-	\$592	(\$1,552)	\$-	\$10,634

The asset allocation for the Company's U.S. and non-U.S. pension plans for 2013 and 2012, and the target allocation for 2014, by asset category, are as follows:

Asset category	United States Plan			Non-U.S. Plans		
	Target Allocation 2014	Percentage of plan assets at plan measurement date		Target Allocation 2014	Percentage of plan assets at plan measurement date	
		2013	2012		2013	2012
Equity securities	-	5%	5%	36%	36%	50%
Debt securities	100%	88%	88%	56%	57%	43%
Real estate	-	5%	4%	5%	4%	3%
Other (1)	-	2%	3%	3%	3%	4%
	100%	100%	100%	100%	100%	100%

(1) Other includes hedged equity and absolute return strategies, and private equity. The Company has procedures to closely monitor the performance of these investments and compares asset valuations to audited financial statements of the funds.

The targeted plan asset allocation is based on an analysis of the actuarial liabilities, a review of viable asset classes, and an analysis of the expected rate of return, risk, and other investment characteristics of various investment asset classes.

At the end of 2013 and 2012, the projected benefit obligation, accumulated benefit obligation, and fair value of plan assets for pension plans with projected benefit obligation and an accumulated benefit obligation in excess of plan assets were as follows:

(in thousands)	Plans with projected benefit obligation in excess of plan assets	
	2013	2012
Projected benefit obligation	\$123,749	\$183,765
Accumulated benefit obligation	120,287	169,396
Fair value of plan assets	80,447	131,626

(in thousands)	Plans with accumulated benefit obligation in excess of plan assets	
	2013	2012
Projected benefit obligation	\$123,749	\$136,329
Accumulated benefit obligation	120,287	132,396
Fair value of plan assets	80,447	86,835

Information about expected cash flows for the pension and other benefit obligations are as follows:

(in thousands)	Pension plans	Other postretirement benefits
Expected employer contributions in the next fiscal year	\$4,068	\$5,773
Expected benefit payments		
2014	\$5,910	\$5,056
2015	6,148	4,826
2016	6,585	4,639
2017	7,054	4,476
2018	7,663	4,325
2019-2022	47,269	20,088

6. Restructuring

During the second quarter of 2013, the Company commenced a program to restructure operations at the Company's Machine Clothing production facilities in France. The restructuring, when completed, will have reduced employment by approximately 200 positions at these locations. As of December 31, 2013, approximately 150 positions had been eliminated.

Under the terms of the restructuring plan, the Company provides training, outplacement and other benefits, the costs of which are recorded as restructuring when they are incurred. In 2013, the Company recorded a curtailment gain of \$1.1 million related to the elimination of pension accruals, which reduced net restructuring expense as reflected in the above table. Such curtailment gains are recorded as employees terminate employment and, accordingly, we expect to record additional curtailment gains in 2014. The total amount of such gains has not yet been determined, but will be less than the 2013 gain. Remaining costs for this program, net of curtailment gains, are expected to be between \$3 to \$5 million, most of which we expect to be incurred in 2014. We expect the annual cost savings associated with this restructuring to be approximately \$10 million. Whereas most of the affected employees were involved in the production process, the full effect of the cost savings associated with this restructuring program will not be full realized until mid-2014.

During 2013, the Company incurred some restructuring costs in the Engineered Composites segment that were related to organizational changes and exiting certain aerospace programs.

Restructuring expenses in 2012 were principally due to a reduction in workforce in Sweden and curtailment of manufacturing in New York and Wisconsin, driven by lower demand for paper machine clothing. Those costs were partially offset by a reduction in accruals related to the Company's headquarters.

Restructuring expenses for 2011 were the result of restructuring and performance improvement plans affecting each of our reportable segments. The restructuring activities were driven by the need for us to balance our manufacturing capacity with anticipated demand, to improve efficiency in all aspects of our business, and to strengthen our competitive position. We also took actions to reduce costs and to create process efficiencies within administrative functions.

The following table summarizes charges reported in the Statements of Income under "Restructuring and other":

Year ended December 31, 2013 (in thousands)	Total restructuring costs incurred	Termination and other costs	Impairment of plant and equipment	Benefit plan curtailment/settlement
Machine Clothing	\$24,568	\$25,838	\$ -	(\$1,270)
Engineered Composites	540	452	88	-
Unallocated expenses	-	-	-	-
Total	\$25,108	\$26,290	\$88	(\$1,270)

Year ended December 31, 2012 (in thousands)	Total restructuring costs incurred	Termination and other costs	Impairment of plant and equipment	Benefit plan curtailment/settlement
Machine Clothing	\$7,386	\$7,386	\$ -	\$ -
Engineered Composites	-	-	-	-
Unallocated expenses	(325)	380	(705)	-
Total	\$7,061	\$7,766	(\$705)	\$ -

Year ended December 31, 2011 (in thousands)	Total restructuring costs incurred	Termination and other costs	Impairment of plant and equipment	Benefit plan curtailment/settlement
Machine Clothing	\$5,680	\$5,484	\$ -	\$196
Engineered Composites	57	57	-	-
Unallocated expenses	3,580	1,830	1,750	-
Total	\$9,317	\$7,371	\$1,750	\$196

We expect that substantially all accruals for restructuring liabilities will be paid within one year. The table below presents the changes in restructuring liabilities:

(in thousands)	December 31, 2012	Restructuring charges accrued	Payments	Currency translation/other	December 31, 2013
Termination costs	\$4,947	\$26,408	(\$22,478)	\$779	\$9,656
Total	\$4,947	\$26,408	(\$22,478)	\$779	\$9,656

(in thousands)	December 31, 2011	Restructuring charges accrued	Payments	Currency translation/other	December 31, 2012
Termination costs	\$6,979	\$7,617	(\$9,672)	\$23	\$4,947
Total	\$6,979	\$7,617	(\$9,672)	\$23	\$4,947

7. Other Expense/(Income), net

The components of other expense/(income), net, are:

(in thousands)	2013	2012	2011
Currency transactions	\$5,227	\$5,708	(\$84)
Bank fees and amortization of debt issuance costs	1,542	2,385	1,837
Letter of credit fees	-	963	1,479
Other	487	(1,427)	(593)
Total	\$7,256	\$7,629	\$2,639

In July 2013, the Company's manufacturing facility in Germany was damaged by severe weather. The Company expensed the remaining book value of the damaged property, but that value was minimal. We have filed an insurance claim, but the final amount that the Company will recover has not been determined. We expect to record a gain for this involuntary conversion when the insurance claim is settled, but the amount of the gain cannot presently be determined.

8. Income Taxes

The following tables present components of income tax expense/(benefit) and income/(loss) before income taxes on continuing operations:

(in thousands)	2013	2012	2011
Income tax based on income from continuing operations, at estimated tax rates of 49%, 39%, and 33%, respectively	\$15,172	\$19,769	\$17,814
Pension plan settlements	-	(39,460)	-
Income tax before discrete items	15,172	(19,691)	17,814
Discrete tax (benefit)/expense:			
Provision for/adjustment to beginning of year valuation allowances	(3,741)	(2,442)	22,798
Provision for/resolution of tax audits and contingencies, net	2,643	(2,747)	289
Adjustments to prior period tax liabilities	(942)	(1,471)	(1,624)
Repatriation of non-U.S. prior years' earnings	618	-	-
Enacted tax legislation	(282)	(973)	115
Change in tax status	-	-	(3,344)
Adjustment to correct a prior year error	-	-	(3,553)
Other discrete tax adjustments, net	(96)	(199)	87
Total income tax expense/(benefit)	\$13,372	(\$27,523)	\$32,582

Income tax expense in 2011 includes a favorable adjustment of \$3.5 million to correct errors from periods prior to 2006. The Company does not believe that the corrected item is or was material to 2011 or any previously reported quarterly or annual financial statements. As a result, the Company has not restated its previously issued annual or quarterly financial statements.

(in thousands)	2013	2012	2011
Income/(loss) before income taxes:			
U.S.	\$14,395	(\$84,624)	(\$9,748)
Non-U.S.	16,681	16,258	63,596
	\$31,076	(\$68,366)	\$53,848
Income tax provision:			
Current:			
Federal	\$3,508	(\$20,123)	(\$9,288)
State	2,301	(1,212)	120
Non-U.S.	14,957	12,413	17,879
	\$20,766	(\$8,922)	\$8,711
Deferred:			
Federal	\$1,723	(\$12,851)	\$3,519
State	(180)	(1,538)	113
Non-U.S.	(8,937)	(4,212)	20,239
	(\$7,394)	(\$18,601)	\$23,871
Total provision for income taxes	\$13,372	(\$27,523)	\$32,582

The significant components of deferred income tax (benefit)/expense are as follows:

(in thousands)	2013	2012	2011
Net effect of temporary differences	(\$334)	(\$7,557)	\$1,593
Foreign tax credits	2,378	9,468	(5,668)
Postretirement benefits	1,482	(18,337)	5,119
Net impact to operating loss carryforwards	(6,897)	1,240	3,258
Enacted changes in tax laws and rates	(282)	(973)	115
Adjustments to beginning-of-the-year valuation allowance balance for changes in circumstances	(3,741)	(2,442)	22,798
Changes in tax status	-	-	(3,344)
Total	(\$7,394)	(\$18,601)	\$23,871

A reconciliation of the U.S. federal statutory tax rate to the Company's effective income tax rate is as follows:

	2013	2012	2011
U.S. federal statutory tax rate	35.0%	35.0%	35.0%
State taxes, net of federal benefit	4.9	3.5	0.3
Non-U.S. local income taxes	8.7	0.5	0.4
Foreign rate differential	0.2	(1.7)	(14.3)
U.S. tax on non-U.S. earnings and foreign withholdings	5.3	(1.2)	12.8
Provision for/resolution of tax audit and contingencies, net	8.5	4.0	0.5
Provision for/adjustment to beginning of year valuation allowances	(12.0)	(3.7)	42.1
Research and development and other tax credits	(3.8)	0.9	(2.2)
Change in tax status	-	-	(6.2)
Adjustment to correct prior year error	-	-	(6.4)
Other	(3.8)	3.0	(1.5)
Effective income tax rate	43.0%	40.3%	60.5%

The Company has operations which constitute a taxable presence in 19 countries outside of the United States. All of these countries except one had income tax rates that were lower than the United States federal tax rate during the periods reported. The jurisdictional location of earnings is a significant component of our effective tax rate each year. The rate impact of this component is influenced by the specific location of non-U.S. earnings and the level of our total earnings. From period to period, the jurisdictional mix of earnings can vary as a result of operating fluctuations in the normal course of business, as well as the extent and location of other income and expense items, such as pension settlement and restructuring charges. The foreign income tax rate differential that is included above in the reconciliation of the effective tax rate includes the difference between tax expense

calculated at the U.S. federal statutory tax rate of 35% and the expense accrued based on lower statutory tax rates that apply in the jurisdictions where the income or loss is earned.

During the periods reported, income or loss outside of the U.S. was heavily concentrated within Switzerland (8% tax rate) and Brazil (25% tax rate) and as a result, the foreign income tax rate differential was primarily attributable to these tax rate differences. Also, in 2013 and 2012 the income tax rate differential was significantly reduced by the pension settlement and restructuring charges outside of the U.S. that resulted in a lower tax rate benefit, as compared to the benefit calculated using the higher U.S. tax rate.

Deferred income taxes reflect the net tax effects of temporary differences between the carrying amounts of certain assets and liabilities for financial reporting and the amounts used for income tax expense purposes.

Significant components of the Company's deferred tax assets and liabilities are as follows:

	U.S.		Non-U.S.	
(in thousands)	2013	2012	2013	2012
Current deferred tax assets:				
Accounts receivable	\$1,526	\$1,733	\$2,397	\$2,437
Inventories	1,432	1,589	2,411	2,052
Tax credit carryforwards	1,000	3,000	-	-
Other	2,867	3,413	3,058	6,370
Current deferred tax assets before valuation allowance	\$6,825	\$9,735	\$7,866	\$10,859
Less: valuation allowance	-	-	(818)	-
Total current deferred tax assets	\$6,825	\$9,735	\$7,048	\$10,859
Noncurrent deferred tax assets:				
Deferred compensation	5,794	5,668	-	-
Depreciation and amortization	4,289	5,004	3,505	2,958
Postretirement benefits	28,038	38,632	4,540	4,480
Tax loss carryforwards	1,457	1,032	76,026	78,968
Tax credit carryforwards	23,992	24,504	1,508	1,561
Other	2,834	4,119	371	557
Noncurrent deferred tax assets before valuation allowance	66,404	78,959	85,950	88,524
Less: valuation allowance	-	-	(49,169)	(60,348)
Total noncurrent deferred tax assets	66,404	78,959	36,781	28,176
Total deferred tax assets	\$73,229	\$88,694	\$43,829	\$39,035
Current deferred tax liabilities:				
Unrepatriated foreign earnings	\$667	\$1,521	\$-	\$-
Inventories	-	-	1,366	1,383
Other	-	-	1,822	12
Total current deferred tax liabilities	667	1,521	3,188	1,395
Noncurrent deferred tax liabilities:				
Depreciation and amortization	13,169	15,296	8,357	10,106
Postretirement benefits	-	-	1,377	4,726
Deferred gain	9,013	-	-	-
Branch losses subject to recapture	-	-	12,380	12,959
Other	-	68	2,394	2,473
Total noncurrent deferred tax liabilities	22,182	15,364	24,508	30,264
Total deferred tax liabilities	22,849	16,885	27,696	31,659
Net deferred tax asset	\$50,380	\$71,809	\$16,133	\$7,376

Deferred income tax assets, net of valuation allowances, are expected to be realized through the reversal of existing taxable temporary differences and future taxable income. In 2013, the Company recorded a net decrease in its valuation allowance of \$10.4 million. The reduction in deferred tax valuation allowances in 2013 was principally due to the utilization of net deferred tax assets and changes in circumstances surrounding the future utilization of net operating loss carryforwards.

At December 31, 2013, the Company had available approximately \$605.0 million of net operating loss carryforwards, for which we have a deferred tax asset of \$77.5 million, with expiration dates ranging from one year to indefinite that may be applied against future taxable income. We believe that it is more likely than not that certain benefits from these net operating loss carryforwards will not be realized and, accordingly, we have recorded a valuation allowance of \$49.8 million as of December 31, 2013. Included in the net operating loss carryforwards is approximately \$31.0 million of state net operating loss carryforwards that are subject to various business apportionment factors and multiple jurisdictional requirements when utilized. In addition, the Company

had available a foreign tax credit carryforward of \$16.8 million that will begin to expire in 2020, research and development credit carryforwards of \$6.9 million that will begin to expire in 2024, and alternative minimum tax credit carryforwards of \$1.2 million with no expiration date.

The Company reported a U.S. net deferred tax asset of \$50.4 million at December 31, 2013, which contained \$26.4 million of tax attributes with limited lives. Although the Company is in a cumulative book income position over the evaluation period (three-year period ending December 31, 2013), management has evaluated its ability to utilize these tax attributes during the carryforward period. The Company's future profits from operations coupled with the repatriation of non-U.S. earnings will generate income of sufficient character to utilize the remaining tax attributes. Accordingly, no valuation allowance has been established for the remaining U.S. net deferred tax assets.

The Company records the residual U.S. and foreign taxes on certain amounts of current foreign earnings that have been targeted for repatriation to the U.S. As a result, such amounts are not considered to be permanently reinvested, and the Company accrued for the residual taxes on these earnings to the extent they cannot be repatriated in a tax-free manner.

At December 31, 2013 the Company reported a deferred tax liability of \$0.7 million on \$11.8 million of non-U.S. earnings that have been targeted for future repatriation to the U.S. Included in these amounts are \$0.4 million of tax expense on approximately \$7.4 million of foreign earnings that were generated in 2013.

The accumulated undistributed earnings of the Company's foreign operations were approximately \$369.0 million, and are intended to remain permanently invested in foreign operations. Accordingly, no taxes have been provided on these earnings at December 31, 2013. If these earnings were distributed, the Company would be subject to both foreign withholding taxes and U.S. income taxes that may not be fully offset by foreign tax credits. A reasonable estimate of the deferred tax liability on these earnings is not practicable at this time.

A reconciliation of the beginning and ending amount of unrecognized tax benefits, in accordance with applicable accounting guidance, is as follows:

<i>(in thousands)</i>	2013	2012	2011
Unrecognized tax benefits balance at January 1	\$24,386	\$27,053	\$23,467
Increase in gross amounts of tax positions related to prior years	2,121	9,454	8,040
Decrease in gross amounts of tax positions related to prior years	-	-	(37)
Increase in gross amounts of tax positions related to current year	2,622	381	1,005
Decrease due to settlements with tax authorities	(16,721)	(13,099)	(4,576)
Decrease due to lapse in statute of limitations	-	(20)	-
Currency translation	130	617	(846)
Unrecognized tax benefits balance at December 31	\$12,538	\$24,386	\$27,053

At December 31, 2013, we had gross tax-effected unrecognized tax benefits of \$12.5 million, all of which, if recognized, would impact the effective tax rate.

The Company recognizes interest and penalties related to unrecognized tax benefits within its global operations as a component of income tax expense. The Company recognized interest and penalties of (\$1.3) million, (\$6.4) million and \$1.1 million in the Statements of Income and Retained Earnings in 2013, 2012 and

2011, respectively. The 2013 and 2012 negative amounts include the reversal of \$1.4 million and \$7.4 million of interest and penalties related to the settlement of audits, respectively. As of December 31, 2013 and 2012, the Company had approximately \$0.1 million and \$1.4 million, respectively, of accrued interest and penalties related to uncertain tax positions.

We conduct business globally and, as a result, the Company or one or more of our subsidiaries files income tax returns in the U.S. federal jurisdiction and various state and foreign jurisdictions. In the normal course of business we are subject to examination by taxing authorities throughout the world, including major jurisdictions such as the United States, Brazil, Canada, China, France, Germany, Italy, Mexico, and Switzerland. Open tax years in these jurisdictions range from 2000 to 2013. We are currently under audit in the U.S. and in other non-U.S. tax jurisdictions, including but not limited to Canada and Germany.

It is reasonably possible that over the next twelve months the amount of unrecognized tax benefits may change within a range of a net increase of \$0 million to a net decrease of \$5.7 million, from the reevaluation of uncertain tax positions arising in examinations, in appeals, or in the courts, or from the closure of tax statutes. Not included in the range is \$23.9 million of tax benefits in Germany related to a 1999 reorganization that have been challenged by the German tax authorities in the course of an audit, of which \$15.5 million would have a direct impact on our statement of income if resolved unfavorably. In 2008 the German Federal Tax Court (FTC) denied tax benefits to other taxpayers in a case involving German tax laws relevant to our reorganization. One of these cases involved a non-German party, and in the ruling in that case, the FTC acknowledged that the German law in question may be violative of European Union (EU) principles and referred the issue to the European Court of Justice (ECJ) for its determination on this issue. In September 2009, the ECJ issued an opinion in this case that is generally favorable to the other taxpayer and referred the case back to the FTC for further consideration. In May 2010 the FTC released its decision, in which it resolved certain tax issues that may be relevant to our audit and remanded the case to a lower court for further development. In 2012, the lower court decided in favor of the taxpayer and the government appealed the findings to the FTC. Although we were required to pay approximately \$16.4 million to the German tax authorities in order to continue to pursue the position, when taking into consideration the ECJ decision, the latest FTC decision and the lower court decision, we believe that it is more likely than not that the relevant German law is violative of EU principles and, accordingly, we have not accrued tax expense on this matter. As we continue to monitor developments, it may become necessary for us to accrue tax expense and related interest.

As of December 31, 2013 and 2012, noncurrent taxes receivable and deferred consisted of the following:

(in thousands)	2013	2012
Income taxes receivable	\$16,427	\$16,751
Deferred income taxes	103,185	107,135
Total noncurrent deferred taxes and taxes receivable	\$119,612	\$123,886

As of December 31, 2013 and 2012, current taxes payable and deferred consisted of the following:

(in thousands)	2013	2012
Taxes payable	\$1,536	\$10,636
Deferred income taxes	3,855	2,916
Total current income taxes payable and deferred	\$5,391	\$13,552

Taxes paid, net of refunds, amounted to \$29.4 million in 2013, \$15.1 million in 2012, and \$13.7 million in 2011.

9. Earnings Per Share

The amounts used in computing earnings per share and the weighted average number of shares of potentially dilutive securities are as follows:

(in thousands, except market price data)	2013	2012	2011
Net income attributable to the Company	\$17,517	\$30,977	\$34,938
Weighted average number of shares:			
Weighted average number of shares used in calculating basic net income/(loss) per share	31,649	31,356	31,262
Effect of dilutive stock-based compensation plans:			
Stock options	129	57	104
Long-term incentive plan	156	223	144
Weighted average number of shares used in calculating diluted net income per share	31,934	31,636	31,510
Effect of stock-based compensation plans that were not included in the computation of diluted earnings per share because to do so would have been antidilutive	-	-	-
Average market price of common stock used for calculation of dilutive shares	\$31.85	\$21.51	\$23.44
Net income per share:			
Basic	\$0.55	\$0.99	\$1.12
Diluted	\$0.55	\$0.97*	\$1.11

As of December 31, 2013, 2012, and 2011, there was no dilution resulting from the convertible debt instrument, purchased call option, and warrant that are described in Note 14.

* Due to a loss from continuing operations in 2012, the calculation of diluted income per share cannot be calculated by dividing net income by the diluted shares in the table above. See Statement of Income.

Shares outstanding, net of treasury shares, were 31.8 million as of December 31, 2013, 31.4 million as of December 31, 2012, and 31.3 million as of December 31, 2011.

10. Accumulated Other Comprehensive Income

The Company adopted the provisions of Accounting Standards Update 2013-02 in the first quarter of 2013, which requires enhanced disclosures of Accumulated Other Comprehensive Income (AOCI).

In the third quarter of 2013, the Company modified certain provisions of its U.S. postretirement plan. The change in plan benefits decreased pretax liabilities by \$8.0 million, resulting in a \$4.9 million increase to AOCI.

The table below presents changes in the components of AOCI for the period December 31, 2012 to December 31, 2013:

(in thousands)	Translation adjustments	Pension and postretirement liability adjustments	Derivative valuation adjustment	Total Other Comprehensive Income
Balance, December 31, 2012	(\$7,659)	(\$69,484)	(\$2,878)	(\$80,021)
Other comprehensive income before reclassifications	7,521	614	742	8,877
Postretirement plan change in benefits		4,864		4,864
Pension/postretirement plan remeasurement		13,771		13,771
Pension plan change in benefits		(374)		(374)
Interest expense related to swaps reclassified to the Statement of Income, net of tax			1,159	1,159
Pension and postretirement liability adjustments reclassified to Statement of Income, net of tax		2,226		2,226
Net current period other comprehensive income	7,521	21,101	1,901	30,523
Balance, December 31, 2013	(\$138)	(\$48,383)	(\$977)	(\$49,498)

The components of our Accumulated Other Comprehensive Income that are reclassified to the Statement of Income relate to our pension and postretirement plans and interest rate swaps. The table below presents the amounts reclassified, and the line items of the Statement of Income that were affected.

Expense/(income) (in thousands)	Twelve months ended December 31, 2013
Pretax Derivative valuation reclassified from Accumulated Other Comprehensive Income:	
Swap interest expense	\$1,900
Income tax effect	(741)
Effect on net income due to items reclassified from Accumulated Other Comprehensive Income	\$1,159
Pretax pension and postretirement liabilities reclassified from Accumulated Other Comprehensive Income:	
Amortization of prior service cost/(credit)	(\$3,905)
Amortization of transition obligation	70
Amortization of net actuarial loss	6,512
Total pretax amount reclassified(a)	2,677
Income tax effect	(451)
Effect on net income due to items reclassified from Accumulated Other Comprehensive Income	\$2,226

(a) These accumulated other comprehensive income components are included in the computation of net periodic pension cost (see Note 5).

11. Property, Plant and Equipment

The components of property, plant and equipment are summarized below:

(in thousands)	2013	2012	Estimated useful life
Land and land improvements	\$27,081	\$26,985	25 years for improvements
Buildings	240,849	244,104	25 to 40 years
Machinery and equipment	903,037	863,811	10 years
Furniture and fixtures	6,818	7,249	5 years
Computer and other equipment	12,843	11,946	3 to 10 years
Software	50,246	47,576	5 to 8 years
Property, plant and equipment, gross	1,240,874	1,201,671	
Accumulated depreciation	(822,044)	(781,517)	
Property, plant and equipment, net	\$418,830	\$420,154	

Expenditures for maintenance and repairs are charged to income as incurred and amounted to \$17.5 million in 2013, \$17.0 million in 2012, and \$20.0 million in 2011.

Depreciation expense was \$57.0 million in 2013, \$56.6 million in 2012, \$56.1 million in 2011. Software amortization is recorded in Selling, general, and administrative expense and was \$6.0 million in 2013, \$5.8 million in 2012 and 2011. Capital expenditures, including capitalized software, were \$64.5 million in 2013, \$37.2 million in 2012, and \$27.4 million in 2011. Unamortized software cost was \$19.2 million and \$22.4 million as of December 31, 2013 and 2012, respectively.

12. Goodwill and Other Intangible Assets

Goodwill and intangible assets with indefinite useful lives are not amortized, but are tested for impairment at least annually. Goodwill represents the excess of the purchase price over the fair value of the net tangible and identifiable intangible assets acquired in each business combination. Our reporting units are consistent with our operating segments.

Determining the fair value of a reporting unit requires the use of significant estimates and assumptions, including revenue growth rates, operating margins, discount rates, and future market conditions, among others. Goodwill and other long-lived assets are reviewed for impairment whenever events, such as significant changes in the business climate, plant closures, changes in product offerings, or other circumstances indicate that the carrying amount may not be recoverable.

To determine fair value, we utilize two market-based approaches and an income approach. Under the market-based approaches, we utilize information regarding the Company as well as publicly available industry information to determine earnings multiples and sales multiples. Under the income approach, we determine fair value based on estimated future cash flows of each reporting unit, discounted by an estimated weighted-average cost of capital, which reflects the overall level of inherent risk of a reporting unit and the rate of return an outside investor would expect to earn.

The entire balance of goodwill on our books is attributable to the Machine Clothing business. In the second quarter of 2013, the Company applied the quantitative assessment approach in performing its annual evaluation of goodwill and concluded that no impairment provision was required. In addition, there were no amounts at risk due to the large spread between the fair and carrying values.

We are continuing to amortize certain patents, trade names, customer contracts and technology assets that have finite lives. The changes in intangible assets and goodwill from December 31, 2011 to December 31, 2013, were as follows:

(in thousands)	Balance at December 31, 2012	Amortization	Currency Translation	Balance at December 31, 2013
Amortized intangible assets:				
AEC trade names	\$38	(\$5)	\$-	\$33
AEC customer contracts	606	(202)	-	404
AEC technology	204	(25)	-	179
Total amortized intangible assets	\$848	(\$232)	\$-	\$616
Unamortized intangible assets:				
Goodwill	\$76,522	\$ -	\$2,368	\$78,890

(in thousands)	Balance at December 31, 2011	Amortization	Currency Translation	Balance at December 31, 2012
Amortized intangible assets:				
AEC trade names	\$43	(\$5)	\$ -	\$38
AEC customer contracts	808	(202)	-	606
AEC technology	228	(24)	-	204
Total amortized intangible assets	\$1,079	(\$231)	\$ -	\$848
Unamortized intangible assets:				
Goodwill	\$75,469	\$ -	\$1,053	\$76,522

Estimated amortization expense of intangibles for the years ending December 31, 2014 through 2018, is as follows:

Year	Annual amortization (in thousands)
2014	231
2015	231
2016	29
2017	29
2018	29

13. Accrued Liabilities

Accrued liabilities consist of:

(in thousands)	2013	2012
Salaries and wages	\$18,177	\$18,562
Accrual for compensated absences	12,886	12,985
Employee benefits	9,960	9,627
Pension liability - current portion	2,321	2,318
Postretirement medical benefits - current portion	5,056	5,547
Returns and allowances	22,428	19,536
Interest	2,131	3,062
Restructuring costs	9,656	4,947
Dividends	4,765	-
Workers' compensation	2,582	2,924
Billings in excess of revenue recognized	7,081	4,920
Professional fees	2,486	3,173
Utilities	1,175	1,073
Other	11,627	14,583
Total	\$112,331	\$103,257

14. Financial Instruments

Long-term debt, principally to banks and bondholders, consists of:

(in thousands, except interest rates)	2013	2012
Private placement with a fixed interest rate of 6.84%, \$50,000 paid in October 2013, remaining due 2015 through 2017	\$100,000	\$150,000
Credit agreement with borrowings outstanding at an end of period interest rate of 2.53% in 2013 and 3.92% in 2012 (including the effect of interest rate hedging transactions, as described below), due in 2018	200,000	132,000
Convertible notes, par value \$28,437, issued in March 2006 with fixed contractual interest rates of 2.25%, due in 2026, redeemed March 2013	-	28,261
Various notes and mortgages relative to operations principally outside the United States, at an average end of period rate of 3.10% in 2013 and 3.06% in 2012, due in varying amounts through 2021	3,875	8,892
Long-term debt	303,875	319,153
Less: current portion	(3,764)	(83,276)
Long-term debt, net of current portion	\$300,111	\$235,877

Principal payments due on long-term debt are: 2014, \$3.8 million; 2015, \$50.0 million; 2017, \$50.0 million and 2018, \$200.0 million. Total principal payments in 2016, 2019 and thereafter total \$0.0 million. Cash payments of interest amounted to \$16.1 million in 2013, \$18.4 million in 2012, and \$20.2 million in 2011.

A note agreement and guaranty ("Prudential agreement") was entered into in October 2005, and was amended and restated as September 17, 2010 and March 26, 2013, with the Prudential Insurance Company of America, and certain other purchasers, in an aggregate principal amount of \$150 million, with interest at 6.84% and a maturity date of October 25, 2017. The Prudential Agreement provides for mandatory payments of \$50 million on each of October 25, 2013, and October 25, 2015, of which the first payment was made on schedule. At the noteholders' election, certain prepayments may also be required in connection with certain asset dispositions or financings. The notes may not otherwise be prepaid without a premium, under certain market conditions. The Prudential Agreement contains customary terms, as well as affirmative covenants, negative covenants, and events of default comparable to those in our current principal credit facility (as described below). For disclosure purposes, we are required to measure the fair value of outstanding debt on a recurring basis. As of December 31, 2013, the fair value of the Prudential Agreement was approximately \$114.5 million, which was measured using active market interest rates, which would be considered Level 2 for fair value measurement purposes.

On March 26, 2013, we entered into a \$330 million, unsecured Five-Year Revolving Credit Facility Agreement ("Credit Agreement"), under which \$200 million of borrowings were outstanding as of December 31, 2013. The Credit Agreement replaces the previous \$390 million five-year Credit Agreement made in 2010. The applicable interest rate for borrowings under the Credit Agreement, as well as under the former agreement, is LIBOR plus a spread, based on our leverage ratio at the time of borrowing. At the time of the last borrowing on December 23, 2013, the spread was 1.375%. The spread is based on a pricing grid, which ranges from 1.25% to 1.875%, based on our leverage ratio.

Our ability to borrow additional amounts under the Credit Agreement is conditional upon the absence of any defaults, as well as the absence of any material adverse change. Based on our maximum leverage ratio and our consolidated EBITDA (as defined in the Credit Agreement), and without modification to any other credit agreements, as of December 31, 2013, we would have been able to borrow an additional \$130 million under our agreement.

On July 16, 2010, we entered into interest rate hedging transactions that have the effect of fixing the LIBOR portion of the effective interest rate (before addition of the spread) on \$105 million of the indebtedness drawn under the Credit Agreement at the rate of 2.04% until July 16, 2015. Under the terms of these transactions, we pay the fixed rate of 2.04% and the counterparties pay a floating rate based on the three-month LIBOR rate at each quarterly calculation date, which on October 16, 2013 was 0.25%. The net effect is to fix the effective interest rate on \$105 million of indebtedness at 2.04%, plus the applicable spread, until these swap agreements expire. On December 31, 2013, the all-in rate on the \$105 million of debt was 3.415%.

On May 20, 2013, we entered into interest rate hedging transactions for the period July 16, 2015 through March 16, 2018. These transactions have the effect of fixing the LIBOR portion of the effective interest rate (before addition of the spread) on \$110 million of indebtedness drawn under the Credit Agreement at the rate of 1.414% during this period. Under the terms of these transactions, we pay the fixed rate of 1.414% and the counterparties pay a floating rate based on the one-month LIBOR rate at each monthly calculation date, which on December 31, 2013 was 0.17%. The net effect is to fix the effective interest rate on \$110 million of indebtedness at 1.414%, plus the applicable spread, during the swap period.

These interest rate swaps are accounted for as a hedge of future cash flows, as further described in Note 15 of the Notes to Consolidated Financial Statements. No cash collateral was received or pledged in relation to the swap agreements.

Under the Credit Agreement and Prudential Agreement, we are currently required to maintain a leverage ratio (as defined in the agreements) of not greater than 3.50 to 1.00 and minimum interest coverage (as defined) of 3.00 to 1.00.

As of December 31, 2013, our leverage ratio was 1.78 to 1.00 and our interest coverage ratio was 8.85 to 1.00. We may purchase our Common Stock or pay dividends to the extent our leverage ratio remains at or below 3.50 to 1.00, and may make acquisitions with cash provided our leverage ratio would not exceed 3.50 to 1.00 after giving pro forma effect to the acquisition.

On March 15, 2013, the Company redeemed, at 100 percent of par, all remaining 2.25% Convertible Senior Notes due 2026 (the "Notes"). The cash payments of \$28.4 million were funded by borrowings under the Credit Agreement.

In connection with the original sale of the Notes in 2006, we entered into hedge and warrant transactions with respect to our Class A common stock. These transactions were intended to reduce the potential dilution upon conversion of the Notes by providing us with the option, subject to certain exceptions, to acquire shares in an amount equal to the number of shares that we would be required to deliver upon conversion of the Notes. These transactions had the economic effect to the Company of increasing the conversion price of the Notes to \$52.25 per share. These transactions had a net cost of \$14.7 million. The hedge transactions expired on March 15, 2013 and all warrants were expired by September 10, 2013.

Indebtedness under each of the Prudential Agreement and the Credit Agreement is ranked equally in right of payment to all unsecured senior debt.

We were in compliance with all debt covenants as of December 31, 2013.

15. Fair-Value Measurements

Fair value is defined as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants at the measurement date. Accounting principles establish a hierarchy for inputs used in measuring fair value that maximizes the use of observable inputs and minimizes the use of unobservable inputs by requiring that the most observable inputs be used when available. Level 3 inputs are unobservable data points for the asset or liability, and include situations in which there is little, if any, market activity for the asset or liability. As of December 31, 2013 and 2012, we have no Level 3 financial assets or liabilities.

The following table presents the fair-value hierarchy for our Level 1 and Level 2 financial assets and liabilities measured at fair value on a recurring basis:

(in thousands)	December 31, 2013		December 31, 2012	
	Quoted prices in active markets (Level 1)	Significant other observable inputs (Level 2)	Quoted prices in active markets (Level 1)	Significant other observable inputs (Level 2)
Fair Value				
Assets:				
Cash equivalents	\$25,073	\$ -	\$ 33,171	\$ -
Prepaid expenses and other current assets:				
Foreign currency instruments	-	-	-	-
<i>Other Assets:</i>				
Common stock of foreign public company	952	-	562	-
Interest rate swap	-	1,517 ^(a)	-	-
Liabilities:				
<i>Other noncurrent liabilities</i>				
Interest rate swap	-	(3,119) ^(b)	-	(4,718) ^(c)

(a) Net of \$5.6 million receivable floating leg and \$4.1 million liability fixed leg

(b) Net of \$0.7 million receivable floating leg and \$3.8 million liability fixed leg

(c) Net of \$1.2 million receivable floating leg and \$5.9 million liability fixed leg

During 2013 and 2012 there were no transfers between levels 1, 2, and 3.

Cash equivalents include short-term securities that are considered to be highly liquid and easily tradable. These securities are valued using inputs observable in active markets for identical securities.

The common stock of a foreign public company is traded in an active market exchange. The shares are measured at fair value using closing stock prices and are recorded in the Consolidated Balance Sheets as Other assets. The securities are classified as available for sale, and as a result any unrealized gain or loss is recorded in the Shareholders' Equity section of the Consolidated Balance Sheets rather than in the Consolidated Statements of Income. When the security is sold or impaired, gains and losses are reported on the Consolidated Statements of Income. Investments are considered to be impaired when a decline in fair value is judged to be other than temporary.

Foreign currency instruments are entered into periodically, and consist of foreign currency option contracts and forward contracts that are valued using quoted prices in active markets obtained from independent pricing sources. These instruments are measured using market foreign exchange prices and are recorded in the Consolidated Balance Sheets as Other current assets and Accounts payable, as applicable. Changes in fair value of these instruments are recorded as gains or losses within Other expense/ (income), net. Losses totaled \$0.1 million during 2013, and gains totaled \$0.0 million during 2012.

When exercised, the foreign currency instruments are net settled with the same financial institution that bought or sold them. For all positions, whether options or forward contracts, there is risk from the possible inability of the financial institution to meet the terms of the contracts and the risk of unfavorable changes in interest and currency rates, which may reduce the value of the instruments. We seek to control risk by evaluating the creditworthiness of counterparties and by monitoring the currency exchange and interest rate markets while reviewing the hedging risks and contracts to ensure compliance with our internal guidelines and policies.

We operate our business in many regions of the world, and currency rate movements can have a significant effect on operating results.

Changes in exchange rates can result in revaluation gains and losses that are recorded in Selling, General and Administrative expenses or Other expense/ (income), net. Revaluation gains and losses occur when our business units have cash, intercompany (recorded in Other expense/ (income), net) or third-party trade receivable or payable balances (recorded in Selling, General and Administrative expenses) in a currency other than their local reporting (or functional) currency.

Operating results can also be affected by the translation of sales and costs, for each non-U.S. subsidiary, from the local functional currency to the U.S. dollar. The translation effect on the income statement is dependent on our net income or expense position in each non-U.S. currency in which we do business. A net income position exists when sales realized in a particular currency exceed expenses paid in that currency; a net expense position exists if the opposite is true.

The interest rate swaps are accounted for as hedges of future cash flows. The fair value of our interest rate swaps are derived from a discounted cash flow analysis based on the terms of the contract and the interest rate curve, and is included in Other assets and Other noncurrent liabilities in the Consolidated Balance Sheets. Unrealized gains and losses on the swaps will flow through the caption Derivative valuation adjustment in the Shareholders' equity section of the Consolidated Balance Sheets, to the extent that the hedges are highly effective. As of December 31, 2013, these interest rate swaps were determined to be 100% effective hedges of interest rate cash flow risk. Gains and losses related to the ineffective portion of the hedges will be recognized in the current period in earnings. Amounts accumulated in Other comprehensive income are reclassified as Interest expense, net when the related interest payments (that is, the hedged forecasted transactions) affect earnings. Interest expense related to the swaps totaled \$1.9 million for 2013, \$1.7 million for 2012, and \$1.9 million for 2011.

Gains/ (losses) related to changes in fair value of derivative instruments that were recognized in Other expense/ (income), net in the Statement of Income were as follows:

(in thousands)	Years ended December 31,	
	2013	2012
Derivatives not designated as hedging instruments		
Forward exchange options	\$(107)	\$33

16. Other Noncurrent Liabilities

As of December 31 of each year, Other noncurrent liabilities consists of:

(in thousands)	2013	2012
Pension liabilities	\$40,981	\$49,820
Postretirement benefits other than pensions	56,052	78,821
Interest rate swap agreement	3,119	4,718
Incentive and deferred compensation	4,960	2,087
Other	902	566
Total	\$106,014	\$136,012

17. Commitments and Contingencies

Principal leases are for machinery and equipment, vehicles, and real property. Certain leases contain renewal and purchase option provisions at fair values. There were no significant capital leases entered into during 2013. Total rental expense amounted to \$4.6 million in 2013, \$5.8 million in both 2012 and 2011.

Future rental payments required under operating leases that have initial or remaining non-cancelable lease terms in excess of one year, as of December 31, 2013 are: 2014, \$4.4 million; 2015, \$2.7 million; 2016, \$1.4 million; 2017, \$0.4 million, and 2018 and thereafter, \$1.6 million.

Asbestos Litigation

Albany International Corp. is a defendant in suits brought in various courts in the United States by plaintiffs who allege that they have suffered personal injury as a result of exposure to asbestos-containing products that we previously manufactured. We produced asbestos-containing paper machine clothing synthetic dryer fabrics marketed during the period from 1967 to 1976 and used in certain paper mills. Such fabrics generally had a useful life of three to twelve months.

We were defending 4,315 claims as of January 31, 2014.

The following table sets forth the number of claims filed, the number of claims settled, dismissed or otherwise resolved, and the aggregate settlement amount during the periods presented:

Year ended December 31,	Opening Number of Claims	Claims Dismissed, Settled, or Resolved	New Claims	Closing Number of Claims	Amounts Paid (thousands) to Settle or Resolve
2005	29,411	6,257	1,297	24,451	\$504
2006	24,451	6,841	1,806	19,416	3,879
2007	19,416	808	190	18,798	15
2008	18,798	523	110	18,385	52
2009	18,385	9,482	42	8,945	88
2010	8,945	3,963	188	5,170	159
2011	5,170	789	65	4,446	1,111
2012	4,446	90	107	4,463	530
2013 as of January 31, 2014	4,463	233	85	4,315	\$ 82

We anticipate that additional claims will be filed against the Company and related companies in the future, but are unable to predict the number and timing of such future claims.

Exposure and disease information sufficient to meaningfully estimate a range of possible loss of a particular claim is typically not available until late in the discovery process, and often not until a trial date is imminent and a settlement demand has been received. For these reasons, we do not believe a meaningful estimate can be made regarding the range of possible loss with respect to pending or future claims.

While we believe we have meritorious defenses to these claims, we have settled certain claims for amounts we consider reasonable given the facts and circumstances of each case. Our insurer, Liberty Mutual, has defended each case and funded settlements under a standard reservation of rights. As of January 31, 2014, we had resolved, by means of settlement or dismissal, 36,603 claims. The total cost of resolving all claims was \$8.7 million. Of this amount, almost 100% was paid by our insurance carrier. The Company has over \$125 million in confirmed insurance coverage that should be available with respect to current and future asbestos claims, as well as additional insurance coverage that we should be able to access.

Brandon Drying Fabrics, Inc. ("Brandon"), a subsidiary of Geschmay Corp., which is a subsidiary of the Company, is also a separate defendant in many of the asbestos cases in which Albany is named as a defendant. Brandon was defending against 7,815 claims as of January 31, 2014.

The following table sets forth the number of claims filed, the number of claims settled, dismissed or otherwise resolved, and the aggregate settlement amount during the periods presented:

Year ended December 31,	Opening Number of Claims	Claims Dismissed, Settled, or Resolved	New Claims	Closing Number of Claims	Amounts Paid (thousands) to Settle or Resolve
2005	9,985	642	223	9,566	\$ -
2006	9,566	1,182	730	9,114	-
2007	9,114	462	88	8,740	-
2008	8,740	86	10	8,664	-
2009	8,664	760	3	7,907	-
2010	7,907	47	9	7,869	-
2011	7,869	3	11	7,877	-
2012	7,877	12	2	7,867	-
2013 as of January 31, 2014	7,867	55	3	7,815	\$ -

We acquired Geschmay Corp., formerly known as Wangner Systems Corporation, in 1999. Brandon is a wholly owned subsidiary of Geschmay Corp. In 1978, Brandon acquired certain assets from Abney Mills ("Abney"), a South Carolina textile manufacturer. Among the assets acquired by Brandon from Abney were assets of Abney's wholly owned subsidiary, Brandon Sales, Inc. which had sold, among other things, dryer fabrics containing asbestos made by its parent, Abney. Although Brandon manufactured and sold dryer fabrics under its own name subsequent to the asset purchase, none of such fabrics contained asbestos. Because Brandon did not manufacture asbestos-containing products, and because it does not believe that it was the legal successor to, or otherwise responsible for obligations of Abney with respect to products manufactured by Abney, it believes it has strong defenses to the claims that have been asserted against it. As of January 31, 2014, Brandon has resolved, by means of settlement or dismissal, 9,788 claims for a total of \$0.2 million. Brandon's insurance carriers initially agreed to pay 88.2% of the total indemnification and defense costs related to these proceedings, subject to the standard reservation of rights. The remaining 11.8% of the costs had been borne directly by Brandon. During 2004, Brandon's insurance carriers agreed to cover 100% of indemnification and defense costs, subject to policy limits and the standard reservation of rights, and to reimburse Brandon for all indemnity and defense costs paid directly by Brandon related to these proceedings.

For the same reasons set forth above with respect to Albany's claims, as well as the fact that no amounts have been paid to resolve any Brandon claims since 2001, we do not believe a meaningful estimate can be made regarding the range of possible loss with respect to these remaining claims.

In some of these asbestos cases, the Company is named both as a direct defendant and as the "successor in interest" to Mount Vernon Mills ("Mount Vernon"). We acquired certain assets from Mount Vernon in 1993. Certain plaintiffs allege injury caused by asbestos-containing products alleged to have been sold by Mount Vernon many years prior to this acquisition. Mount Vernon is contractually obligated to indemnify the Company against any liability arising out of such products. We deny any liability for products sold by Mount Vernon prior to the acquisition of the Mount Vernon assets. Pursuant to its contractual indemnification obligations, Mount Vernon has assumed the defense of these claims. On this basis, we have successfully moved for dismissal in a number of actions.

Although we do not believe, based on currently available information and for the reasons stated above, that a meaningful estimate of a range of possible loss can be made with respect to such claims, based on our understanding of the insurance policies available, how settlement amounts have been allocated to various policies, our settlement experience, the absence of any judgments against the Company or Brandon, the ratio of paper mill claims to total claims filed, and the defenses available, we currently do not anticipate any material liability relating to the resolution of the aforementioned pending proceedings in excess of existing insurance limits.

Consequently, we currently do not anticipate, based on currently available information, that the ultimate resolution of the aforementioned proceedings will have a material adverse effect on the financial position, results of operations, or cash flows of the Company. Although we cannot predict the number and timing of future claims, based on the foregoing factors and the trends in claims against us to date, we do not anticipate that additional claims likely to be filed against us in the future will have a material adverse effect on our financial position, results of operations, or cash flows. We are aware that litigation is inherently uncertain, especially when the outcome is dependent primarily on determinations of factual matters to be made by juries.

18. Translation Adjustments

The Consolidated Statements of Cash Flows were affected by translation as follows:

(in thousands)	2013	2012	2011
Change in cumulative translation adjustments	\$7,521	\$18,287	(\$13,070)
Accounts receivable	69	(1,119)	4,284
Inventories	705	(779)	2,756
Property, plant and equipment, net	(625)	(7,859)	2,789
Goodwill and intangibles	(2,368)	(1,053)	2,449
Deferred taxes	(116)	(7,895)	1,204
Other noncurrent liabilities	952	1,352	(1,209)
Other	706	(1,015)	(2,576)
Effect of exchange rate changes	\$6,844	(\$81)	(\$3,373)

The change in cumulative translation adjustments includes the following:

(in thousands)	2013	2012	2011
Translation of non-U.S. subsidiaries	\$25,573	\$16,589	(\$17,061)
Gain/(loss) on long-term intercompany loans	(18,052)	1,698	3,991
Effect of exchange rate changes	\$7,521	\$18,287	(\$13,070)

19. Stock Options and Incentive Plans

We recognized no stock option expense during 2013, 2012 or 2011 and there are currently no remaining unvested options for which stock-option compensation costs will be recognized in future periods.

There have been no stock options granted since November 2002 and we have no stock option plan under which options may be granted. Options issued under previous plans and still outstanding were exercisable in five cumulative annual amounts beginning twelve months after date of grant. Option exercise prices were normally equal to and were not permitted to be less than the market value on the date of grant. Unexercised options generally terminate twenty years after the date of grant for all plans, and must be exercised within ten years of retirement.

Activity with respect to these plans is as follows:

	2013	2012	2011
Shares under option January 1	507,313	597,313	639,163
Options canceled	-	23,300	400
Options exercised	278,780	66,700	41,450
Shares under option at December 31	228,533	507,313	597,313
Options exercisable at December 31	228,533	507,313	597,313

The weighted average exercise price is as follows:

	2013	2012	2011
Shares under option January 1	\$19.45	\$19.54	\$19.51
Options granted	-	-	-
Options canceled	-	21.23	20.54
Options exercised	19.87	19.65	19.03
Shares under option December 31	18.94	19.45	19.54
Options exercisable December 31	18.94	19.45	19.54

As of December 31, 2013, the aggregate intrinsic value of vested options was \$3.9 million. The aggregate intrinsic value of options exercised was \$3.1 million in 2013, \$0.2 million in 2012, and \$0.3 million in 2011.

Executive Management share-based compensation:

In 2011, shareholders approved the Albany International 2011 Incentive Plan, replacing the similar 2005 Incentive Plan approved by shareholders in 2005. Awards granted to date under these plans provide key members of management with incentive compensation based on achieving certain performance targets over a three year period. Such awards are paid out partly in cash and partly in shares of Class A Common Stock. In March 2013 we issued 40,255 shares and made cash payments totaling \$1.1 million. In March 2012 we issued 6,727 shares and made cash payments totaling \$0.2 million, and in March 2011, we issued 32,177 shares and made cash payments totaling \$0.8 million. Shares that are expected to be paid out are included in the calculation of diluted earnings per share. If a person terminates employment prior to the award becoming fully vested, the person may forfeit all or a portion of the incentive compensation award. Expense associated with these awards is recognized over the vesting period, which includes the year for which performance targets are measured and may, if payment is made over three years, include the two subsequent years. In connection with this plan, we recognized expense of \$2.4 million per year in 2013, 2012 and 2011.

In 2011, the Board of Directors modified the annual incentive plan for executive management whereby 40 percent of the earned incentive compensation is payable in the form of shares of Class A Common Stock. In March 2013, the Company issued 34,988 shares and made cash payments totaling \$2.0 million as a result of performance in 2012. In March 2012, the Company issued 27,768 shares and made cash payments totaling \$1.5 million as a result of performance in 2011. Expense recorded for this plan was \$2.3 million in 2013, \$3.4 million in 2012, and \$2.7 million in 2011.

The grant date share price is determined when the awards are approved each year and that price is used for measuring the cost for the share-based portion of the award. Shares payable under these plans generally vest immediately prior to payment. Participants may elect to receive shares net of applicable income taxes, which is taken into consideration for the calculation of diluted earnings per share. As of December 31, 2013, there were 339,050 shares of Company stock authorized for the payment of awards under these plans. Information with respect to these plans is presented below:

	Number of shares	Weighted average grant date value per share	Year-end intrinsic value (000's)
Shares potentially payable at January 1, 2011	90,871	\$22.40	\$2,153
Forfeitures	-	-	-
Payments	(34,268)	\$22.40	-
Shares accrued based on 2011 performance	104,677	\$24.62	-
Shares potentially payable at December 31, 2011	161,280	\$23.74	\$3,729
Forfeitures	-	-	-
Payments	(44,347)	\$24.62	-
Shares accrued based on 2012 performance	112,428	\$27.15	-
Shares potentially payable at December 31, 2012	229,361	\$24.13	\$5,202
Forfeitures	-	-	-
Payments	(118,364)	\$23.05	-
Shares accrued based on 2013 performance	74,567	\$31.62	-
Shares potentially payable at December 31, 2013	185,564	\$27.51	\$6,667

Other Management share-based compensation:

In 2003, the Company adopted a Restricted Stock Program under which certain key employees are awarded restricted stock units. Such units vest over a five-year period and are paid annually in cash based on current market prices of the Company's stock. The amount of compensation expense is subject to changes in the market price of the Company's stock. The amount of compensation cost attributable to such units is recorded in Selling, general and administrative expenses and was \$2.5 million in 2013, \$1.9 million in 2012, and \$2.5 million in 2011. The Company has not awarded new restricted stock units since November 2010. However, awards up to that time will continue to vest until 2015.

In 2012, the Company adopted a Phantom Stock Plan that replaces the Restricted Stock Program. Awards under this program also vest over a five-year period and are paid annually in cash based on current market prices of the Company's stock. Under this program, employees may earn more or less than the target award based on the Company's results in the year of the award. Expense recognized for this plan amounted to \$1.5 million in 2013 and \$0.5 million in 2012.

In 2008, the Company granted restricted stock units to certain executives. Upon vesting, each restricted stock unit is payable in cash. These grants vested in 2011 and 2012. Expense recognized for these grants was \$0.5 million in 2012 and \$1.3 million in 2011. In 2012, the Company granted additional restricted stock units to two executives. The amount of compensation expense is subject to changes in the market price of the Company's stock and is recorded in Selling, general, and administrative expenses. These grants will vest various periods from 2015 to 2017. Expense recognized for these grants was \$1.0 million in 2013 and \$0.4 million in 2012.

The determination of compensation expense for other management share-based compensation plans is based on the number of outstanding share units, the end-of-period share price, and company performance. Share units payable under these plans generally vest immediately prior to payment. Information with respect to these plans is presented below:

	Number of shares	Weighted average value per share	Cash paid for share based liabilities(000's)
Share units potentially payable at January 1, 2011	643,232		
Grants	13,037		
Payments	(265,574)	\$21.57	\$5,727
Forfeitures	(29,276)		
Share units potentially payable at December 31, 2011	361,419		
Grants	220,090		
Payments	(196,360)	\$21.43	\$4,206
Forfeitures	(34,389)		
Share units potentially payable at December 31, 2012	350,760		
Grants	104,554		
Payments	(85,902)	\$32.71	\$2,810
Forfeitures	(8,223)		
Share units potentially payable at December 31, 2013	361,189		

The Company maintains a voluntary savings plan covering substantially all employees in the United States. The Plan, known as the ProsperityPlus Savings Plan, is a qualified plan under section 401(k) of the U.S. Internal Revenue Code. Under the plan, employees may make contributions of 1% to 15% of their wages, subject to contribution limitations specified in the Internal Revenue Code. The Company matches between 50% and 100% of each dollar contributed by employees up to a maximum of 5% of pretax income. Prior to February 2011, the Company match was in the form of Class A Common Stock, but the Company has made matching contributions in cash since that date. The investment of employee contributions to the plan is self-directed. The Company's cost of the plan amounted to \$4.1 million in 2013, \$3.8 million for 2012, and \$3.7 million for 2011.

The Company's profit-sharing plan covers substantially all employees in the United States. After the close of each year, the Board of Directors determines the amount of the profit-sharing contribution. Company contributions to the plan are in the form of cash. The expense recorded for this plan was \$1.6 million in 2013, \$1.8 million in 2012, and \$2.3 million in 2011.

20. Shareholders' Equity

We have two classes of Common Stock, Class A Common Stock and Class B Common Stock, each with a par value of \$0.001 and equal liquidation rights. Each share of our Class A Common Stock is entitled to one vote on all matters submitted to shareholders, and each share of Class B Common Stock is entitled to ten votes. Class A and Class B Common Stock will receive equal dividends as the Board of Directors may determine from time to time. The Class B Common Stock is convertible into an equal number of shares of Class A Common Stock at any time. At December 31, 2013, 3.5 million shares of Class A Common Stock were reserved for the conversion of Class B Common Stock and the exercise of stock options.

In August 2006, we announced that the Board of Directors authorized management to purchase up to 2.0 million additional shares of our Class A Common Stock. The Board's action authorizes management to purchase shares from time to time, in the open market or otherwise, whenever it believes such purchase to be advantageous to our shareholders, and it is otherwise legally permitted to do so. We have made no share purchases under the August 2006 authorization. Activity in shareholders' equity for 2011, 2012, and 2013 is presented below:

(in thousands)	Class A Common Stock		Class B Common Stock		Additional paid-in capital Amount	Retained earnings Amount	Accumulated items of other comprehensive income Amount	Treasury Stock Class A		Noncontrolling Interest
	Shares	Amount	Shares	Amount				Shares	Amount	
Balance: January 1, 2011	36,442	\$36	3,236	\$3	\$387,876	\$403,048	(\$106,672)	8,485	(\$258,031)	\$-
Compensation and benefits paid or payable										
in shares	57	1	-	-	2,712	-	-	-	-	-
Options exercised	42	-	-	-	883	-	-	-	-	-
Shares issued to Directors	-	-	-	-	24	-	-	(5)	111	-
Net income	-	-	-	-	-	34,938	-	-	-	-
Dividends declared	-	-	-	-	-	(15,942)	-	-	-	-
Cumulative translation adjustments	-	-	-	-	-	-	(13,070)	-	-	-
Pension and postretirement liability adjustments	-	-	-	-	-	-	(17,749)	-	-	-
Derivative valuation adjustment	-	-	-	-	-	-	(2,318)	-	-	-
Balance: December 31, 2011	36,541	\$37	3,236	\$3	\$391,495	\$422,044	(\$139,809)	8,480	(\$257,920)	\$-
Compensation and benefits paid or payable										
in shares	34	-	-	-	2,573	-	-	-	-	-
Options exercised	67	-	-	-	1,352	-	-	-	-	-
Shares issued to Directors	-	-	-	-	(39)	-	-	(12)	256	-
Net income	-	-	-	-	-	30,977	-	-	-	-
Dividends declared	-	-	-	-	-	(17,246)	-	-	-	-
Cumulative translation adjustments	-	-	-	-	-	-	11,452	-	-	-
Settlement of certain pension plan liabilities	-	-	-	-	-	-	79,204	-	-	-
Pension and postretirement liability adjustments	-	-	-	-	-	-	(30,584)	-	-	-
Derivative valuation adjustment	-	-	-	-	-	-	(284)	-	-	-
Balance: December 31, 2012	36,642	\$37	3,236	\$3	\$395,381	\$435,775	(\$80,021)	8,468	(\$257,664)	\$-
Compensation and benefits paid or payable										
in shares	75	-	-	-	(902)	-	-	-	-	-
Initial equity related to Noncontrolling interest in ASC	-	-	-	-	15,535	-	-	-	-	3,341
Options exercised	279	-	-	-	6,670	-	-	-	-	-
Shares issued to Directors	-	-	-	-	44	-	-	(4)	93	-
Net income	-	-	-	-	-	17,517	-	-	-	141
Dividends declared	-	-	-	-	-	(18,694)	-	-	-	-
Cumulative translation adjustments	-	-	-	-	-	-	7,521	-	-	-
Pension and postretirement liability adjustments	-	-	-	-	-	-	21,101	-	-	-
Derivative valuation adjustment	-	-	-	-	-	-	1,901	-	-	-
Balance: December 31, 2013	36,996	\$37	3,236	\$3	\$416,728	\$434,598	(\$49,498)	8,464	(\$257,571)	\$3,482

21. Quarterly Financial Data (unaudited)

(in millions, except per share amounts)				
2013	1st	2nd	3rd	4th
Net sales	\$186.7	\$198.0	\$183.1	\$189.6
Gross profit	72.8	77.4	68.0	72.4
Net income attributable to the Company	11.5	(7.4)	4.7	8.7
Basic earnings per share	0.36	(0.23)	0.15	0.27
Diluted earnings per share	0.36	(0.23)	0.15	0.27
Cash dividends per share	0.14	0.15	0.15	0.15
Class A Common Stock prices:				
High	29.87	33.90	36.53	37.25
Low	23.21	27.48	32.27	33.81
2012				
Net sales	\$180.1	\$191.9	\$194.6	\$194.3
Gross profit	68.3	78.5	79.7	79.0
Net income attributable to the Company	47.0	(33.7)	9.5	8.2
Basic earnings per share	1.50	(1.08)	0.30	0.27
Diluted earnings per share	1.49	(1.08)	0.30	0.26
Cash dividends per share	0.13	0.14	0.14	0.14
Class A Common Stock prices:				
High	25.90	24.70	22.78	22.68
Low	22.35	17.15	17.66	20.11
2011				
Net sales	\$200.0	\$189.7	\$200.3	\$197.4
Gross profit	85.2	73.9	78.1	77.0
Net income attributable to the Company	16.7	8.8	16.7	(7.2)
Basic earnings per share	0.54	0.28	0.53	(0.23)
Diluted earnings per share	0.53	0.28	0.53	(0.23)
Cash dividends per share	0.12	0.13	0.13	0.13
Class A Common Stock prices:				
High	25.09	27.90	27.68	25.70
Low	21.84	23.54	17.82	17.24

In 2013, restructuring charges reduced earnings per share by \$0.01 in the first quarter, \$0.47 in the second quarter, \$0.04 in the third quarter, and increased earnings per share by \$0.03 in the fourth quarter.

In the first quarter of 2013, we recognized a gain of \$0.08 per share related to the sale of a former manufacturing facility.

In 2012, earnings per share included pension plan settlement charges per share of \$0.22 in the first quarter and \$2.34 in the second quarter.

In Q1 2012 income tax expense includes a favorable discrete adjustment for a Canadian audit settlement of \$0.23 per share.

In 2012, restructuring charges reduced earnings per share by \$0.01 in the first quarter, \$0.06 in the second quarter, \$0.05 in the third quarter, and \$0.02 in the fourth quarter.

Income tax expense in the fourth quarter of 2011 includes a favorable adjustment of \$0.11 per share to correct errors from periods prior to 2006. The Company does not believe that the corrected item is or was material to 2011 or any previously reported quarterly or annual financial statements. As a result, the Company has not restated its previously issued annual or quarterly financial statements.

In 2011, restructuring charges reduced earnings per share by \$0.00 in the first quarter, \$0.04 in the second quarter, \$0.06 in the third quarter, and \$0.10 in the fourth quarter.

The Company's Class A Common Stock is traded principally on the New York Stock Exchange. As of December 31, 2013, there were approximately 6,200 beneficial owners of the Company's common stock, including employees owning shares through the Company's 401(k) defined contribution plan.

Item 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

None.

Item 9A. CONTROLS AND PROCEDURES

Disclosure Controls and Procedures

The Company, with the participation of its management, including its Chief Executive Officer and Chief Financial Officer, has carried out an evaluation of the effectiveness of the design and operation of the Company's disclosure controls and procedures (as defined in Exchange Act Rules 13a-15 and 15d-15) as of the end of the period covered by this annual report, to ensure:

- a. We have maintained disclosure controls and procedures (as defined in paragraph (e) of this section) and internal control over financial reporting (as defined in paragraph (f) of this section);
- b. We have evaluated the effectiveness of disclosure controls and procedures, as of the end of each fiscal quarter;
- c. We have evaluated the effectiveness, as of the end of each fiscal year, of internal control over financial reporting. The framework on which evaluation of internal control over financial reporting is based is a suitable, recognized control framework that is established by a body or group that has followed due-process procedures, including the broad distribution of the framework for public comment;
- d. We have evaluated any change in internal control over financial reporting, that occurred during each fiscal quarter, that has materially affected, or is reasonably likely to materially affect, the internal control over financial reporting;
- e. For purposes of this section, the term disclosure controls and procedures means controls and other procedures that are designed to ensure that information required to be disclosed in reports under the Act (15 U.S.C. 78a et seq.) is recorded, processed, summarized and reported, within the time periods specified in the Commission's rules and forms. Disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that information required to be disclosed under the Act is accumulated and communicated to management, including the Chief Executive Officer and Chief Financial Officer, as appropriate to allow timely decisions regarding required disclosure;
- f. The term internal control over financial reporting is defined as a process designed by, or under the supervision of, the principal executive and principal financial officers, or persons performing similar functions, and effected by the board of directors, management and other personnel, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles and includes those policies and procedures that:
 1. Pertain to the maintenance of records that in reasonable detail accurately and fairly reflect the transactions and dispositions of the assets;
 2. Provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures are being made only in accordance with authorizations of management and directors; and
 3. Provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of assets that could have a material effect on the financial statements.

Based upon and as of the date of that evaluation, the Chief Executive Officer and the Chief Financial Officer concluded that the disclosure controls and procedures of the Company were effective in ensuring that the

information required to be disclosed in the periodic reports is recorded, processed, summarized and reported, within the time periods specified in the Commission's rules and forms and ensuring that information required to be disclosed in reports is accumulated and communicated to the management of the Company, including its Chief Executive Officer and Chief Financial Officer, as appropriate to allow timely decisions regarding required disclosure.

Management's Report on Internal Control over Financial Reporting

Management of the Company is responsible for establishing and maintaining adequate internal control over financial reporting as defined in Rules 13a-15(f) and 15d-15(f) under the Securities Exchange Act of 1934. The Company's internal control system is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external reporting purposes in accordance with accounting principles generally accepted in the United States of America.

Because of its limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies and procedures may deteriorate.

Management of the Company assessed the effectiveness of the Company's internal control over financial reporting as of December 31, 2013. In making this assessment, management used the criteria set forth by the 1992 Committee of Sponsoring Organizations of the Treadway Commission (COSO) in *Internal Control – Integrated Framework*. Based on that assessment, management concluded that, as of December 31, 2013, the Company's internal control over financial reporting was effective at a reasonable assurance level based on those criteria.

The effectiveness of the Company's internal control over financial reporting as of December 31, 2013 has been audited by PricewaterhouseCoopers LLP, an independent registered public accounting firm, as stated in their report included herein.

Changes in Internal Control over Financial Reporting

There were no changes in our internal control over financial reporting during our fourth fiscal quarter of 2013 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

/s/ Joseph G. Morone, Ph.D.
Joseph G. Morone, Ph.D.
President and
Chief Executive Officer
and Director
(Principal Executive Officer)

/s/ John B. Cozzolino
John B. Cozzolino
Chief Financial Officer
and Treasurer
(Principal Financial Officer)

/s/ David M. Pawlick
David M. Pawlick
Vice President and
Controller
(Principal Accounting Officer)

Item 9B. OTHER INFORMATION

None.

PART III

Item 10. DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE

- a) Directors. The information set out in the section captioned "Election of Directors" in the Proxy Statement is incorporated herein by reference.
- b) Executive Officers. Information about the officers of the Company is set forth in Item 1 above.
- c) Significant Employees. Same as Executive Officers.
- d) Nature of any family relationship between any director, executive officer, person nominated or chosen to become a director or executive officer. The information set out in the section captioned "Certain Business Relationships and Related Person Transactions" in the Proxy Statement is incorporated herein by reference.
- e) Business experience, during the past five years, of each director, executive officer, person nominated or chosen to become director or executive officer, and significant employees. Information about the officers of the Company is set forth in Item 1 above and the information set out in the section captioned "Election of Directors" in the Proxy Statement is incorporated herein by reference.
- f) Involvement in certain legal proceedings by any director, person nominated to become a director or executive officer. The information set out in the section captioned "Election of Directors" in the Proxy Statement is incorporated herein by reference.
- g) Certain promoters and control persons. None.
- h) Audit Committee Financial Expert. The information set out in the section captioned "Corporate Governance" in the Proxy Statement is incorporated herein by reference.
- i) Code of Ethics. The Company has adopted a Code of Ethics that applies to its Chief Executive Officer, Chief Financial Officer and Controller. A copy of the Code of Ethics is filed as Exhibit 10(p) and is available at the Corporate Governance section of the Company's website (www.albint.com). A copy of the Code of Ethics may be obtained, without charge, by writing to: Investor Relations Department, Albany International Corp., 216 Airport Drive, Rochester, New Hampshire 03867. Any amendment to the Code of Ethics will be disclosed by posting the amended Code of Ethics on the Company's website. Any waiver of any provision of the Code of Ethics will be disclosed by the filing of a Form 8-K.

Item 11. EXECUTIVE COMPENSATION

The information set forth in the sections of the Proxy Statement captioned "Executive Compensation," "Summary Compensation Table," "Grants of Plan-Based Awards," "Outstanding Equity Awards At Fiscal Year-End," "Option Exercises and Stock Vested," "Pension Benefits," "Nonqualified Deferred Compensation," "Director Compensation," "Compensation Committee Report," "Compensation Discussion and Analysis," and "Compensation Committee Interlocks and Insider Participation" is incorporated herein by reference.

Item 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS

The information set forth in the section captioned "Share Ownership" in the Proxy Statement is incorporated herein by reference.

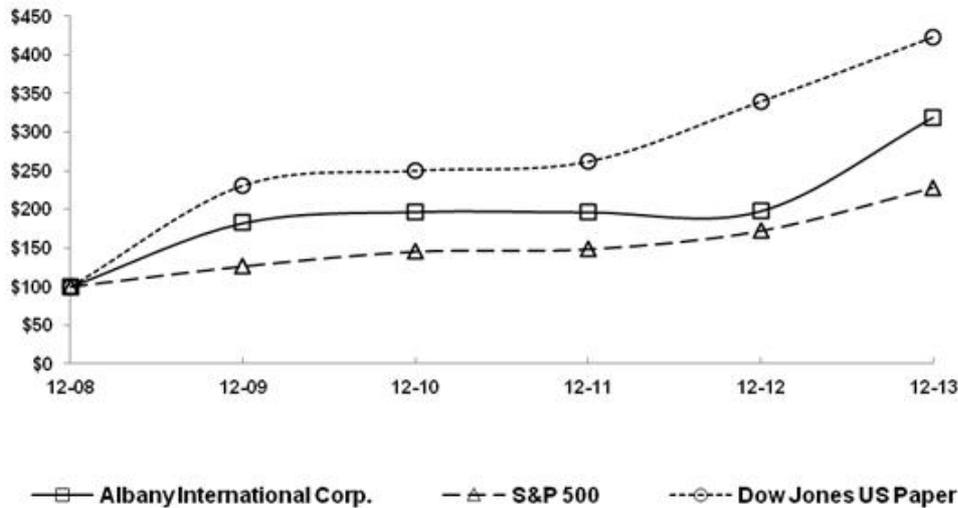
Equity Compensation Plan Information

Plan Category	Number of securities to be issued upon exercise of outstanding options, warrants, and rights (a)	Weighted average exercise price of outstanding options, warrants, and rights (b)	Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a)) (c)
Equity compensation plans approved by security holders	228,533 ¹	\$18.94	390,095 ^{2,3,4}
Equity compensation plans not approved by security holders	-	-	-
Total	228,533 ¹	\$18.94	390,095 ^{2,3,4}

- (1) Does not include 77,667, 52,737, and 29,082 shares that may be issued pursuant to 2011, 2012 and 2013, respectively, performance incentive awards granted to certain executive officers pursuant to the 2005 and 2011 Incentive Plans. Such awards are not "exercisable," but will be paid out to the recipients in accordance with their terms, subject to certain conditions.
- (2) Reflects the number of shares that may be issued pursuant to future awards under the 2011 Incentive Plan. Additional shares of Class A Common Stock are available for issuance under the 2011 Incentive Plan (see note 3 below), as well as under the Directors' Annual Retainer Plan (see note 5 below). No additional shares are available under any of the stock option plans pursuant to which outstanding options were granted.
- (3) 390,095 shares available for future issuance under the 2011 Incentive Plan. The 2011 Incentive Plan allows the Board from time to time to increase the number of shares that may be issued pursuant to awards granted under that Plan, provided that the number of shares so added may not exceed 500,000 in any one calendar year, and provided further that the total number of shares then available for issuance under the Plan shall not exceed 1,000,000 at any time. Shares of Common Stock covered by awards granted under the 2011 Incentive Plan are only counted as used to the extent they are actually issued and delivered. Accordingly, if an award is settled for cash, or if shares are withheld to pay any exercise price or to satisfy any tax-withholding requirement, only shares issued (if any), net of shares withheld, will be deemed delivered for purposes of determining the number of shares available under the Plan. If shares are issued subject to conditions that may result in the forfeiture, cancellation, or return of such shares to the Company, any shares forfeited, canceled, or returned shall be treated as not issued. If shares are tendered to the Company in payment of any obligation in connection with an award, the number of shares tendered shall be added to the number of shares available under the 2005 Incentive Plan. Assuming full exercise by the Board of its power to increase annually the number of shares available under the 2011 Incentive Plan, the maximum number of additional shares that could yet be issued pursuant to the Plan awards (including those set forth in column (c) above) would be 4,390,095.
- (4) The Directors' Annual Retainer Plan provides that the aggregate dollar amount of the annual retainer payable for service as a member of the Company's Board of Directors is \$100,000, \$50,000 of which is required to be paid in shares of Class A Common Stock, the exact number of shares to be paid for any year being determined on the basis of the per share closing price of such stock on the day of the Annual Meeting at which the election of the directors for such year occurs, as shown in the composite index published for such day in the Wall Street Journal, rounded down to the nearest whole share.

The following graph compares the cumulative 5-year total return to shareholders on Albany International Corp.'s common stock relative to the cumulative total returns of the S&P 500 index and the Dow Jones US Paper index. An investment of \$100 (with reinvestment of all dividends) is assumed to have been made in the Company's common stock and in each of the indexes on December 31, 2008, and its relative performance is tracked through December 31, 2013.

COMPARISON OF 5 YEAR CUMULATIVE TOTAL RETURN*
Among Albany International Corp., the S&P 500 Index, and the Dow Jones US Paper Index



*\$100 invested on 12/31/08 in stock or index, including reinvestment of dividends.
Fiscal year ending December 31.

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Item 13. CERTAIN RELATIONSHIPS, RELATED TRANSACTIONS AND DIRECTOR INDEPENDENCE

The information set out in the section captioned "Election of Directors" in the Proxy Statement is incorporated herein by reference.

Item 14. PRINCIPAL ACCOUNTANT FEES AND SERVICES

The information set forth in the section captioned "Independent Auditors" in the Proxy Statement is incorporated herein by reference.

PART IV Item 15. EXHIBITS AND FINANCIAL STATEMENT SCHEDULES

Exhibit Number	Exhibit Description	Filed Herewith	Incorporated by Reference	
			Form	Period Ending Filing Date
3 (a)	Certificate of Incorporation of Company		8-A, File No. 1-10026	9/7/88
3 (b)	Bylaws of Company		8-K	2/23/11
4 (a)	Article IV of Certificate of Incorporation of Company		8-A, File No. 1-10026	9/7/88
4 (b)	Specimen Stock Certificate for Class A Common Stock		S-1, No. 33-16254	9/30/87
Credit Agreement				
10(k)(xi)	\$330 Million Five-Year Revolving Credit Facility Agreement among Albany International Corp., the other Borrowers named therein, the Lenders Party thereto, JPMorgan Chase Bank, N.A., as Administrative Agent, JPMorgan Chase Bank, N.A., Toronto Branch, as Canadian Agent; J.P. Morgan Europe Limited, as London Agent, dated as of March 26, 2013		8-K	3/28/13
10(k)(xii)	Amended and Restated Note Agreement and Guaranty, dated as of July 16, 2010, among the Company, the Guarantors named therein, and the holders of the Notes from time to time party thereto ("Amended and Restated Note Agreement")		8-K	9/23/10
10(k)(xiii)	First Amendment, dated as of February 17, 2012, to Amended and Restated Note Agreement		8-K	2/22/12
10(k)(iv)	Second Amendment, dated as of March 26, 2013, to Amended and Restated Note Agreement		8-K	3/28/13

Exhibit Number	Exhibit Description	Filed Herewith	Incorporated by Reference		
			Form	Period Ending	Filing Date
Restricted Stock Units					
10(l)(i)	2003 Restricted Stock Unit Plan, as adopted November 13, 2003		8-K		1/2/08
10(l)(ii)	2003 Form of Restricted Stock Unit Award, as adopted November 13, 2003		8-K		11/5/04
10(l)(iii)	Amendment No. 1, dated as of November 30, 2005, to the 2003 Restricted Stock Unit Plan		8-K		12/6/05
10(l)(iv)	Amendment No. 2, dated as of February 15, 2006, to the 2003 Restricted Stock Unit Plan		8-K		2/21/06
10(l)(v)	Form of Restricted Stock Unit Award for units granted on February 15, 2008		8-K		2/21/08
10(l)(vi)	Amended and Restated 2003 Restricted Stock Unit Plan as adopted on May 7, 2008		8-K		5/13/08
10(l)(vii)	Form of Restricted Stock Unit Award for units granted on July 8, 2009		8-K		7/2/09
10(l)(viii)	2011 Performance Phantom Stock Plan as adopted on May 26, 2011 (42)		10-Q	6/30/11	8/9/11
10(l)(ix)	Form of Restricted Stock Unit Award for units granted on February 17, 2012		8-K		2/24/12
Stock Options					
10(m)(i)	1992 Stock Option Plan		8-K		1/18/93
10(m)(ii)	1997 Executive Stock Option Agreement		10-K	12/31/97	3/16/98
10(m)(iii)	1998 Stock Option Plan		10-Q	6/30/98	8/10/98
10(m)(iv)	1998 Stock Option Plan, as amended and restated as of August 7, 2003		8-K		12/23/09
10(m)(v)	2005 Incentive Plan		8-K		5/18/05
10(m)(vi)	2011 Incentive Plan		8-K		6/1/11
10(m)(vii)	Amendment No. 1, dated as of December 5, 2007, to the Albany International Corp. 2005 Incentive Plan		8-K		12/5/07
10(m)(viii)	Form of 2010 Multi-Year Performance Bonus Agreement		8-K		3/31/10
10(m)(ix)	Form of 2011 Multi-Year Performance Bonus Agreement		8-K		3/29/11

Exhibit Number	Exhibit Description	Filed Herewith	Incorporated by Reference		
			Form	Period Ending	Filing Date
Executive Compensation					
10(n)(i)	Supplemental Executive Retirement Plan, adopted as of January 1, 1994, as amended and restated as of January 1, 2008		8-K		1/2/08
10(n)(ii)	Annual Bonus Program		S-1, No. 33-16254		9/30/87
10(n)(iii)	Form of Executive Deferred Compensation Plan adopted September 1, 1985, as amended and restated as of August 8, 2001		10-Q	9/30/01	11/12/01
10(o)(i)	Form of Directors' Deferred Compensation Plan adopted September 1, 1985, as amended and restated as of August 8, 2001		10-Q	9/30/01	11/12/01
10(o)(ii)	Deferred Compensation Plan of Albany International Corp., as amended and restated as of August 8, 2001		10-K	12/31/02	3/21/03
10(o)(iii)	Centennial Deferred Compensation Plan, as amended and restated as of August 8, 2001		10-Q	9/30/01	11/12/01
10(o)(iv)	Directors' Annual Retainer Plan, as amended and restated as of December 8, 2009		8-K		12/23/09
10(o)(v)	Excerpt from the Company's Corporate Governance Guidelines describing director compensation	X			
10(o)(vi)	Form of Severance Agreement between Albany International Corp. and certain corporate officers or key executives		8-K		1/3/13
10(p)	Code of Ethics		8-K		1/2/08
10(q)	Directors Pension Plan, amendment dated as of January 12, 2005		8-K		1/13/05
10(r)	Employment agreement, dated May 12, 2005, between the Company and Joseph G. Morone		8-K		5/18/05
10(s)	Form of Indemnification Agreement		8-K		2/23/11

Exhibit Number	Exhibit Description	Filed Herewith	Incorporated by Reference	
			Form	Period Ending Filing Date
10.1	Stock and Asset Purchase Agreement by and between Albany International Corp. and ASSA ABLOY AB, dated as of October 27, 2011		8-K	11/1/11
10.2	Amended and restated LLC operating agreement by and between Albany Engineered Composites and Safran Aerospace Composites, Inc. 10% equity interest in ASC for \$28 million	X		
11	Statement of Computation of Earnings per share (provided in Footnote 9 to the Consolidated Financial Statements)	X		
21	Subsidiaries of Company	X		
23	Consent of PricewaterhouseCoopers LLP	X		
24	Powers of Attorney	X		
31(a)	Certification of Joseph G. Morone required pursuant to Rule 13a-14(a) or Rule 15d-14(a)	X		
31(b)	Certification of John B. Cozzolino required pursuant to Rule 13a-14(a) or Rule 15d-14(a)	X		
32(a)	Certification of Joseph G. Morone and John B. Cozzolino required pursuant to Rule 13a-14(b) or Rule 15d-14(b) and Section 1350 of Chapter 63 of Title 18 of the United States Code	X		
The following information from the Registrant's Annual Report on Form 10-K for the year ended December 31, 2013, formatted in eXtensible Business Reporting Language (XBRL), filed herewith:				
101(i)	Consolidated Statements of Income for the years ended December 31, 2013, 2012 and 2011	X		
101(ii)	Consolidated Statements of Comprehensive Income for years ended December 31, 2013, 2012, and 2011	X		
101(iii)	Consolidated Balance Sheets as of December 31, 2013 and 2012	X		
101(iv)	Consolidated Statements of Cash Flows for the years ended December 31, 2013, 2012, and 2011	X		
101(v)	Notes to Consolidated Financial Statements	X		
* As provided in Rule 406T of Regulation S-T, this information shall not be deemed "filed" for purposes of Sections 11 and 12 of the Securities Act and Section 18 of the Securities Exchange Act or otherwise subject to liability under those sections.				

SCHEDULE II

ALBANY INTERNATIONAL CORP. AND SUBSIDIARIES
VALUATION AND QUALIFYING ACCOUNTS
(Dollars in thousands)

<u>Column A</u>	<u>Column B</u>	<u>Column C</u>	<u>Column D</u>	<u>Column E</u>
<u>Description</u>	<u>Balance at beginning of period</u>	<u>Charge to expense</u>	<u>Other (A)</u>	<u>Balance at end of the period</u>
Allowance for doubtful accounts				
Year ended December 31:				
2013	\$11,862	\$235	(\$823)	\$11,274
2012	10,729	1,411	(278)	11,862
2011	12,331	3,081	(4,683)	10,729
Allowance for sales returns				
Year ended December 31:				
2013	\$19,536	\$25,013	(\$22,121)	\$22,428
2012	15,609	19,911	(15,984)	19,536
2011	14,208	18,942	(17,541)	15,609
Valuation allowance deferred tax assets				
Year ended December 31:				
2013	\$60,348	(\$8,795)	(\$1,566)	\$49,987
2012	63,413	(4,131)	1,066	60,348
2011	42,140	18,529	2,744	63,413

(A) Amounts sold, written off, or recovered, and the effect of changes in currency translation rates, are included in Column D.

CORPORATE INFORMATION

Investor Relations

The Company's Investor Relations Department may be contacted at:

Investor Relations Department
Albany International Corp.
216 Airport Drive
Rochester, NH 03867
Telephone: (603) 330-5850
Fax: (603) 994-3974
E-mail: investor.relations@albint.com

Transfer Agent and Registrar

Computershare
P.O. Box 30170
College Station, TX 77842-3170
Telephone (toll-free): 1-877-277-9931
Web: www.computershare.com/investor

Shareholder Services

As an Albany International shareholder, you are invited to take advantage of our convenient shareholder services.

Computershare maintains the records for our registered shareholders and can help you with a variety of shareholder-related services at no charge, including:

- Change of name and/or address
- Consolidation of accounts
- Duplicate mailings
- Dividend reinvestment enrollment
- Lost stock certificates
- Transfer of stock to another person
- Additional administrative services

Access your investor statements online 24 hours a day, 7 days a week with MLinkSM. For more information, go to www.computershare.com/investor.

Notice of Annual Meeting

The Annual Meeting of the Company's shareholders will be held on Friday, May 16, 2014, at 9:00 a.m. at the Hilton Garden Inn, 100 High St., Portsmouth, New Hampshire 03801.

Stock Listing

Albany International is listed on the New York Stock Exchange (Symbol AIN). Stock tables in newspapers and financial publications list Albany International as "AlbanyInt."

Equal Employment Opportunity

Albany International, as a matter of policy, does not discriminate against any employee or applicant for employment because of race, color, religion, sex, national origin, age, physical or mental disability, or status as a disabled or Vietnam-era veteran. This policy of nondiscrimination is applicable to matters of hiring, upgrading, promotions, transfers, layoffs, terminations, rates of pay, selection for training, recruitment, and recruitment advertising. The Company maintains affirmative action programs to implement its EEO policy.

Trademarks

INLINE, HYDROCROSS, SPRING, SEAM HYDROCROSS, SEAMPLANE, Seam KMX, VENTABELT EVM, VENTABELT XTS, TRANSBELT GX, AEROPULSE, DURASPIRAL, NEOSTAT and SUPRASTAT are trademarks of Albany International Corp., registered in the United States and other countries.

Directors and Officers

Directors

Erland E. Kailbourne, Chairman¹
Retired – Chairman and Chief Executive Officer,
Fleet National Bank (New York Region)

John C. Standish,² Vice Chairman
President, J.S. Standish Company

John F. Cassidy, Jr.²
Retired – Senior Vice President,
Science and Technology, United Technologies Corp.

Katharine L. Plourde^{1,3}
Retired- Principal and Analyst,
Donaldson, Lufkin & Jenrette, Inc.

Edgar G. Hotard^{1,3}
Operating Partner - HAO Capital

Joseph G. Morone
President and Chief Executive Officer

Christine L. Standish³
Chairperson, J.S. Standish Company

John R. Scannell²
Chairman and Chief Executive Officer, Moog Inc.

¹ Member, Audit Committee

² Member, Compensation Committee

³ Member, Governance Committee

Officers

Joseph G. Morone
President and Chief Executive Officer

Ralph M. Polumbo
President – Albany Engineered Composites

Daniel A. Halftermeyer
President – Machine Clothing

Robert A. Hansen
Senior Vice President and Chief Technology Officer

Joseph M. Gaug
Associate General Counsel and Assistant Secretary

John B. Cozzolino
Chief Financial Officer and Treasurer

David M. Pawlick
Vice President – Controller

Charles J. Silva, Jr.
Vice President – General Counsel and Secretary

Dawne H. Wimbrow
Vice President – Global Information Services and Chief
Information Officer

DIRECTOR COMPENSATION

Directors who are not employees of the Company are compensated for their services by fees in cash and stock. All directors are reimbursed for expenses incurred in connection with such services. In addition, the Company provides travel and liability insurance to all directors. It is the goal of the Committee to set directors' fees at a competitive level that will enable the Company to attract and retain talented, well-qualified directors. The payment of a portion of each director's fee in shares of Class A Common Stock of the Company is intended to align the interests of the director with the interests of our stockholders, consistent with delivering shareholder value.

Annual Retainer. Directors receive an annual retainer of \$100,000, \$50,000 of which is payable in shares of Class A Common Stock of the Company pursuant to the Directors' Annual Retainer Plan. Directors serving for only a portion of the year receive a pro-rated portion of the annual retainer.

Meeting Fees. In lieu of cash fees for regularly scheduled meetings, directors receive an additional cash fee of \$30,000, and members of the Audit Committee also receive an additional annual cash amount of \$5,000. These amounts are paid in four equal quarterly installments. Directors receive cash fees of \$750 for each special meeting of the Board or any Board Committee designated as a telephone meeting. Directors are also entitled to receive cash fees of \$1,500 for each special meeting of the Board, and \$1,000 for each special meeting of a Committee they attend in person or by telephone.

Other Fees. The Chairman of each standing committee of the Board receives an annual fee for such service: \$5,000 for the Chairman of the Governance Committee, \$7,500 for the Chairman of the Compensation Committee, and \$12,000 for the Chairman of the Audit Committee. The Chairman of the Board receives an annual fee of \$55,000 for such service, and the Vice Chairman of the Board receives an annual fee of \$30,000 for such service. Directors receive \$1,500 for each day that they are engaged in Company business (other than attendance at Board or Committee meetings) at the request of the Chairman of the Board or the Chief Executive Officer. Annual fees are paid in four equal quarterly installments. All amounts are paid in cash.

**AMENDED AND RESTATED
LIMITED LIABILITY COMPANY
OPERATING AGREEMENT**

of

ALBANY SAFRAN COMPOSITES, LLC

Dated as of November 8, 2013

THE SECURITIES ISSUED PURSUANT TO THIS LIMITED LIABILITY COMPANY OPERATING AGREEMENT HAVE NOT BEEN REGISTERED UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED, OR REGISTERED OR QUALIFIED UNDER ANY STATE SECURITIES LAWS AND, AS SUCH, THEY MAY NOT BE OFFERED FOR SALE, SOLD, TRANSFERRED, PLEDGED, OR HYPOTHECATED UNLESS THE SECURITIES HAVE BEEN QUALIFIED AND REGISTERED UNDER APPLICABLE STATE AND FEDERAL SECURITIES LAWS OR UNLESS SUCH QUALIFICATION AND REGISTRATION IS NOT LEGALLY REQUIRED. TRANSFER OF THE SECURITIES REPRESENTED BY THIS AGREEMENT MAY BE FURTHER SUBJECT TO THE RESTRICTIONS, TERMS AND CONDITIONS SET FORTH HEREIN.

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AMENDED AND RESTATED LIMITED LIABILITY COMPANY

OPERATING AGREEMENT

OF

ALBANY SAFRAN COMPOSITES, LLC

This AMENDED AND RESTATED LIMITED LIABILITY COMPANY OPERATING AGREEMENT (this “Agreement”) of Albany Safran Composites, LLC, a Delaware limited liability company (the “Company”), dated as of November 8, 2013, is entered into by and among the Company and Albany Engineered Composites, Inc., a New Hampshire corporation (“Albany”), Safran Aerospace Composites, Inc., a Delaware corporation (“Safran”), and such other Members as may be listed on Schedule A from time to time, as members of the Company (each, a “Member” and collectively, the “Members”), and, solely with respect to its obligations under Section 3.09, Section 12.02 and Article XIII, Albany International Corp., a Delaware corporation (“Albany International”), and, solely with respect to its obligations under Section 7.05(h), Section 7.05(i), Article XII and Article XIII, Safran, S.A., a French *société anonyme* (“Safran S.A.”).

WITNESSETH:

WHEREAS, an authorized person executed and caused to be filed with the Secretary of State of the State of Delaware the Certificate of Formation (as amended from time to time, the “Certificate of Formation”) of the Company on May 22, 2013 (the “Formation Date”) in order to form a limited liability company pursuant to the provisions of the Delaware Limited Liability Company Act, as amended from time to time (the “Act”);

WHEREAS, Albany, as the initial member of the Company, entered into the Limited Liability Company Operating Agreement of the Company, dated as of May 22, 2013 (the “Existing Agreement”);

WHEREAS, prior to the date of this Agreement (the “Agreement Date”), Albany owned all of the Membership Units;

WHEREAS, the Members desire to cause the Company to engage in the Business;

WHEREAS, on or promptly following the Agreement Date, and from time to time thereafter, Safran or one of its Affiliates, on the one hand, and the Company or a Subsidiary of the Company, on the other hand, shall enter into such leases or subleases, in such form as the parties thereto hereafter agree, as shall reasonably be necessary for Safran and its Affiliates to make available to the Company and its Subsidiaries such real property and facilities as shall reasonably be necessary for the operation of the Business;

WHEREAS, pursuant to and in accordance with the Contribution Agreements, on or prior to the Agreement Date, and effective as of 11:59pm local time on October 31, 2013 (the “Effective Time”), Safran S.A., on behalf of Safran, and Albany have made certain contributions

to the Company in exchange for Membership Units as set forth herein and in the Contribution Agreements;

WHEREAS, pursuant to and in accordance with the Albany Contribution Agreement, Albany has contributed 100% of the equity interests in Albany Engineered Composites SAS, a *société par actions simplifiée* organized in France ("ASC France"), to the Company, and ASC France has become a direct wholly owned subsidiary of the Company;

WHEREAS, pursuant to and in accordance with the Albany Contribution Agreement, Albany has assigned to the Company, and the Company has assumed and accepted, all of Albany's rights and obligations under the Long Term Supply Agreement;

WHEREAS, on or prior to the Agreement Date, and effective as of the Effective Time, Albany and Safran have entered into the Intellectual Property Agreements with the Company that provide for their respective rights and obligations regarding the Albany Technology, the Safran Technology and the Company IP that shall govern during and shall survive the term of this Agreement;

WHEREAS, on or prior to the Agreement Date, and effective as of the Effective Time, Albany and the Company have entered into the Services Agreement, pursuant to which Albany and its Affiliates, on the one hand, and the Company and its Subsidiaries, on the other hand, shall provide certain services to each other;

WHEREAS, the Company desires to manufacture for and supply to Safran S.A. and its Affiliates, and Safran S.A. and its Affiliates desire to procure from the Company, Advanced Composite 3D Parts, in each case pursuant to and in accordance with one or more present or future Industrial and Technical Agreements, Long Term Supply Agreements, or other agreements or arrangements; and

WHEREAS, the Member who is party to the Existing Agreement desires to amend and restate the Existing Agreement in its entirety in order to, among other things, (i) admit Safran as a new Member; (ii) provide for the management of the Company; and (iii) set forth the respective rights and obligations of Members of the Company generally.

NOW, THEREFORE, in consideration of the mutual promises of the Parties, and of other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, it is mutually agreed by and between the Parties as follows:

ARTICLE I

DEFINITIONS

Section 1.01. Certain Definitions. As used in this Agreement, the following terms have the following meanings:

"Act" has the meaning set forth in the recitals.

"Additional Capital Contribution" means any Capital Contribution made by any Member on or after the Agreement Date, other than the Initial Capital Contributions.

“Advance Amount” has the meaning set forth in Section 4.04.

“Advanced Composite 3D Parts” means 3D woven preforms and resin-injected parts made from 3D woven preforms.

“Affiliate” means, with respect to any Person, any other Person that directly or indirectly Controls, is Controlled by, or is under common Control with, such Person; provided, that (a) no Member or any of its Affiliates (excluding the Company and its Subsidiaries) shall be deemed an Affiliate of the Company or any of its Subsidiaries, and (b) neither the Company nor any of its Subsidiaries shall be deemed an Affiliate of any Member or any of its Affiliates (excluding the Company and its Subsidiaries).

“Affiliate Transferee” has the meaning set forth in Section 7.03(a).

“Agreed Space” means Advanced Composite 3D Parts for use in the Core Perimeter and the Extended Perimeter, but excluding any military products of Safran S.A. or any of its Affiliates that may not be sourced from the Company pursuant to applicable Law; provided, that the Parties shall use commercially reasonable efforts to obtain from the applicable Governmental Authority any consent, approval, order, permit, license or authorization required by applicable Law to allow such products to be sourced from the Company.

“Agreement” has the meaning set forth in the preamble.

“Agreement Date” has the meaning set forth in the recitals.

“Albany” has the meaning set forth in the preamble.

“Albany Contribution Agreement” means that certain Contribution Agreement, of even date herewith, between the Company and Albany.

“Albany Facility” has the meaning set forth in the definition of Preferred Return.

“Albany International” has the meaning set forth in the preamble.

“Albany International Board” has the meaning set forth in Section 7.05(a).

“Albany IPLA” means that certain Albany Intellectual Property License Agreement, of even date herewith, by and among the Company and Albany.

“Albany Manager” has the meaning set forth in Section 5.01(b).

“Albany Officers” has the meaning set forth in Section 6.02(a).

“Albany Permitted Contract” has the meaning set forth in the Albany IPLA.

“Albany Software” has the meaning set forth in Section 7.05(d).

“Albany Technology” has the meaning set forth in the Albany IPLA.

“Annual Business Plan” has the meaning set forth in Section 5.09(b).

“ASC France” has the meaning set forth in the recitals.

“Bankruptcy” has the meaning set forth in Section 10.01(c).

“Board” has the meaning set forth in Section 5.01(a).

“Business” means the design, development and manufacturing of Advanced Composite 3D Parts within the Agreed Space. For the avoidance of doubt, the Business does not include (a) any application derived from composite technologies other than 3D-weaving for Advanced Composite 3D Parts or (b) any 3D-woven applications outside of the Agreed Space.

“Business Day” means any day of the year on which national banking institutions in New York, New York are open to the public for conducting business and are not required or authorized to close.

“Calculation Date” means, in respect of any allocation or distribution (including upon liquidation), the date on which such amounts are allocated or distributed, as the case may be, by the Company.

“Capital Account” has the meaning set forth in Section 3.06(a).

“Capital Contribution” means, with respect to any Member, an amount of cash or other consideration contributed by such Member to the Company.

“Cause” means, with respect to any employee or officer of the Company or any of its Subsidiaries or any Manager, (a) undertaking a position in competition with the Company, Albany or any of their respective Affiliates; (b) causing substantial harm to the Company, Albany, Safran or any of their respective Affiliates with intent to do so or as a result of gross negligence in the performance of his or her duties; (c) wrongfully and substantially enriching himself or herself at the expense of the Company, Safran, Albany or any of their respective Affiliates; (d) the indictment of such employee, officer or Manager, as applicable, or a plea of guilty or nolo contendere by such employee, officer or Manager, as applicable, to any felony or other serious crime; or (e) failing to perform the duties of such employee, officer or Manager, as applicable, in an adequate and proper manner in accordance with the instructions communicated to such individual by his or her direct supervisor, if any.

“Certificate of Formation” has the meaning set forth in the recitals.

“CFO” has the meaning set forth in Section 6.02(a). “Code” means the U.S. Internal Revenue Code of 1986, as amended, and the regulations promulgated thereunder. Any reference to a section of the Code shall include a reference to any successor provision thereto.

“Common Capital” means, with respect to any Common Member, the amount designated on Schedule B as Common Capital with respect to such Member.

“Common Member” means any Member that holds Common Membership Units, in such Member’s capacity as a holder of such Membership Units.

“Common Membership Units” has the meaning set forth in Section 3.01(a).

“Company” has the meaning set forth in the preamble.

“Company Technology” has the meaning set forth in the Intellectual Property Agreements.

“Competing Assets” has the meaning set forth in Section 12.02.

“Competing Entity” has the meaning set forth in Section 12.02.

“Competitor” means a Person that manufactures gas turbine engines, rocket engines or other products within the Agreed Space or significant systems or sub-systems used in (a) gas turbine engines and rocket engines, (b) thrust reversers and nacelle structures intended for use with gas turbine engines, (c) aircraft landing and braking systems, and (d) other parts used by Safran S.A. or any of its Affiliates to be agreed pursuant to the General Collaboration Agreement.

“Contribution Agreements” means the Albany Contribution Agreement and the Safran Contribution Agreement.

“Control” means the possession, directly or indirectly, of the power to direct or cause the direction of the management and policies of a Person, whether through the ownership of voting securities, by contract or otherwise, and “Controlled” has a correlative meaning.

“Core Perimeter” means the specific 3D woven preform applications defined in any and all Industrial and Technical Agreements executed by Safran S.A. or any of its Affiliates and Albany International or any of its Affiliates pursuant to the General Collaboration Agreement and elected by Albany International or Safran S.A. pursuant to the exclusivity rules detailed in Article 4.1 of the General Collaboration Agreement.

“Cumulative EBITDA” means the cumulated consolidated EBITDA of the Company and its Subsidiaries realized over the last four (4) completed fiscal quarters immediately preceding the Exercise Date.

“Deadlock Event” means (a) a failure to obtain the approval of the Board with respect to any action listed in Section 5.02; (b) any dispute under the Albany IPLA or the Safran IPLA; or (c) a dispute between Albany and Safran with respect to any material business or management issue.

“Depreciation” means, for each Fiscal Year, an amount equal to the depreciation, amortization, or other cost recovery deduction allowable with respect to a depreciable or amortizable asset for such Fiscal Year for federal income tax purposes, except that (a) with respect to any depreciable or amortizable asset whose Gross Asset Value differs from its adjusted tax basis for federal income tax purposes and which difference is being eliminated by use of the “remedial allocation method” defined by Treasury Regulation Section 1.704-3(d), Depreciation for such Fiscal Year shall be the amount of book basis recovered for such Fiscal Year under the rules prescribed by Treasury Regulation Section 1.704-3(d)(2), and (b) with respect to any other depreciable or amortizable asset whose Gross Asset Value differs from its adjusted basis for federal income tax purposes at the beginning of such Fiscal Year, Depreciation shall be an

amount that bears the same ratio to such beginning Gross Asset Value as the federal income tax depreciation, amortization, or other cost recovery deduction for such Fiscal Year bears to such beginning adjusted tax basis; provided, however, that if the adjusted basis for federal income tax purposes of a depreciable or amortizable asset at the beginning of such Fiscal Year is zero (0), Depreciation shall be determined with reference to such beginning Gross Asset Value using any reasonable method selected by the Board; provided, further, that, notwithstanding anything to the contrary in this Agreement, with respect to any Quarterly Performance Report, any Five Year Business Plan, any Annual Business Plan, or any report to be provided by the Company pursuant to Section 8.03 or Section 8.04 of this Agreement, Depreciation shall be determined in accordance with GAAP.

“EBITDA” shall mean, for any period, (a) consolidated net income for such period of the Company and its Subsidiaries without giving effect to (i) any non-operating gain or loss, (ii) any gain or loss which results from currency revaluation, (iii) any gains or losses from sales of assets other than inventory sold in the ordinary course of business, (iv) any expenses related to restructuring initiatives, and (v) any post-retirement employee benefit expenses, plus (b) without duplication and in each case to the extent deducted in determining consolidated net income for such period, the sum of the following amounts for such period: (i) total interest expense of the Company and its Subsidiaries determined on a consolidated basis for such period, (ii) provision for Taxes based on income for the Company and its Subsidiaries determined on a consolidated basis for such period, and (iii) all depreciation and amortization expense related to tangible fixed assets and intangible assets of the Company and its Subsidiaries determined on a consolidated basis for such period.

“Effective Time” has the meaning set forth in the recitals.

“Enterprise Value” has the meaning set forth in Section 7.05(c).

“ERISA” means the Employee Retirement Income Security Act of 1974, as amended from time to time, and the rules and regulations promulgated thereunder.

“Excess Cash Flow” means, for any period, an amount equal to:

(a) the sum, without duplication, of:

(i) the after-Tax net income (or loss) of the Company and its Subsidiaries on a consolidated basis during such period;

(ii) non-cash charges due to depreciation and amortization of the assets of the Company or its Subsidiaries during such period;

(iii) the amount of any decreases in the amount of current assets (excluding cash, cash equivalents and Permitted Investments) of the Company and its Subsidiaries during such period; and

(iv) the amount of any increases in the amount of current liabilities of the Company and its Subsidiaries during such period;

minus

(b) the sum, without duplication, of:

(i) the amount of capital expenditures made in cash or accrued by the Company or its Subsidiaries during such period;

(ii) the aggregate amount of payments by the Company and its Subsidiaries during such period in respect of (A) any principal amount of Indebtedness (including Intercompany Loans) and (B) the Preferred Return (except to the extent financed with the proceeds of other Indebtedness of the Company or its Subsidiaries incurred during such period); and

(iii) the amount of any increases in the amount of current assets (excluding cash, cash equivalents and Permitted Investments) of the Company and its Subsidiaries during such period; and

(iv) the amount of any decreases in the amount of current liabilities of the Company and its Subsidiaries during such period.

“Exchange Act” means the U.S. Securities Exchange Act of 1934, as amended from time to time, and the rules and regulations promulgated thereunder.

“Exercise Date” has the meaning set forth in Section 7.05(b).

“Existing Agreement” has the meaning set forth in the recitals.

“Existing Supply Agreement” means the agreement listed on Annex I.

“Extended Perimeter” means any Advanced Composite 3D Parts that employ the use of any know-how, software or hardware needed to design, develop, manufacture or repair a 3D woven preform and that are intended for use (a) within gas turbine engines and rocket engines, (b) on thrust reversers and nacelle structures intended for use with gas turbine engines, (c) on aircraft landing and braking systems, and (d) other Parts used by Safran S.A. or any of its Affiliates to be agreed pursuant to the General Collaboration Agreement.

“Fiscal Year” has the meaning set forth in Section 8.02.

“Five Year Business Plan” has the meaning set forth in Section 5.09(a).

“Formation Date” has the meaning set forth in the recitals.

“Formula B Enterprise Value” means (a) 9.5 multiplied by (b) (i) Cumulative EBITDA minus (ii) the amount (if a positive number) obtained by multiplying (A) 12.5% by (B) the aggregate number of shipsets sold during the four (4) completed fiscal quarters immediately preceding the Exercise Date by (C) (1) the actual weighted average shipset cost during the four (4) completed fiscal quarters immediately preceding the Exercise Date minus (2) an amount equal to the lowest unitary shipset cost that triggers a 12.5% margin pursuant to the Long Term Supply Agreement at the Target Price (as defined in the Long Term Supply Agreement) then in effect; provided, that if the amount obtained from the calculation in clause (b)(ii) is not a positive number, then the amount to be subtracted from clause (b)(i) shall be zero (0). For purposes of

illustration only, assuming a Target Price of \$100,000 the amount referred to in clause (b)(ii)(C)(2) above would be \$106,400.

“Formula Change Date” shall mean the earliest of (a) December 31, 2022, (b) the date on which the Company has attained an annual production rate of 1,200 LEAP shipsets, (c) the date on which the Company has produced a cumulative total of 4,800 LEAP shipsets, and (d) the date on which the Company has attained Cumulative EBITDA of \$38,600,000.

“GAAP” means generally accepted accounting principles in the United States, as in effect from time to time.

“General Collaboration Agreement” means that certain General Collaboration Agreement, dated June 8, 2006, between Safran S.A., Albany and Albany International, as it may be amended, modified or supplemented from time to time in accordance with its terms.

“General Manager” has the meaning set forth in Section 6.02(a).

“Governmental Authority” means any government or political subdivision, whether federal, state, local or foreign, or any agency or instrumentality of any such government or political subdivision, or any federal, state, local or foreign court or arbitrator, or any quasi-governmental authority of any nature.

“Gross Asset Value” means, with respect to any Property, the Property’s adjusted basis for federal income tax purposes, except as follows:

(a) the initial Gross Asset Value of any Property contributed by a Member shall be the gross fair market value of such Property, as agreed to by the Members;

(b) the Gross Asset Value of every item of Property shall be adjusted to equal its respective gross fair market value (taking Section 7701(g) of the Code into account) immediately prior to either (i) the acquisition of additional Membership Units by any new or existing Member in exchange for more than a de minimis Capital Contribution, (ii) the distribution by the Company to a Member of more than a de minimis amount of Property as consideration for Membership Units, or (iii) the liquidation of the Company within the meaning of Treasury Regulation Section 1.704-1(b)(2)(ii)(g); provided, however, that the adjustments pursuant to clauses (i) and (ii) above shall be made only if the Board reasonably determines that such adjustments are necessary or appropriate to reflect the relative economic interests of the Members in the Company;

(c) the Gross Asset Value of any item of Property to be distributed to any Member shall be adjusted to equal the gross fair market value (taking Section 7701(g) of the Code into account) of such item immediately before the distribution of such Property; and

(d) the Gross Asset Values of each item of Property shall be increased (or decreased) to reflect any adjustments to the adjusted basis of such assets pursuant to Section 734(b) or Section 743(b) of the Code, but only to the extent that such adjustments are taken into account in determining Capital Accounts pursuant to Treasury Regulation

Section 1.704-1(b)(2)(iv)(m) and subparagraph (f) of the definition of “Profits and Losses”; provided, however, that Gross Asset Values shall not be adjusted pursuant to this subparagraph (d) to the extent that an adjustment pursuant to subparagraph (b) is required in connection with a transaction that would otherwise result in an adjustment pursuant to this subparagraph (d).

If the Gross Asset Value of an item of Property has been determined or adjusted pursuant to subparagraphs (a), (b) or (d), such Gross Asset Value shall thereafter be adjusted by the Depreciation taken into account with respect to such asset for purposes of computing Profits and Losses.

“Head of Engineering” has the meaning set forth in Section 6.02(a).

“HR Director” has the meaning set forth in Section 6.02(b).

“Indebtedness” means, with respect to any Person, the aggregate amount, without duplication, of (a) all obligations of such Person for borrowed money of any kind, including Intercompany Loans, overdraft, revolving line of credit, bank debt, structured financing, finance leases, short or long term asset-backed financing schemes (at carrying value) with the exception of operating leases, plus any accrued interest, capitalized interest, or arrears relating to any of such Indebtedness, (b) all obligations of such Person evidenced by ordinary or convertible bonds, debentures, notes or similar instruments, (c) all Indebtedness of others secured by (or for which the holder of such Indebtedness has an existing right, contingent or otherwise, to be secured by) any lien or encumbrance created over property owned or acquired by such Person, whether or not the Indebtedness secured thereby has been assumed, (d) all guarantees by such Person of Indebtedness of others, (e) dividends declared by such Person but not paid, (f) any payables, including trade payables and accrued expenses, overdue by more than 90 days less any unreserved for trade accounts receivable overdue by more than 90 days, (g) all non-operating expenses provided for on the balance sheet and that will materialize in cash outflows in the future, other than trade payables and accrued expenses incurred in the ordinary course of business, including any installment payment related to a litigation or other settlement of claims, and any other unpaid portion of non-operating expenses incurred by the Company and its Subsidiaries but excluded from EBITDA, and (h) the unfunded portion of all post-retirement employee benefit obligations; provided, that the term “Indebtedness” shall not include (i) deferred or prepaid revenue, (ii) purchase price holdbacks in respect of a portion of the purchase price of an asset to satisfy warranty or other unperformed obligations of the seller, (iii) obligations secured by a Permitted Lien or (iv) for the avoidance of doubt, any preferred equity interests issued by such Person (including, in the case of the Company, the Preferred Membership Units). The amount of Indebtedness of any Person for purposes of clause (c) above shall (unless such Indebtedness has been assumed by such Person) be deemed to be equal to the lesser of (A) the aggregate unpaid amount of such Indebtedness and (B) the fair market value of the property encumbered thereby as determined by such Person in good faith.

“Indemnified Person” has the meaning set forth in Section 9.01(a).

“Initial Capital Contribution” has the meaning set forth in Section 3.01(c).

“Intellectual Property Agreements” means the Albany IPLA and the Safran IPLA.

“Intercompany Loans” has the meaning set forth in Section 3.09.

“Investment Company Act” means the Investment Company Act of 1940, as amended from time to time, and the rules and regulations promulgated thereunder.

“ITAR” means the International Traffic in Arms Regulations maintained by the U.S. Department of State.

“Law” means any law, statute, code, ordinance, regulation or rule of any Governmental Authority.

“Long Term Supply Agreement” means that certain Long Term Supply Agreement, dated October 28, 2011, between Snecma, a French *société anonyme*, and Albany (which agreement has been assigned by Albany to the Company as of the Effective Time pursuant to the Albany Contribution Agreement), as it may be amended, modified or supplemented from time to time in accordance with its terms.

“Management Committee” has the meaning set forth in Section 6.03.

“Manager” has the meaning set forth in Section 5.01(b).

“Material Indebtedness” means any indebtedness of the Company or its Subsidiaries for borrowed money from third parties in aggregate principal amount in excess of \$1,000,000; provided, that Material Indebtedness shall not include (a) any indebtedness of the Company or its Subsidiaries in respect of any Intercompany Loan or (b) any indebtedness contemplated by the Five Year Business Plan or by the Annual Business Plan for the then-current Fiscal Year; provided, further, that a series of related transactions structured to avoid meeting the definition of Material Indebtedness shall be deemed to be Material Indebtedness if such series of transactions would otherwise meet the definition of Material Indebtedness by considering such series of transactions in the aggregate as a single transaction.

“Material Milestones” has the meaning set forth in Section 5.09(b).

“Material Transaction” means any acquisition, sale, transfer, assignment, conveyance or other disposition (including in connection with the settlement of any lawsuit or administrative proceeding against the Company or any Subsidiary of the Company) of property or assets (including any corporation, partnership, limited liability company, other business organization or division thereof) for a purchase price or yielding gross proceeds in excess of \$1,000,000, other than (a) any sale of products in the ordinary course of business and (b) any transaction pursuant to the Five Year Business Plan or the Annual Business Plan for the then-current Fiscal Year; provided, further, that a series of related transactions structured to avoid meeting the definition of Material Transaction shall be deemed to be a Material Transaction if such series of transactions would otherwise meet the definition of Material Transaction by considering such series of transactions in the aggregate as a single transaction.

“Member” has the meaning set forth in the preamble.

“Membership Units” means membership interests in the Company, including Common Membership Units and Preferred Membership Units. Each Membership Unit

represents a limited liability company interest with the rights, powers and preferences provided in this Agreement and by the Act.

“Moody’s” means Moody’s Investors Service, Inc. and any successors thereto.

“Net Indebtedness” means, as of any date, the Indebtedness of the Company and its Subsidiaries, minus cash (excluding Restricted Cash), cash equivalents and Permitted Investments of the Company and its Subsidiaries.

“Non-U.S. Person” has the meaning set forth in Section 11.01(e)(i).

“Part” means any type of resin transfer molded part that employs the use of one or more 3D woven preforms and has the same end use as a part used by Safran S.A. or any of its Affiliates.

“Party” means each of Albany, Albany International, Safran and Safran S.A. (collectively, the “Parties”).

“Percentage Interest” means, with respect to any Common Member, the number of Common Membership Units owned by such Common Member and its Affiliates divided by the total number of outstanding Common Membership Units multiplied by 100%.

“Permitted Investments” means:

(a) direct obligations of, or obligations the principal of and interest on which are unconditionally guaranteed by, the United States of America (or by any agency thereof to the extent such obligations are backed by the full faith and credit of the United States of America), in each case maturing within one (1) year from the date of acquisition thereof;

(b) investments in commercial paper maturing within 270 days from the date of acquisition thereof and having, at such date of acquisition, the highest credit rating obtainable from S&P or from Moody’s;

(c) investments in certificates of deposit, bankers’ acceptances and time deposits maturing within 180 days from the date of acquisition thereof issued or guaranteed by or placed with, and money market deposit accounts issued or offered by, any domestic office of any commercial bank organized under the laws of the United States of America or any State thereof which has a combined capital and surplus and undivided profits of not less than \$500,000,000; and

(d) shares of money market mutual or similar funds that invest exclusively in assets satisfying the requirements of clauses (a) through (c) above.

“Permitted Liens” means (a) defects, easements, rights of way, restrictions, irregularities, encumbrances (other than for borrowed money) on title and statutory liens that do not materially impair the value or use by the Company or any of its Subsidiaries of the real property rights affected, (b) liens, deposits or pledges to secure statutory obligations relating to worker’s compensation and/or unemployment insurance or other social security legislation, (c) liens, deposits or pledges arising out of judgments or awards so long as enforcement of any such

lien has been stayed and an appeal or proceeding for review is being prosecuted in good faith, or in connection with which security has been provided, (d) liens, deposits or pledges for taxes not yet due or that are being contested in good faith by appropriate proceedings or are bonded or reserved, (e) carriers', warehousemen's, mechanics', materialmen's, repairmen's, supplier's, construction, employees', contractors', operators' or other similar liens or charges securing the payment of expenses not yet due and payable that were incurred by the Company or any of its Subsidiaries in the ordinary course of business or which are the subject of a good faith contest or for which security for such lien has otherwise been provided, (f) trade contracts or other obligations of a like nature incurred in the ordinary course of business, (g) obligations or duties to any Governmental Authority arising in the ordinary course of business (including under licenses and permits held and under all applicable laws, rules, regulations and orders of any Governmental Authority), (h) liens, deposits or pledges to secure statutory obligations or performance of bids, leases, tenders or contracts incurred in the ordinary course of business (other than for the repayment of borrowed money) and (i) all other encumbrances and exceptions that are incurred in the ordinary course of business, are not incurred for borrowed money, not to exceed \$1,000,000 in the aggregate.

“Permitted Transfer” means a Transfer of Membership Units in accordance with Section 7.03(a) or Section 7.03(b).

“Person” means any individual, corporation, partnership, limited liability company, joint venture, association, joint-stock company, trust, unincorporated organization, governmental entity or any other entity.

“Preferred Capital” means, with respect to any Preferred Member, the sum of (i) the amount designated on Schedule B as Preferred Capital with respect to such Preferred Member and (ii) any accrued and unpaid Preferred Return thereon.

“Preferred Member” means any Member that holds Preferred Membership Units, in such Member's capacity as a holder of such Membership Units.

“Preferred Membership Units” shall have the meaning set forth in Section 3.01(a). The Preferred Membership Units shall only have the economic rights designated herein and shall have no voting or other governance rights in the Company.

“Preferred Return” means, with respect to each Preferred Member, cumulative payments for each Fiscal Year or portion thereof during which such Preferred Member's Preferred Membership Units are outstanding determined by multiplying (A) the Preferred Capital of the Preferred Member for such Fiscal Year times (B) a rate per annum equal to the average per annum rate paid by such Preferred Member under its primary U.S. revolving credit facility (“Primary Facility”) plus 1.00%, computed on the basis of the actual number of days elapsed during the Fiscal Year or portion thereof over a three hundred sixty (360) day year. In the event that Albany is a Preferred Member, its Primary Facility shall mean that \$330,000,000 Five-Year Revolving Credit Facility Agreement among Albany International Corp., the other Borrowers named therein, the Lenders party thereto, JPMorgan Chase Bank, N.A., as Administrative Agent, JPMorgan Chase Bank, N.A., Toronto Branch, as Canadian Agent and J.P.Morgan Europe Limited, as London Agent, dated as of March 26, 2013, or any successor or replacement facility,

in each case as the same may be amended from time to time (such facility, the “Albany Facility”).

“Primary Facility” has the meaning set forth in the definition of Preferred Return.

“Profits and Losses,” means, for each Fiscal Year, an amount equal to the Company’s taxable income or loss for such Fiscal Year, determined for federal income tax purposes, with the following adjustments (without duplication):

(a) any income of the Company that is exempt from federal income tax and not otherwise taken into account in computing Profits or Losses pursuant to this definition of “Profits” and “Losses” shall be added to such taxable income or loss;

(b) any expenditures of the Company described in Section 705(a)(2)(B) of the Code or treated as Section 705(a)(2)(B) of the Code expenditures pursuant to Treasury Regulation Section 1.704-1(b)(2)(iv)(i), and not otherwise taken into account in computing Profits or Losses pursuant to this definition of “Profits” and “Losses” shall be subtracted from such taxable income or loss;

(c) in the event the Gross Asset Value of any item of Property is adjusted pursuant to subparagraphs (b) or (c) of the definition of Gross Asset Value, the amount of such adjustment shall be treated as an item of gain (if the adjustment increases the Gross Asset Value of the item of Property) or an item of loss (if the adjustment decreases the Gross Asset Value of the item of Property) from the disposition of such item of Property and shall be taken into account for purposes of computing Profits or Losses;

(d) gain or loss resulting from any disposition of Property with respect to which gain or loss is recognized for federal income tax purposes shall be computed by reference to the Gross Asset Value of the Property disposed of, notwithstanding that the adjusted tax basis of such Property differs from its Gross Asset Value;

(e) in lieu of the depreciation, amortization, and other cost recovery deductions taken into account in computing such taxable income or loss, there shall be taken into account Depreciation for such Fiscal Year, computed in accordance with the definition of “Depreciation”;

(f) to the extent an adjustment to the adjusted tax basis of any item of Property pursuant to Section 734(b) of the Code is required, pursuant to Treasury Regulation Section 1.704-(b)(2)(iv)(m)(4), to be taken into account in determining Capital Accounts as a result of a distribution other than in liquidation of a Member’s Membership Units, the amount of such adjustment shall be treated as an item of gain (if the adjustment increases the basis of the item of Property) or loss (if the adjustment decreases such basis) from the disposition of such item of Property and shall be taken into account for purposes of computing Profits or Losses; and

(g) notwithstanding any other provision of this definition, any items that are specially allocated pursuant to Section 4.06(b) shall not be taken into account in computing Profits or Losses.

“Property” means all real and personal property (whether tangible or intangible) owned by the Company, including (a) cash, (b) current assets (such as accounts receivable) (c) contract rights, (d) investments (such as stocks, securities, notes, bonds, debentures, derivative financial instruments, and other similar financial assets), and (e) any improvements to real or personal property.

“Quarterly Performance Report” has the meaning set forth in Section 5.07.

“Quarterly Review” has the meaning set forth in Section 5.07.

“Restricted Cash” means cash of the Company and its Subsidiaries that the Company and its Subsidiaries are restricted from using, such as amounts deposited in escrow or for a specified purpose, for so long as such cash is subject to release only at the order of a person other than the Company and its Subsidiaries.

“S&P” means Standard & Poor’s or any successor thereto.

“Safran” has the meaning set forth in the preamble.

“Safran Authorized Agent” has the meaning set forth in Section 13.04(b).

“Safran Call Right” has the meaning set forth in Section 7.05(a).

“Safran Contribution Agreement” means that certain Contribution Agreement, of even date herewith, between the Company, Safran and Safran S.A.

“Safran IPLA” means that certain Intellectual Property License Agreement, of even date herewith, between the Company and Safran S.A.

“Safran Put Right” has the meaning set forth in Section 7.05(a).

“Safran Option” has the meaning set forth in Section 7.05(a).

“Safran Manager” has the meaning set forth in Section 5.01(b).

“Safran Permitted Contract” has the meaning set forth in the Safran IPLA.

“Safran S.A.” has the meaning set forth in the preamble.

“Safran Technology” has the meaning set forth in the Safran IPLA.

“Safran USA” means Safran USA, Inc.

“Securities Act” means the U.S. Securities Act of 1933, as amended from time to time, and the rules and regulations promulgated thereunder.

“Senior Representative” has the meaning set forth in Section 5.06.

“Services Agreement” means that certain Services Agreement, of even date herewith, by and between Albany and the Company.

“Subsidiary” of any Person means any Person (a) of which a majority of the outstanding voting securities or other voting equity interests are owned, directly or indirectly, by such first Person or (b) with respect to which such Person or any of its Subsidiaries is a general partner or managing member.

“Tax” or “Taxes” means any and all taxes, charges, fees, levies, assessments, duties or other amounts payable to any federal, state, local or foreign taxing authority or agency, including: (a) income, franchise, profits, gross receipts, minimum, alternative minimum, estimated, ad valorem, value added, sales, use, service, real or personal property, capital stock, license, payroll, withholding, disability, employment, social security, workers compensation, unemployment compensation, utility, severance, excise, stamp, windfall profits, transfer and gains taxes; (b) customs, duties, imposts, charges, levies or other similar assessments of any kind; and (c) interest, penalties and additions to tax imposed with respect thereto.

“Tax Matters Partner” has the meaning set forth in Section 8.06.

“Technology” means the Albany Technology and the Safran Technology. “Termination Date” has the meaning set forth in Section 10.06(a).

“Transaction Documents” has the meaning set forth in Section 11.02(a).

“Transfer” means a direct or indirect transfer, sale, exchange, assignment, pledge, hypothecation or other encumbrance or other disposition of any Membership Units, whether directly or indirectly, whether voluntarily, involuntarily or by operation of law.

“Transferred”, “Transferring”, “Transferee” and “Transferor” shall each have a correlative meaning to the term “Transfer.”

“Treasury Regulations” means the regulations promulgated by the U.S. Department of the Treasury under the Code, as amended from time to time (including any successor regulations).

“Triggering Event” has the meaning set forth in Section 7.05(a).

Section 1.02. Other Interpretive Provisions. (a) The meanings of defined terms are equally applicable to the singular and plural forms of the defined terms.

(b) The words “hereof”, “herein”, “hereunder” and similar words refer to this Agreement as a whole and not to any particular provision of this Agreement; and subsection, Section, Exhibit, Schedule and Annex references are to this Agreement unless otherwise specified.

(c) The term “including” is not limiting and means “including without limitation.”

(d) The terms “or”, “either”, and “any” shall not be exclusive.

(e) Any reference in this Agreement to dollars or \$ shall mean U.S. dollars.

(f) The captions and headings of this Agreement are for convenience of reference only and shall not affect the interpretation of this Agreement.

(g) Any reference in this Agreement to Schedule A, Schedule B, Annex I, Annex II, or Annex III shall be deemed to be a reference to Schedule A, Schedule B, Annex I, Annex II, or Annex III, as applicable, of this Agreement as such Schedule or Annex may be amended in accordance with this Agreement and is in effect from time to time.

(h) Whenever the context requires, any pronouns used herein shall include the corresponding masculine, feminine or neuter forms.

(i) Except (A) as otherwise expressly provided herein, (B) to the extent not applicable or (C) as required for income Tax purposes, all terms of an accounting or financial nature shall be construed in accordance with GAAP.

ARTICLE II

ORGANIZATIONAL MATTERS

Section 2.01. Formation of the Company; Ratification. The Members hereby:

(a) approve and ratify the filing of the Certificate of Formation with the Secretary of State of the State of Delaware on the Formation Date and all actions taken by or on behalf of the Company on or prior to the Agreement Date; and (b) confirm and agree to their status as Members of the Company as set forth herein.

Section 2.02. Agreement; Members.

(a) This Agreement is adopted by the Members and hereby amends and restates the Existing Agreement in its entirety, in each case effective as of the Effective Time.

(b) The Members agree to continue the Company as a limited liability company under the Act, upon the terms and subject to the conditions set forth in this Agreement, as amended from time to time. The Members hereby agree that during the term of the Company, the rights, duties and obligations of the Members with respect to the Company will be determined in accordance with the terms and conditions of this Agreement and the Act.

(c) The name and mailing address of each Member is set forth on Schedule A. The Board or any officer of the Company shall amend Schedule A and Schedule B from time to time as necessary to ensure the accuracy of the information required to be included therein in accordance with the terms hereof.

Section 2.03. Name of the Company. The name of the Company is “Albany Safran Composites, LLC”. The business of the Company may be conducted under such name or any other name permitted by the Act as the Board may determine from time to time.

Section 2.04. Place of Business. The Company shall have its principal office at 85 Innovation Drive, Rochester, New Hampshire 03867 or such other place or places as the Board may deem appropriate, and may establish such other offices or places of business for the Company as the Board may deem appropriate.

Section 2.05. Registered Office and Registered Agent. The registered office of the Company in the State of Delaware is Corporation Service Company, 2711 Centerville Road, Suite 400, Wilmington, County of New Castle, Delaware 19808. The registered agent for service of process of the Company at such address is Corporation Service Company.

Section 2.06. Liability of Members. Except as otherwise provided in this Agreement or the Act, the debts, obligations and liabilities of the Company, whether arising in contract, tort or otherwise, shall be solely the debts, obligations and liabilities of the Company, and the Members shall have no obligation whatsoever for any such debt, obligation or liability of the Company solely by reason of being a Member. The failure of the Company to observe any formalities or requirements relating to the exercise of its power or management of its business or affairs under the Act or this Agreement shall not be grounds for imposing personal liability on the Members for any debts, obligations or liabilities of the Company.

Section 2.07. Term of the Company. The existence of the Company commenced on the Formation Date and shall continue until dissolution thereof in accordance with the provisions of this Agreement.

Section 2.08. Purpose of the Company. The purpose of the Company is to engage in the Business and in any other lawful act or activity to which the Members may agree in accordance with Section 5.02(k), either directly or indirectly through one or more Subsidiaries or other entities in which it holds an equity interest.

Section 2.09. U.S. Tax Characterization of the Company. The Members intend that the Company is, and will continue to be, classified as a partnership for U.S. federal, state and local income tax purposes and neither the Company nor any Member shall make any election to the contrary. The Company shall file an election under Section 754 of the Code if requested by the Board.

ARTICLE III

CAPITAL CONTRIBUTIONS, MEMBERSHIP UNITS AND CAPITAL ACCOUNTS

Section 3.01. Initial Capital Contributions and Membership Units.

(a) The Company shall have two (2) classes of Membership Units: (i) common interests with the rights and conditions as set forth in this Agreement (the "Common Membership Units") and (ii) preferred interests with the rights and conditions as set forth in this Agreement (the "Preferred Membership Units").

(b) On or prior to the Agreement Date, and effective as of the Effective Time, (i) Albany has (A) made a Capital Contribution of certain property to the Company and the Company has assumed certain liabilities of Albany, in each case pursuant to and in accordance with the Albany Contribution Agreement and (B) licensed the Albany Technology to the Company pursuant to the Albany IPLA; and (ii) Safran has (A) made a Capital Contribution, in cash, to the Company, pursuant to and in accordance with the Safran Contribution Agreement and (B) licensed the Safran Technology to the Company pursuant to the Safran IPLA.

(c) The value and form of each Member's initial Capital Contribution, as well as the amount of Preferred Capital and/or Common Capital it represents, is set forth opposite such Member's name on Schedule B (such Capital Contribution, with respect to each Member (as applicable), being hereinafter referred to as the "Initial Capital Contribution") and, in consideration thereof, effective as of the Effective Time, the Company hereby issues to each such Member the number of Common Membership Units and/or Preferred Membership Units set forth opposite such Member's name on Schedule B and hereby admits each such Person as a Member hereunder. Schedule B incorporates and supersedes any and all interests of Albany pursuant to the Existing Agreement and any Capital Contributions which may have been made pursuant to the Existing Agreement.

Section 3.02. Additional Capital Contributions.

(a) No Member shall be obligated to make any Additional Capital Contribution to the Company; provided, that the foregoing sentence shall not limit (i) the obligations of Albany to make any Intercompany Loan pursuant to Section 3.09, (ii) the obligations of Albany as provided in the Albany Contribution Agreement, and (iii) the obligations of Safran as provided in the Safran Contribution Agreement.

(b) Any Member may make Additional Capital Contributions to the Company and the Company shall issue in exchange therefor a number of Membership Units determined by the Board; provided, that prior to any such Additional Capital Contribution, issuance of Membership Units or any action by a Member that would change any other Member's Percentage Interest, the Company shall have received the written consent of each such other Member (such consent to be delivered or withheld in such other Member's sole discretion).

(c) The Board or any officer of the Company shall amend Schedule B, from time to time, to reflect any Additional Capital Contributions made in accordance with this Section 3.02.

Section 3.03. Additional Classes of Membership Units. Subject to Section 5.02(c), the Company may issue one or more additional classes of Membership Units. The Board shall determine the terms and conditions applicable to such new Membership Units and, subject to Section 13.03, shall be permitted to amend this Agreement to reflect the issuance of such new class or classes of Membership Units and the terms and conditions applicable thereto.

Section 3.04. Additional Members. Subject to Section 3.02, Section 5.02(c) and Article VII, the Board may admit one or more additional Members to the Company on such terms and conditions as the Board may determine. An additional Member admitted to the Company pursuant to this Section 3.04 shall (a) execute a counterpart to this Agreement and

deliver such documents as may be necessary, in the reasonable opinion of the Board, to make such Person a party hereto and (b) if so required by the Board, make a Capital Contribution to the Company in an amount determined by the Board. The Board or any officer of the Company shall amend Schedule A and Schedule B, as applicable, to reflect the admission of any additional Members.

Section 3.05. Voting Rights. Subject to the terms of any other class of Membership Units, the Company may issue pursuant to Section 3.03, each Member shall be entitled to one (1) vote per Common Membership Unit held by such Member in all matters submitted to the Members for a vote, except as required by the Act or this Agreement (including Section 5.02).

Section 3.06. Capital Accounts. (a) The Company shall maintain a separate capital account (each, a “Capital Account”) for each Member in accordance with the following provisions:

(i) Each Member’s Capital Account shall be increased by the amount of any cash and the Gross Asset Value of any other Property contributed to the Company by such Member (net of liabilities secured by contributed Property that the Company is considered to assume or take subject to under Section 752 of the Code), any Company Profits allocated to such Member pursuant to Section 4.06(a)(i), any Company income and gain allocated to such Member pursuant to Section 4.06(b), and the amount of any Company liabilities assumed by such Member or secured by any Company assets distributed to such Member.

(ii) Each Member’s Capital Account shall be decreased by the amount of cash and the gross fair market value (as determined by the Board) of any other Company Property distributed to such Member pursuant to any provision of this Agreement, any Losses allocated to such Member pursuant to Section 4.06(a)(ii), (including the Member’s share of expenditures described in Treasury Regulation Section 1.704-1(b)(2)(iv)(i)), any deductions and losses allocated to such Member pursuant to Section 4.06(b) and the amount of any liabilities of such Member assumed by the Company or secured by any Member assets contributed by such Member.

(iii) In the event all or any portion of a Member’s Membership Units are Transferred in accordance with the terms of this Agreement, the Transferee shall succeed to the Capital Account of such Member to the extent such Capital Account relates to the Transferred Membership Units.

(b) The foregoing provisions and the other provisions of this Agreement relating to the maintenance of Capital Accounts are intended to comply with Treasury Regulations issued under Section 704(b) of the Code and shall be interpreted and applied in a manner consistent with such Treasury Regulations. The Board shall be authorized to make appropriate amendments to the allocations of items pursuant to this Section 3.06 if necessary in order to comply with Section 704 of the Code or applicable Treasury Regulations thereunder; provided, that no such change shall have an adverse effect upon amounts distributable to any Member pursuant to Section 4.01 or Section 10.03.

Section 3.07. Withdrawals; Return of Capital. Except as expressly provided in this Agreement, including in Article IV and Article X, no Member shall have any right to (a) withdraw as a Member from the Company, (b) withdraw from the Company all or any part of such Member's Capital Account or its Capital Contributions, (c) a return of its Capital Contributions or Capital Account or the payment of interest thereon from the Company or from another Member or (d) receive any distribution from the Company.

Section 3.08. No Deficit Restoration Obligation. At no time during the term of the Company or upon dissolution or liquidation thereof shall a Member with a negative balance in its Capital Account have any obligation to the Company or the other Members to restore such negative balance, except as may be required by non-waivable provisions of applicable Law.

Section 3.09. Working Capital. So long as Albany International or any of its Affiliates shall be a Member of the Company, Albany International shall be responsible for providing, or causing Albany or its Affiliate Transferees or any of their respective Affiliates to provide, the Company and its Subsidiaries with operating cash in amounts reasonably required by the Company and its Subsidiaries for the operation of the Business by the Company and its Subsidiaries as determined by the Board. The Members acknowledge and agree that Albany International shall provide, or cause one of its Affiliates to provide, such operating cash by means of interest-bearing intercompany loans in exchange for a demand note from the Company (such loans, the "Intercompany Loans"). Such Intercompany Loans shall bear interest at a rate per annum not to exceed the average per annum rate paid under the Albany Facility plus 1.00%, computed on the basis of the actual number of days elapsed during the Fiscal Year or portion thereof over a three hundred sixty (360) day year. All obligations under the Intercompany Loans shall become immediately due and payable upon the exercise of the Safran Call Right and as otherwise set forth in the note issued in respect of the applicable Intercompany Loan; provided, that, in the event that the Safran Call Right is exercised pursuant to Section 7.05(a)(ii) or Section 7.05(a)(vi), all obligations under the Intercompany Loans shall become due and payable thirty (30) days after the exercise of the Safran Call Right. So long as Albany International or any of its Affiliates shall be a Member of the Company, Albany International shall ensure and guarantee that Albany or its Affiliate Transferees shall have sufficient capitalization at all times during the Term necessary to perform their respective duties and satisfy their respective obligations under this Agreement.

ARTICLE IV

DISTRIBUTIONS AND ALLOCATIONS

Section 4.01. Distributions. (a) Notwithstanding anything to the contrary in this Agreement, the Company shall not make any distributions until all obligations under all outstanding Intercompany Loans have been satisfied in full (including payment of all accrued interest thereon).

(b) The Board shall determine on an annual basis the Excess Cash Flow, if any, available for distributions. Subject to Section 4.01(a), Section 4.02, and Section 5.02(i), the rights of any Membership Units issued pursuant to Section 3.03, and the maintenance by the Company of appropriate reserves (as determined by the Board), the Company may make cash

distributions to the Members, in such aggregate amount, if any, as the Board shall determine; provided, that in no event shall the aggregate amount of distributions made by the Company in any Fiscal Year exceed the Excess Cash Flow as determined by the Board for the applicable Fiscal Year. Any such cash distributions shall be made in the following order of priority: (i) first, to the Preferred Members, pro rata in accordance with their respective ownership of the Preferred Membership Units, until Preferred Capital for all Preferred Membership Units has been repaid in full; (ii) thereafter, to the Common Members, pro rata in accordance with their respective Percentage Interests.

Section 4.02. Preferred Capital and Preferred Return.

(a) The Preferred Capital shall become immediately due and payable upon the exercise of the Safran Call Right, and in any event no later than ten (10) years after the issuance of the Preferred Membership Units to which such Preferred Capital relates (or such later date as agreed by the Company and the Preferred Members); provided, that, in the event that the Safran Call Right is exercised pursuant to Section 7.05(a)(ii) or Section 7.05(a)(vi), all Preferred Capital shall become due and payable thirty (30) days after the exercise of the Safran Call Right.

(b) Upon the indefeasible payment in full pursuant to this Article IV or Section 7.05(d) of all Preferred Capital with respect to any Preferred Membership Unit, such Preferred Membership Unit shall immediately terminate and be cancelled and the Preferred Member holding such Preferred Membership Unit shall have no further rights or obligations hereunder in respect of such Preferred Membership Unit, except for any rights of indemnification or other claims accruing prior to such date or which by their terms survive such termination and cancellation.

Section 4.03. Restricted Distributions. Notwithstanding anything to the contrary contained herein, the Company, and the Board on behalf of the Company, shall not make a distribution to any Member on account of its Membership Units if such distribution would violate the Act or other applicable Law.

Section 4.04. Withholding and Payments on Behalf of a Member. The Company is hereby authorized to withhold from distributions, and to make payments on behalf of a Member, in its capacity as such, of all amounts that the Company is required by Law to withhold or pay on behalf of such Member (including for the purposes of federal, state and local income tax withholding, state and local personal property taxes and state and local unincorporated business taxes, or any similar Taxes imposed by any non-U.S. Taxing authority with respect to amounts distributable to a Member). All amounts withheld by the Company from distributions or paid by the Company on behalf of a Member pursuant to this Section 4.04 shall be deemed to have been distributed to the Member otherwise entitled to receive the amount so withheld or on whose behalf the amount was paid. In the event the Board reasonably determines that the Company is required to withhold an amount from distributions to any Member, the Company shall notify such Member of such withholding obligation and cooperate with such Member in reducing the amount to be withheld or eliminating the requirement to withhold such amounts, to the extent the Board or the Company can do so without unreasonable efforts or expense (including any potential liability to a Taxing authority for any such claimed withholding or interest and penalties related thereto). Each Member hereby agrees, to the extent permitted by applicable state and federal Law, to reimburse the Company for any liability with respect to

withholdings required on behalf of or with respect to such Member. If, pursuant to this Section 4.04, the Company makes a payment on behalf of a Member or otherwise withholds from distributions to a Member an amount in excess of the amount available for distribution to such Member pursuant to Section 4.01 (the amount of any such payment or such shortfall with respect to each Member being hereinafter referred to as the “Advance Amount”), the Company may take any of the following actions upon obtaining approval of the Board thereto (excluding, for purposes thereof, the vote of any such Member subject to such determination): (a) require that each such Member contribute an amount in cash to the Company equal to such Member’s Advance Amount plus a commercially reasonable rate of interest thereon (such payment not to constitute a Capital Contribution hereunder) or (b) reduce the amount of any subsequent distributions (or any proceeds such Member may receive under Section 10.03) which would otherwise have been made to such Member by the Advance Amount plus a commercially reasonable rate of interest thereon.

Section 4.05. Offset. Whenever the Company is to distribute or pay any sum to any Member pursuant to any provision of this Agreement, any amounts such Member owes the Company or any of its Subsidiaries or Affiliates (whether pursuant to this Agreement or otherwise), as determined by the Board, may be deducted from such sum before distribution or payment, to the extent permitted by applicable Law. All amounts deducted by the Company from amounts distributed or paid by the Company to a Member pursuant to the foregoing sentence shall (a) be deemed to have been distributed or paid to such Member and (b) reduce any amounts such Member owes the Company or its Subsidiaries or Affiliates (as applicable) under the applicable arrangement between such entity and such Member.

Section 4.06. Allocation of Profits and Losses.

(a) Generally. Except as otherwise set forth in this Agreement, and after giving effect to the special allocations set forth in Section 4.06(b), Profits and Losses shall be allocated among the Capital Accounts of the Members as follows:

(i) Profits shall be allocated (A) first, 100% to the Preferred Members, pro rata in accordance with their respective ownership of the Preferred Membership Units, until each Preferred Member has been allocated an amount equal to the Preferred Return for all Preferred Membership Units held by such Preferred Member; and (B) second, the balance, if any, 100% to the Common Members, pro rata in accordance with their respective Percentage Interests.

(ii) Losses shall be allocated 100% to the Common Members, pro rata in accordance with their respective Percentage Interests.

(b) Special Allocations.

(i) The provisions of Section 4.06(a) and the other provisions of this Agreement relating to the maintenance of Capital Accounts are intended to comply with Treasury Regulations Section 1.704-1(b) and shall be interpreted and applied in a manner consistent with such Regulations. The Board shall be authorized to make appropriate amendments to the allocations of items pursuant to this Section 4.06 if necessary in order to comply with Section 704 of the Code or applicable Treasury

Regulations thereunder; provided, that no such change shall have an adverse effect upon amounts distributable to any Member pursuant to Section 4.01 or Section 10.03.

(ii) Notwithstanding any provision of this Section 4.06, no item of deduction or loss shall be allocated to a Member to the extent the allocation would cause a negative balance in such Member's Capital Account (after taking into account the adjustments, allocations and distributions described in Treasury Regulations Sections 1.704-1(b)(2)(ii)(d)(4), (5) and (6)) that exceeds the sum of (A) the amount that such Member would be required to reimburse the Company pursuant to this Agreement or under applicable Law plus (B) the amount that such Member is deemed obligated to reimburse pursuant to the penultimate sentences of Treasury Regulations Sections 1.704-2(g)(1) and 1.704-2(i)(5). In the event some but not all of the Members would have such excess Capital Account deficits as a consequence of such allocation of loss or deduction, the limitation set forth in this Section 4.06(b) shall be applied on a Member-by-Member basis so as to allocate the maximum permissible deduction or loss to each Member under Section 1.704-1(b)(2)(ii)(d) of the Treasury Regulations. In the event any loss or deduction is specially allocated to a Member pursuant to the preceding sentence, an equal amount of income of the Company shall be specially allocated to such Member prior to any allocation pursuant to Section 4.06(a).

(iii) In the event any Member unexpectedly receives any adjustments, allocations, or distributions described in Treasury Regulations Sections 1.704-1(b)(2)(ii)(d)(4), (5) and (6), items of Company income and gain shall be specially allocated to such Member in an amount and manner sufficient to eliminate as quickly as possible any deficit balance in its Capital Accounts in excess of that permitted under Section 4.06(b)(ii) created by such adjustments, allocations or distributions. Any special allocations of items of income or gain pursuant to this Section 4.06(b) shall be taken into account in computing subsequent allocations pursuant to this Section 4.06 so that the net amount of any items so allocated and all other items allocated to each Member pursuant to this Section 4.06 shall, to the extent possible, be equal to the net amount that would have been allocated to each such Member pursuant to the provisions of this Section 4.06 if such unexpected adjustments, allocations or distributions had not occurred.

(iv) In the event the Company incurs any nonrecourse liabilities, income and gain shall be allocated in accordance with the "minimum gain chargeback" provisions of Section 1.704-1(b)(4)(iv) and 1.704-2 of the Treasury Regulations.

(v) The Capital Accounts of the Members may be adjusted in accordance with Treasury Regulations Section 1.704-1(b)(2)(iv)(f) to reflect the fair market value (as determined by the Board) of Company property whenever permitted under such provision, and shall be adjusted when the Company is liquidated pursuant to Article X in accordance with Treasury Regulations Section 1.704-1(b)(2)(iv)(e) or in the case of a distribution of any property (other than cash).

(c) Tax Allocations. For federal, state and local income tax purposes, items of income, gain, loss, deduction and credit shall be allocated to the Members in accordance with

the allocations of the corresponding items for Capital Account purposes under this Section 4.06, except that items with respect to which there is a difference between tax and book basis will be allocated in accordance with Section 704(c) of the Code, the Treasury Regulations thereunder, and Treasury Regulations Section 1.704-1(b)(4)(i), using the “remedial allocation” set forth in Treasury Regulations Section 1.704-3(d) (and if applicable similar provisions of state and local Law), unless the Members otherwise agree.

(d) All decisions and other matters concerning the allocation of income, deductions, gains and losses among the Members, and accounting procedures, not specifically and expressly provided for by the terms of this Agreement, shall be determined by the Board in its sole discretion. Such determination made by the Board shall, absent manifest error, be final and conclusive as to all Members.

ARTICLE V

MANAGEMENT

Section 5.01. Board of Managers. (a) The business and affairs of the Company shall be managed by the Members acting through their respective representatives on the Board of Managers (the “Board”). Except as otherwise provided by this Agreement, the Board shall have the full and exclusive right, power and authority to oversee the Company, to manage its business and affairs and to do all such lawful acts that are not, by the Act, the Certificate of Formation or this Agreement directed or required to be exercised or done by the Members, and in so doing the Board shall have the right and authority to take all actions which the Board deems necessary, useful or appropriate for the management and conduct of the business of the Company. No Member or Manager (acting individually) shall have the authority to manage the business and affairs of the Company or contract for or incur on behalf of the Company any debts, liabilities or other obligations or bind the Company, except as expressly permitted by this Agreement or required by the Act.

(b) The Board shall consist of four (4) individuals (each, a “Manager”), unless a different number is unanimously approved by the Board, three (3) of whom shall be designated from time to time by Albany (each Manager designated by Albany, an “Albany Manager”) and one (1) of whom shall be designated from time to time by Safran (the Manager designated by Safran, the “Safran Manager”). Albany hereby designates Joseph G. Morone, Ralph Polumbo and Charles J. Silva as the initial Albany Managers. Safran hereby designates Jean-Jacques Orsini as the initial Safran Manager.

(c) Each Manager shall be entitled to one (1) vote in all matters submitted to the Board for a vote. Except as otherwise specified in this Agreement, including Section 5.02, decisions and actions of the Board shall require approval by a simple majority of Manager votes present at a meeting at which a quorum is present.

(d) Any Manager may resign as such at any time upon written notice to the Company. Such resignation shall be made in writing and shall take effect at the time specified therein or, if no time is specified therein, at the time of its receipt by the Board. The acceptance of a resignation shall not be necessary to make it effective, unless expressly so provided in the resignation.

(e) Each Manager shall hold office until his or her successor is designated, or until his or her death, resignation or removal. Any Manager may be removed, with or without cause, at any time by the Member who designated such Manager and in no other circumstances; provided, however, that any Manager may be removed by the Board of Managers for Cause. The applicable Member may designate a new Manager to fill any vacancy created by any resignation, death or removal of any Manager designated by such Member. In connection with each designation or removal of a Manager, the Member making such designation or removal shall give notice to the Company and the other Members. Any such removal or designation shall be effective as of the date such notice is given to the Members or any other later date specified in such notice.

(f) The Company or the applicable Subsidiary of the Company, as the case may be, shall reimburse each Manager for all reasonable out-of-pocket expenses incurred by such Manager in connection with his or her attendance at meetings of the Board, any committees thereof, or the board of directors or similar governing body of any of the Company's Subsidiaries or any committees thereof, including reasonable travel, lodging and meal expenses.

(g) The Company and its Subsidiaries shall obtain customary director and officer indemnity insurance on commercially reasonable terms, which insurance shall cover each Manager and the members of the board of directors or similar governing body of each Subsidiary of the Company.

(h) Each Manager shall inform the Board promptly upon learning of any threatened or pending lawsuit, administrative proceeding or review against the Company or any Manager or officer (in their capacities as such) of the Company or to which any of the assets of the Company is subject, or relating to the transactions contemplated by this Agreement or the consummation thereof, in each case that could reasonably be expected to have a material adverse effect upon the Company and its Subsidiaries, taken as a whole; provided, that a Manager shall not be required to so inform the Board where doing so would waive attorney-client privilege or contravene any Law or any contract entered into prior to the Agreement Date; provided, further, that such Manager and, if applicable, the Member that shall have designated such Manager, shall use commercially reasonable efforts, including by entering into a joint defense or common interest agreement, to permit such Manager to so inform the Board without loss of such privilege or contravention of such Law or contract.

Section 5.02. Certain Matters Requiring Safran Manager Approval. So long as Safran or any of its Affiliates shall be a Member of the Company, the Company shall not take or commit to take, and shall not cause or permit any of its Subsidiaries to take or commit to take, directly or indirectly, any of the following actions without the approval of the Safran Manager (such approval not to be unreasonably withheld, conditioned or delayed in the case of the matters described in Section 5.02(i)):

(a) enter into any Material Transaction;

(b) enter into any sale of all or substantially all of the assets of the Company and its Subsidiaries (taken as a whole) or any merger, reorganization or consolidation of the Company with or into any Person other than the Company or any wholly owned Subsidiary of the Company (it being understood that this Section 5.02(b) shall not require Albany, Albany

International or any of their respective Affiliates to obtain the approval of the Safran Manager, Safran S.A. or Safran in connection with any event described in Section 7.05(a)(i));

(c) (i) admit any new Member to the Company (except pursuant to Section 7.03), (ii) issue any new class of Membership Units pursuant to Section 3.03, (iii) request Additional Capital Contributions from the Members, or (iv) split, subdivide, combine, or reclassify any Membership Units;

(d) enter into, amend or terminate any agreement between the Company or any Subsidiary of the Company, on the one hand, and any Member or any Affiliate of any Member, on the other hand, including the Services Agreement and the Albany IPLA, other than agreements between the Company or any Subsidiary of the Company and Albany or any of its Affiliates that are of a type that Albany or Albany International enters into in the ordinary course of business with their respective Affiliates (it being understood that any agreement or arrangement that results in the sale, assignment or transfer of any material manufacturing or product development assets of the Company to any Member or Affiliate of any Member shall be deemed outside the ordinary course of business for purposes of this Section 5.02(d));

(e) grant to any Person that is not the Company, a Subsidiary of the Company, a Member or an Affiliate of a Member, by sale, assignment, transfer, license or any other means, the right to use in the Agreed Space any Albany Technology that is licensed or assigned to the Company (or required to be licensed or assigned to the Company) or cause or permit a third party to utilize in the Agreed Space Albany Technology that is licensed or has been assigned to the Company (or required to be licensed or assigned to the Company), including any determination by the Board or the Company to not enforce the Company's rights in the Company IP against infringement thereof by third parties within the Agreed Space of which the Albany Managers have actual knowledge;

(f) sell Advanced Composite 3D Parts to any Person other than Safran and its Affiliates;

(g) adopt a new Five Year Business Plan;

(h) enter into any future long term supply agreements for new Parts in the Agreed Space;

(i) make any distribution or dividend of cash or other assets to the Members either (i) with a value in excess of the projected Excess Cash Flow for the next Fiscal Year or (ii) at a time when the aggregate amount of cash and cash equivalents and Permitted Investments on the balance sheet of the Company and its Subsidiaries is less than \$20,000,000;

(j) amend, modify or otherwise alter the Certificate of Formation, the Services Agreement, the Albany IPLA or this Agreement, including Section 2.08 (Purpose of the Company), except as permitted by Section 2.02(c), Section 3.02(c), Section 3.04 and Section 7.01(c));

(k) modify the Business of the Company in a material respect or engage in any business or activity other than the Business (or an activity that is incidental or necessary thereto);

(l) knowingly take any action or knowingly omit to take any action that would cause the Company to become an association taxable as a corporation for U.S. income tax purposes;

(m) cause the Company or any of its Subsidiaries to (i) make an assignment for the benefit of creditors, (ii) file a voluntary petition in bankruptcy, (iii) be adjudged bankrupt or insolvent, or having entered against the Company or such Subsidiary an order for relief, in any bankruptcy or insolvency proceeding, (iv) file a petition or answer seeking for the Company or such Subsidiary any reorganization, arrangement, composition, readjustment, liquidation, dissolution or similar relief under any Law, (v) file an answer or other pleading admitting or failing to contest the material allegations of a petition filed against the Company or such Subsidiary in any proceeding of this nature, or (vi) seek, consent to or acquiesce in the appointment of a trustee, receiver or liquidator of the Company or such Subsidiary or of all or any substantial part of the Company's or such Subsidiary's properties;

(n) (i) incur any Material Indebtedness or (ii) create any lien (other than a Permitted Lien) upon assets of the Company or any of its Subsidiaries with an aggregate value in excess of \$1,000,000, in each case except pursuant to any Intercompany Loan or as contemplated by the Five Year Business Plan or by the Annual Business Plan for the then-current Fiscal Year; or

(o) delegate any authority of the Board to any Person or committee or amend the terms of such delegation or form any committee of the Board or amend the terms of formation of such committee (including authority, power, size and procedures of such committee).

Section 5.03. Committees; Subsidiary Boards. Subject to Section 5.02(o), the Board may designate one or more committees, each committee to consist (subject to the immediately following sentence) of one or more Managers. Albany shall be represented on each committee of the Board in proportion to the number of Albany Managers relative to the total number of Managers pursuant to Section 5.01(b); provided, that Albany may, in its sole discretion, designate fewer Albany Managers to serve on any committee or not designate any Albany Managers to so serve. Voting requirements of any committee designated by the Board shall be included in the enabling Board resolution establishing such committee. The provisions of this Section 5.03 shall apply to any committee or board, or similar corporate governing body, of any Subsidiary of the Company.

Section 5.04. Additional Management Provisions. To the extent permitted by antitrust, competition and any other applicable Law, each Member agrees and acknowledges that the Managers may share confidential, non-public information about the Company with the Members.

Section 5.05. Meetings; Quorum; Notice; Written Consent. (a) The quorum for a meeting of the Board shall require the presence of a majority of the votes of all the

Managers then in office. Meetings of the Board may be held at any time at any location specified in the notice thereof in such place within or without the State of Delaware, when called by any Albany Manager. Managers may participate in a meeting of the Board by means of conference telephone or similar communications equipment by means of which all persons participating in the meeting can hear each other or by any other means permitted by Law.

(b) Reasonable and sufficient notice of each meeting shall be given to each Manager. It shall be reasonable and sufficient notice to a Manager to send notice by overnight delivery, electronic mail, facsimile or hand delivery at least forty-eight (48) hours, before the meeting addressed to such Manager at such Manager's usual business address. Notice of a meeting need not be given to any Manager if a written waiver of notice, executed by such Manager before or after the meeting, is filed with the records of the meeting, or to any Manager who attends the meeting without protesting prior thereto or at its commencement the lack of notice to such Manager. Neither notice of a meeting nor a waiver of a notice need specify the purposes of the meeting.

(c) Any action required or permitted to be taken at any meeting of the Board may be taken without a meeting pursuant to a written consent signed by Managers having not less than the minimum number of votes that would be necessary to approve such action at a meeting of the Board at which all Managers then in office were present and voted including, in the case of any action described in Section 5.02, the Safran Manager. Such written consent shall be filed with the records of the meetings of the Board and treated for all purposes as the act of the Board.

Section 5.06. Deadlock Events. In the case of a Deadlock Event, the Management Committee shall meet and use commercially reasonable efforts to resolve such dispute to the mutual satisfaction of Albany and Safran. In the event the Management Committee is unable to so amicably resolve such dispute within thirty (30) days, such dispute shall be delegated to the Chief Operating Officer of Albany and the Industrial Director (or equivalent officer) of Safran S.A. (together, the "Senior Representatives") who shall endeavor to resolve the dispute to the mutual satisfaction of Albany and Safran, including by meeting and using commercially reasonable efforts to resolve such dispute. In the event the Senior Representatives are unable to resolve such dispute within thirty (30) days of its delegation to the Senior Representatives, the chief executive officer of Albany International and the chief executive officer of Safran S.A. shall meet and use commercially reasonable efforts to resolve such dispute for a period of no less than thirty (30) days.

Section 5.07. Quarterly Reports and Review. Each quarter of the Company's Fiscal Year, the Board shall cause the Management Committee to prepare a performance report (the "Quarterly Performance Report") and the Board shall review such report and the operations of the Company and its Subsidiaries (such review, a "Quarterly Review"), including by evaluating the progress of the Company and its Subsidiaries towards the Material Milestones applicable to the then-current Fiscal Year.

Section 5.08. Review of Management Provisions. In the event that Safran's Percentage Interest increases substantially relative to its Percentage Interest as of the Agreement Date (such increase, a "Percentage Increase"), the Members shall review and consider whether any amendments to this Article V are appropriate.

Section 5.09. Business Plans.

(a) Not less than thirty (30) days prior to the beginning of each Fiscal Year, the Albany Managers shall prepare and deliver to the Board for consideration and approval in accordance with Section 5.02(g) a business plan for the Company and its Subsidiaries with respect to the next five (5) years (the “Five Year Business Plan”) which shall be based on the aggregate requirements as set forth in the Long Term Supply Agreement as well as any future long-term supply agreements for new Parts in the Agreed Space. If any proposed Five Year Business Plan is not adopted by the Board in accordance with Section 5.02(g), the Five Year Business Plan, if any, most recently adopted by the Board in accordance with Section 5.02(g) shall remain in effect. If no Five Year Business Plan has yet been so adopted by the Board, then the Five Year Business Plan shall, for all purposes under this Agreement, be deemed to consist of the annual levels of hiring and capital expenditures by the Company, and its Subsidiaries, for the then most recent calendar year (or, solely with respect to the most recent calendar year prior to the Agreement Date, the annual levels of hiring and capital expenditures by Albany and its Subsidiaries), to support activities under the Long Term Supply Agreement.

(b) Not less than thirty (30) days prior to the beginning of each Fiscal Year, the Albany Managers shall prepare and deliver to the Board for consideration and approval a business plan for such Fiscal Year (each such business plan, an “Annual Business Plan”). Each Annual Business Plan shall include (i) certain material milestones related to minimum hiring and capital expenditure by the Company and its Subsidiaries for the applicable Fiscal Year (such milestones, “Material Milestones”) and (ii) a forecast of revenues, costs (including costs to be incurred under the Services Agreement) and expenses (including capital expenditures) of the Company and its Subsidiaries for the applicable Fiscal Year. Annex III sets forth the initial material milestones related to minimum hiring and capital expenditures by the Company and its Subsidiaries for the five (5) Fiscal Years following the Agreement Date, it being understood that such milestones for each Fiscal Year set forth on Annex III shall be considered the Material Milestones for the applicable Fiscal Year until the adoption of an Annual Business Plan for the applicable Fiscal Year.

(c) For the purpose of determining whether a Material Milestone relating to capital expenditures by the Company and its Subsidiaries has been met, any capital expenditure will be deemed to have been made in the Fiscal Year in which the amounts in respect thereof were paid by the Company or any of its Subsidiaries. A Material Milestone in respect of hiring by the Company and its Subsidiaries for any Fiscal Year shall be met if, from and after the Agreement Date and prior to the end of such Fiscal Year, employment offers from the Company or any of its Subsidiaries shall have been accepted by an aggregate number of full-time equivalent employees (net of any such employees that, after the Agreement Date and prior to the end of such Fiscal Year, were hired, and thereafter ceased to be employed, by the Company or any of its Subsidiaries) that is equal to or in excess of the aggregate number of full-time equivalent employees as are specified as a Material Milestone for such Fiscal Year and each prior Fiscal Year following the Agreement Date.

(d) To the extent reasonably required in order to meet the Material Milestones, the Company shall request funding from Albany International in the form of Intercompany Loans as contemplated in Section 3.09.

Section 5.10. Employee Transfers. Notwithstanding anything in this Agreement to the contrary, to the extent reasonably required in order to satisfy the reasonable employment needs of any of Albany, its Affiliates, the Company or any Subsidiary of the Company, Albany shall have the right to transfer, or cause the transfer of, any employee of Albany or any of its Affiliates to the Company or any Subsidiary of the Company, and to cause the Company or any Subsidiary of the Company to transfer any employee of the Company or any Subsidiary of the Company to Albany or any of its Affiliates; provided, that (a) during any six (6) month period, the aggregate number of managerial and technical employees transferred from the Company or any Subsidiary of the Company to Albany or any of its Affiliates pursuant to this Section 5.10, shall not exceed 20% of the total number of managerial and technical employees of the Company and its Subsidiaries without Safran's prior written consent and (b) at all times the Company's and its Subsidiaries' requirements for the services provided by such transferred managerial and technical employees are met or exceeded.

ARTICLE VI

OFFICERS

Section 6.01. Designation; Term; Qualifications. Except as otherwise provided in Section 6.02, the Board may, from time to time, appoint one or more individuals to be officers of the Company. Any officer so appointed shall have such authority and perform such duties as the Board may, from time to time, delegate to him or her. Unless the Board decides otherwise, if the title is one commonly used for officers of a business corporation formed under the General Corporation Law of the State of Delaware, the assignment of such title shall constitute the delegation to such officer of the authority and duties that are normally associated with that office, subject to any restrictions on such authority imposed by the Board and this Agreement (including Article V). Any number of offices may be held by the same Person. Without regard to the general delegation to the officers as set forth above, each officer who holds the title of "President", "Senior Vice President" or "Vice President", acting alone, shall have the authority to make, enter into and perform all contracts, agreements, reports and undertakings of the Company that have been authorized by the Board. Subject to Article V, the execution and delivery of such contracts, agreements or other documents, or the taking of any actions in connection therewith, shall be conclusive evidence of the Company's approval thereof, and no further approval by the Company shall be required. Each officer shall hold office for the term for which such officer is appointed and until his or her successor shall be duly appointed and shall qualify, or until his or her death, resignation or removal as provided in this Agreement.

Section 6.02. Officers. As of the Agreement Date, the Company shall have such officers as required by and determined in accordance with this Section 6.02.

(a) The Albany Managers shall have the right to appoint a general manager (the "General Manager"), a head of engineering (the "Head of Engineering") and a chief financial officer (the "CFO" and, together with the General Manager and the Head of Engineering, the "Albany Officers"). None of the Albany Officers shall be Managers. Each of the Albany Officers is an agent of the Company, and the actions of any of the Albany Officers taken in accordance with such powers shall bind the Company. Each of the Albany Officers may be removed, with or without Cause, by unanimous vote of the Albany Managers, such removal to be effective upon such vote, unless otherwise set forth in the vote of the Albany Managers. In

the event of the resignation, removal or death of any Albany Officer, the Albany Managers shall appoint a new General Manager, Head of Engineering or CFO, as applicable.

(b) Safran shall have the right to appoint a director of human resources (the “HR Director”). The HR Director shall be consulted by the Company on matters relating to development and training, employee relations, employee safety, welfare, wellness and health, employee services and counseling and the relation of such matters to the common human resources handbook between Safran and the Company. The HR Director shall perform such duties at the reasonable direction of the General Manager consistent with the responsibilities described in this Section 6.02(b). The HR Director shall not be a Manager and, unless expressly authorized by the Board or by this Agreement, shall not have the authority to make, enter into or perform any contracts, agreements or undertakings of the Company. The Company shall (x) provide the HR Director with a copy of its standard form of employment, consulting or other agreements for hiring employees or independent contractors, (y) notify the HR Director of any material changes to the standard form of such agreements, and (z) in each case, consider in good faith any comments to such agreements provided by the HR Director. For avoidance of doubt, Albany Managers and Albany Officers shall be responsible for making and implementing all hiring and compensation decisions relating to the Company and its Subsidiaries. Within thirty (30) days following the beginning of each Fiscal Year and within thirty (30) days following the beginning of the third (3rd) quarter of each Fiscal Year, the Company shall provide the HR Director a list of all employees of the Company, which list shall set forth for each such employee (i) such employee’s number of years of composites experience, (ii) such employee’s core competencies and (iii) the percentage of hours worked by such employee during the preceding twelve (12) months on Company Services (as such term is defined in the Services Agreement) relative to the total number of hours worked by such employee during the preceding twelve (12) months. The HR Director may be removed (x) with or without Cause, by the Safran Manager or (y) with Cause, by the Board (with or without the approval of the Safran Manager). In the event of the resignation, removal or death of the HR Director, the Safran Manager shall appoint a new HR Director.

Section 6.03. Management Committee. The General Manager, the Head of Engineering, the HR Director and the CFO shall constitute the initial members of a management committee (the “Management Committee”) which shall be responsible for the day-to-day operational management of the Company, except as otherwise provided in this Agreement.

Section 6.04. Removal and Resignation. Except as set forth in Section 6.02, the Board may remove any officer of the Company as such, with or without Cause, at any time. Any officer of the Company may resign as such at any time upon written notice to the Company. Such resignation shall be made in writing and shall take effect at the time specified therein or, if no time is specified therein, at the time of its receipt by the Company. The acceptance of a resignation shall not be necessary to make it effective, unless expressly so provided in the resignation.

Section 6.05. Vacancies. Except as set forth in Section 6.02, any vacancy occurring in any office of the Company may be filled by Board approval in accordance with Section 6.01.

ARTICLE VII

TRANSFER OF MEMBERSHIP UNITS

Section 7.01. Limitations on Transfer. (a) A Member may Transfer its Membership Units only in accordance with, and subject to the applicable provisions of, this Article VII.

(b) Any purported Transfer of Membership Units other than in accordance with this Agreement shall be null and void, and the Company shall refuse to recognize any such Transfer for any purpose and shall not reflect in its records any change in record ownership of Membership Units pursuant to any such Transfer. Except for Permitted Transfers or Transfers in accordance with Section 7.05, each other Member must consent in writing to any purported Transfer, which Transfer (if any) shall be subject to such other Members' preemption right on terms to be agreed between the Parties subject to agreement by the Parties on mutually acceptable terms.

(c) The Board or any officer of the Company shall amend Schedule A and Schedule B to reflect the admission of any additional Members and any Transfer, in each case, in accordance with this Article VII.

(d) The Membership Units have not been registered under the Securities Act and, therefore, in addition to the other restrictions on Transfer contained in this Agreement, cannot be sold unless subsequently registered under the Securities Act or an exemption from such registration is then available. To the extent such Membership Units have been certificated, each certificate evidencing Membership Units and each certificate issued in exchange for or upon the Transfer of any Membership Units shall be stamped or otherwise imprinted with a legend in substantially the following form:

“THE SECURITIES REPRESENTED BY THIS CERTIFICATE WERE ORIGINALLY ISSUED ON _____ AND HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE “SECURITIES ACT”). THE SECURITIES REPRESENTED BY THIS CERTIFICATE MAY NOT BE SOLD OR TRANSFERRED IN THE ABSENCE OF AN EFFECTIVE REGISTRATION STATEMENT UNDER THE SECURITIES ACT OR AN EXEMPTION FROM REGISTRATION THEREUNDER. THE SECURITIES REPRESENTED BY THIS CERTIFICATE ARE ALSO SUBJECT TO ADDITIONAL RESTRICTIONS ON TRANSFER SPECIFIED IN THE AMENDED AND RESTATED LIMITED LIABILITY COMPANY OPERATING AGREEMENT, DATED AS OF _____, 2013, AS AMENDED AND MODIFIED FROM TIME TO TIME. THE COMPANY RESERVES THE RIGHT TO REFUSE THE TRANSFER OF SUCH SECURITIES UNTIL SUCH CONDITIONS HAVE BEEN FULFILLED WITH RESPECT TO SUCH TRANSFER. A COPY OF SUCH CONDITIONS SHALL BE FURNISHED BY THE COMPANY TO THE HOLDER HEREOF UPON WRITTEN REQUEST AND WITHOUT CHARGE.”

The Company shall imprint such legend on certificates (if any) evidencing Membership Units. Notwithstanding the foregoing, to the extent the Membership Units are not certificated, this Agreement will contain a legend in substantially the form stated above.

Section 7.02. Conditions to Transfer. Notwithstanding any other provision of this Agreement, no Transfer of Membership Units shall be permitted at any time unless the Board is reasonably satisfied in good faith that such Transfer would not cause the Company to be classified as a “publicly traded partnership” as defined under Section 7704 of the Code or cause the Company to lose its status as a partnership for U.S. federal income tax purposes. Any Transfer of any Membership Units permitted under this Article VII shall be subject to the satisfaction of the following conditions:

(a) unless otherwise provided in this Agreement, a duly executed and acknowledged written instrument of Transfer has been delivered to the Company, which instrument shall specify the Membership Units being Transferred and shall set forth the intention of the Transferor that the Transferee succeed to the transferor’s Membership Units as a substituted Member in the Transferor’s place;

(b) the Transferor and the Transferee have executed, acknowledged and delivered such other documents as may be necessary, in the reasonable opinion of the Board, to effect such substitution, including the execution of a counterpart to this Agreement by the transferee;

(c) the Transferee pays or reimburses the Company for any legal, filing and publication costs that the Company incurs in connection with the admission of the transferee as a Member; and

(d) the Transferee makes the representations and warranties set forth in Section 11.01 to the Company and the other Members as of the date of the Transfer.

Upon satisfaction of such conditions, the transferee shall automatically be admitted as a Member of the Company.

Section 7.03. Permitted Transfers. Subject to Section 7.04:

(a) subject to Section 3.09, a Member may Transfer all (but not less than all) of its Membership Units to one of its Affiliates; provided, that such Affiliate is wholly-owned, directly or indirectly, by Albany or Albany International (each such Transferee, an “Affiliate Transferee”); provided, that, if the Affiliate Transferee should at any time thereafter cease to be an Affiliate of such Member, such Membership Units shall be Transferred back to the original Transferor (or to an Affiliate of the original Transferor) prior to the time that such Affiliate Transferee ceases to be an Affiliate, so that at all times the Membership Units shall be held either by Albany, Safran or one of their respective Affiliates (except as otherwise permitted by this Article VII);

(b) subject to Section 7.05(a)(i), Albany may Transfer all (but not less than all) of its Membership Units in connection with a sale of all or substantially all of the assets of

Albany International or Albany, all of the equity of Albany, or any merger or consolidation of Albany International or Albany with or into any Person; and

(c) Safran may Transfer all (but not less than all) of its Membership Units in connection with a sale of all or substantially all of its assets or any merger or consolidation of Safran S.A. with or into any Person.

Section 7.04. Rights and Obligations of Transferees and Transferors.

(a) Any Transferee of Membership Units (including any Affiliate of any Member) shall be required, at the time of and as a condition to such Transfer, to become a party to this Agreement by executing a counterpart to this Agreement and delivering such documents as may be necessary, in the reasonable opinion of the Board, to make such Person a party hereto, whereupon such Transferee will be treated as a Member for all purposes of this Agreement. A Transferee of Membership Units that complies with the provisions of this Section 7.04 shall be admitted by the Company as a Member hereunder so long as such Transfer was effected in compliance with the terms of this Agreement, including this Article VII.

(b) Notwithstanding anything to the contrary in this Agreement:

(i) in the event of any Permitted Transfer, the Transferee shall acquire all of the rights and become responsible for all of the covenants and agreements of the applicable Transferor hereunder, including those set forth in Article XII;

(ii) in the event that Albany Transfers any of its Membership Interests, Albany shall continue to be bound by its covenants and agreements set forth in Article XII; provided, that the foregoing sentence shall not apply to any Transfer by Albany (A) resulting from the exercise of the Safran Call Right or (B) pursuant to Section 7.03(b) (it being understood that, in the case of any Transfer by Albany pursuant to Section 7.03(b), the applicable Transferee shall assume and become responsible for all covenants and agreements of Albany set forth in Article XII); and

(iii) in the event that Safran Transfers any of its Membership Interests, Safran S.A. shall continue to be bound by its covenants and agreements set forth in Article XII; provided, that the foregoing sentence shall not apply to any Transfer by Safran (A) resulting from the exercise of the Safran Put Right or (B) pursuant to Section 7.03(b) (it being understood that, in the case of any Transfer by Safran pursuant to Section 7.03(b), the applicable Transferee shall assume and become responsible for all covenants and agreements of Safran set forth in Article XII).

(c) Safran may propose to increase its Percentage Interest through the purchase of Albany's Membership Units or, subject to Section 3.02(b), by making Additional Capital Contributions, in each case at a price jointly agreed by the Members; provided, that Albany shall have the right to refuse any such offer in its sole discretion. In the event that Safran increases its Percentage Interest for any reason, the governance of the Company in accordance with this Agreement shall be reviewed and agreed as provided in Section 5.08.

Section 7.05. Safran Option. (a) Upon the occurrence of any of the following events (each such event, a “Triggering Event”), Safran shall have the right to elect, at its option, within sixty (60) days after receipt of written notice of such Triggering Event, to (i) purchase all of the Common Membership Units then owned by Albany and its Affiliates at a purchase price determined in accordance with Section 7.05(b) (such right, the “Safran Call Right”) or (ii) sell all of the Common Membership Units then owned by Safran and its Affiliates to Albany (or, at Albany’s election, an Affiliate of Albany) for a purchase price determined in accordance with Section 7.05(g) (such right, the “Safran Put Right” and, together with the Safran Call Right, the “Safran Option”):

(i) a change of control transaction whereby (A) any Competitor of Safran becomes the “beneficial owner” (as defined in Rule 13d-3 promulgated under the Exchange Act), directly or indirectly, of securities of Albany or Albany International representing 50% or more of the voting power of Albany’s or Albany International’s then-outstanding securities, (B) Albany or Albany International is party to a merger or consolidation, or series of related merger or consolidation transactions, with any Competitor of Safran which results in the holders of voting securities of Albany or Albany International outstanding immediately prior thereto failing to continue to (1) hold securities representing (either by remaining outstanding or by being converted into securities of the surviving or another entity) at least fifty (50%) percent of the voting power of the securities of Albany, Albany International or such surviving entity outstanding immediately after such merger or consolidation or (2) directly or indirectly have the power to elect the majority of the entire board of directors or other similar governing body of Albany, Albany International or such surviving entity immediately after such merger or consolidation, (C) the sale or disposition of all or substantially all of Albany’s or Albany International’s assets to (or consummation of any transaction, or series of related transactions, having the same effect, with) any Competitor of Safran, or (D) any transaction or series of related transactions with any Competitor of Safran that has the same effect as any one or more of the foregoing (it being understood that the execution by Albany, Albany International or any of their respective Affiliates of a definitive agreement with a Competitor of Safran to effectuate any of the foregoing shall be considered a Triggering Event);

(ii) a “material breach” by the Company of the Long Term Supply Agreement as such term is defined therein and failure to cure such breach within twelve (12) months following receipt by the Company of written notice from Safran describing the material breach in reasonable detail (it being understood that such twelve (12) month period shall run concurrently with the applicable cure period set forth in Article 19.1.1 of the Long Term Supply Agreement);

(iii) the Company shall have commenced any case, proceeding or other action (A) under any existing or future Law relating to bankruptcy, insolvency, reorganization or relief of debtors, seeking to have an order for relief entered with respect to it, or seeking to adjudicate it bankrupt or insolvent, or seeking reorganization, arrangement, adjustment, winding-up, liquidation, dissolution, composition or other relief with respect to it or its debts, or (B) seeking appointment of a receiver, trustee, custodian, conservator or other similar official for it or for all of its assets;

(iv) a failure to meet a Material Milestone, which failure remains uncured for ninety (90) days following the receipt by the Company of written notice from Safran describing the applicable failure in reasonable detail, such notice to be delivered following the Safran Manager's review of the Quarterly Performance Report or other applicable report delivered pursuant to Section 8.04; provided, that Safran shall be prohibited from exercising the Safran Option in the event that the HR Director shall have been the primary cause of, or the primary factor that resulted in, the occurrence of a Triggering Event pursuant to this Section 7.05(a)(iv) (unless such primary cause or factor shall have resulted from action taken by the HR Director at the reasonable direction of the General Manager consistent with Section 6.02(b), in which case Safran shall not be so prohibited from exercising the Safran Option);

(v) a Deadlock Event (A) occurs as a result of a proposal by the Albany Managers of an Annual Business Plan, to which Safran does not agree, that includes minimum annual hiring or capital expenditure targets that are 25% or less than the amounts in the Five Year Business Plan or the initial Material Milestones and (B) is not amicably resolved following completion of the procedures set forth in Section 5.06;

(vi) a series of material breaches of this Agreement, the Services Agreement, the Safran IPLA, and/or the Albany IPLA, by Albany that causes Safran or its Affiliates to breach, or creates a material risk that Safran or its Affiliates will breach, their material obligations to their respective customers, including delivery obligations or conformity obligations, which series of material breaches by Albany remains uncured for four (4) months following the receipt by the Company of written notice from Safran describing the applicable failures in reasonable detail; or

(vii) a resolution by the board of directors of Albany International (the "Albany International Board") or a written public communication by Albany International's CEO or the Albany International Board that Albany International is no longer committed to the growth of Albany, with notice to be provided to Safran within five (5) days of such decision by the Board or formal communication.

(b) Upon exercise of the Safran Call Right, Safran shall pay to Albany an amount equal to (i) the aggregate Percentage Interest of Albany and all Affiliates of Albany that own any Common Membership Units as of the date of exercise of the Safran Call Right (the "Exercise Date") multiplied by (ii) (A) the Enterprise Value as of the Exercise Date minus (B) the sum (without duplication) of (1) Net Indebtedness (including all amounts owing under all outstanding Intercompany Loans) and (2) the portion of Preferred Capital for all Preferred Membership Units owned by Albany or any of its Affiliates that has not been repaid in full, in each case as of the Exercise Date.

(c) For purposes of this Section 7.05, "Enterprise Value" shall be defined as follows:

(i) if the Exercise Date occurs on or before the Formula Change Date, then the Enterprise Value as of the Exercise Date shall be as set forth in Annex II for the applicable quarter; or

(ii) if the Exercise Date occurs after the Formula Change Date, then the Enterprise Value as of the Exercise Date shall be equal to the Formula B Enterprise Value.

(d) In the event that the Safran Call Right is exercised, (i) the Company shall immediately (A) satisfy all of its obligations under all outstanding Intercompany Loans, and (B) pay to each Preferred Member the portion of Preferred Capital for all Preferred Membership Units owned by such Preferred Member that has not been repaid in full as of the Exercise Date (or, if the Company is unable to timely satisfy such obligations, Safran shall satisfy such obligations on behalf of the Company), (ii) Albany and Safran shall negotiate an implementation plan to avoid a disruption in the production and sale of Safran products to customers and (iii) Albany and Albany International, subject to (iv) below and Albany's rights and obligations under the Albany IPLA, shall have no further rights or obligations under this Agreement and Albany shall cease to be a member of the Company effective as of the Exercise Date; provided, that the exercise of the Safran Call Right shall not relieve Albany or Albany International from liability for any breach of this Agreement on or prior to the Exercise Date, and (iv) Albany shall provide the Company with (A) a copy of the software source code not already transferred or licensed to the Company (so that the Company will thereafter be able to make improvements or modifications thereto) necessary to applications in the Agreed Space (the "Albany Software") and (B) all reasonable support necessary to enable the Company to use the Albany Technology (including Albany Software) for two (2) years following the Exercise Date; provided, that such support will be provided by Albany without charge for the six (6) months immediately following the Exercise Date; provided, further, that if the Company reasonably determines that additional services are required after such six (6) month period, Albany shall provide such services at cost for an additional period not to exceed eighteen (18) months.

(e) If a Triggering Event shall have occurred, upon Albany's receipt of notice from Safran of such Triggering Event and until the third (3rd) anniversary of receipt of such notice, Albany and its Affiliates shall not, without the prior written consent of Safran, directly or indirectly contact or solicit, in each case for the purpose of offering employment to or hiring, any person who is actively employed by the Company or any of its Subsidiaries as of the date of such Triggering Event; provided, that the restrictions in this Section 7.05(e) shall not apply with respect to (i) any solicitations of employment (including newspaper or Internet help wanted advertisements or search firm engagements) not directed or focused on such employees of the Company or any of its Subsidiaries, (ii) any such person who initiates discussions regarding employment with Albany or any of its Affiliates without any direct or indirect solicitation or encouragement by Albany or any of its Affiliates that is prohibited by this Section 7.05(e), or (iii) any such person who has ceased to be employed by the Company or any of its Subsidiaries prior to the commencement of any employment discussions with Albany or any of its Affiliates; provided, further, that although the obligations contained in this Section 7.05(e) shall commence upon Albany's receipt of notice from Safran of such Triggering Event, such obligations shall terminate upon the failure of Safran to either (x) exercise the Safran Call Right with respect to such Triggering Event within the time limit set forth in Section 7.05(a) or (y) satisfy its obligations under this Agreement in connection with such exercise of the Safran Call Right.

(f) If a Triggering Event shall have occurred, upon Albany's receipt of notice from Safran of such Triggering Event and until the second (2nd) anniversary of receipt of such notice, Albany and its Affiliates shall not, without the prior written consent of Safran, hire any

employee of the Company or any of its Subsidiaries; provided, that the restrictions in this Section 7.05(f) shall not apply with respect to any Person whose employment with the Company or any of its Subsidiaries shall have been terminated by the Company or the applicable Subsidiary of the Company; provided, further, that although the obligations contained in this Section 7.05(f) shall commence upon Albany's receipt of notice from Safran of such Triggering Event, such obligations shall terminate upon the failure of Safran to either (x) exercise the Safran Call Right with respect to such Triggering Event within the time limit set forth in Section 7.05(a) or (y) satisfy its obligations under this Agreement in connection with such exercise of the Safran Call Right.

(g) Upon exercise of the Safran Put Right, (i) Safran shall, and shall cause its Affiliates to, transfer to Albany (or, at Albany's election, an Affiliate of Albany) all Membership Units owned by Safran and its Affiliates, (ii) Albany shall transfer or cause to be transferred to Safran in exchange therefor an amount equal to the product of (A) the aggregate Percentage Interest of Safran and all Affiliates of Safran that own any Membership Units and (B) the aggregate Common Capital of the Company, and (iii) Safran, subject to its rights and obligations under the Intellectual Property Agreements, shall have no further rights or obligations under this Agreement and shall cease to be a Member of the Company effective as of the Exercise Date; provided, that the exercise of the Safran Put Right shall not relieve Safran from liability for any breach of this Agreement on or prior to the Exercise Date.

(h) If a Triggering Event shall have occurred, upon Albany's receipt of notice from Safran of such Triggering Event and until the third (3rd) anniversary of receipt of such notice, Safran S.A. shall not, and shall cause its Affiliates not to, without the prior written consent of Albany, directly or indirectly contact or solicit, in each case for the purpose of offering employment to or hiring, any person who is actively employed by the Company or any of its Subsidiaries as of the date of such Triggering Event; provided, that the restrictions in this Section 7.05(h) shall not apply with respect to (i) any solicitations of employment (including newspaper or Internet help wanted advertisements or search firm engagements) not directed or focused on such employee of the Company or any of its Subsidiaries, (ii) any such person who initiates discussions regarding employment with Safran S.A. or any of its Affiliates without any direct or indirect solicitation or encouragement by Safran S.A. or any of its Affiliates that is prohibited by this Section 7.05(h), or (iii) any such person who has ceased to be employed by the Company or any of its Subsidiaries prior to the commencement of any employment discussions with Safran S.A. or any of its Affiliates; provided, further, that although the obligations contained in this Section 7.05(h) shall commence upon Albany's receipt of notice from Safran of such Triggering Event, such obligations shall terminate upon the failure of either (x) Safran to exercise the Safran Put Right with respect to such Triggering Event within the time limit set forth in Section 7.05(a) or (y) Albany to satisfy its obligations under this Agreement in connection with such exercise of the Safran Put Right.

(i) If a Triggering Event shall have occurred, upon Albany's receipt of notice from Safran of a Triggering Event and until the second (2nd) anniversary of receipt of such notice, Safran S.A. and its Affiliates shall not, without the prior written consent of Albany, hire any employee of the Company or any of its Subsidiaries; provided, that the restrictions in this Section 7.05(i) shall not apply with respect to any Person whose employment with the Company or any of its Subsidiaries shall have been terminated by the Company or the applicable Subsidiary of the Company; provided, further, that although the obligations contained in this Section 7.05(i) shall

commence upon Albany's receipt of notice from Safran of such Triggering Event, such obligations shall terminate upon the failure of either (x) Safran to exercise the Safran Put Right with respect to such Triggering Event within the time limit set forth in Section 7.05(a) or (y) Albany to satisfy its obligations under this Agreement in connection with such exercise of the Safran Put Right.

ARTICLE VIII

COMPANY EXPENSES, BOOKS AND RECORDS, TAX MATTERS

Section 8.01. Fees and Expenses. Notwithstanding anything herein to the contrary, the Company shall pay all current expenses, including administrative expenses and fees, before any distributions may be made to the Members. Appropriate reserves may be determined and withheld from distributions to the Members for contingent liabilities, if any, as of the date any such contingent liability becomes known to the Board; provided, however, that any such reserves shall be withheld from the Members pro rata based on their respective Membership Units.

Section 8.02. Fiscal Year. Unless otherwise determined by the Board, the "Fiscal Year" of the Company shall be the taxable year of the Company, which shall be the fiscal year of Albany unless otherwise required by Law.

Section 8.03. Inspection. Appropriate books and records in accordance with and as required by the Act or any other applicable Law shall be kept by the Company. Such books and records shall show a true and accurate record of all costs and expenses incurred, all charges made, all credits made and received and all income derived in connection with the operation of the Business, including any fees or other compensation paid to Albany or its Affiliates under the Services Agreement, in accordance with GAAP. In addition, such books and records shall at all times be kept at the Company's place of business. Each Member and its representatives shall, to the extent reasonably requested of the Company, have reasonable access to (i) discuss the Company's operations and the Business with employees or agents of the Company (provided that reasonable notice shall have been given) and (ii) inspect, audit or make copies of all books, records, financial results, data, procedures and other information related to the operations of the Company and the Business at such Member's own expense; provided, that Safran shall be permitted to conduct no more than one (1) full financial audit supported by certified financial accountants per Fiscal Year pursuant to this Section 8.03 and shall be required to provide the Company with at least ninety (90) days' notice prior to the commencement of any such audit; provided, further, that each Member shall maintain the confidentiality of such information in accordance with the provisions of this Agreement, including Section 13.02; provided, further, that any action taken pursuant to this Section 8.03 shall be conducted in such a manner as not to unreasonably interfere with normal operation of the Business by the Company and its Subsidiaries. To the extent required by any Governmental Authority (including the Federal Aviation Administration), the Company shall permit inspections by such Governmental Authority.

Section 8.04. Financial Statements and Reports.

(a) The Company shall prepare and furnish, or cause to be prepared and furnished, to each Member:

(i) as soon as available and in any event within ninety (90) days after the end of each Fiscal Year, annual consolidated and consolidating financial statements of the Company, which statements shall include the balance sheet, profit and loss statements and cash flow statements, shall show the comparable figures for the prior Fiscal Year and any other information required by applicable Laws, and, to the extent included in such financial statements, accompanying notes and a management discussion and analysis;

(ii) as soon as available and in any event within ninety (90) days after the end of each Fiscal Year, a summary itemization, by type and/or classification of the total fees and compensation, including any general and administrative reimbursements and operating fees, paid by the Company, or indirectly on the Company's behalf, to Albany and its Affiliates, including such amounts paid or accrued under the Services Agreement;

(iii) as soon as available and in any event within forty-five (45) days after the end of each fiscal quarter, quarterly consolidated financial statements of the Company, which statements shall include quarterly and year-to-date consolidated balance sheets, and profit and loss statements and cash flow statements for such fiscal quarter and the comparable period for the prior Fiscal Year and any other information required by applicable Laws; and

(iv) as soon as practicable and in any event within twenty (20) days after the end of each calendar month, monthly operating reports setting forth the results of operations for such month and the year to-date, in such format as the Board may direct, including cumulative deviations from current capital and operating budgets included in the Annual Business Plan, to the extent applicable.

(b) The Company shall provide to each Member: (i) notice of events that, in the Board's determination, would reasonably be expected to have a material impact on the business operations of the Company including the commencement of criminal or material civil actions; and (ii) such other information as may reasonably be requested by any Member or as is otherwise required by Law.

Section 8.05. Tax Returns and Reports.

(a) The Company shall prepare and timely file, or cause to be prepared and timely filed, all Tax returns and reports required to be filed by the Company and its Subsidiaries under all applicable Tax laws and regulations, and shall provide a copy of any such filing to a Member upon reasonable request. Each Member shall provide the Company with such information, if any, as may be needed by the Company for purposes of preparing such returns and reports.

(b) The Company shall use its reasonable efforts to provide to each Member any information reasonably requested by such Member to prepare its Tax or information returns, including an IRS Schedule K-1 properly completed and filled out in respect of the Company as soon as practicable following the end of each calendar year (but in no event later than four (4) months following the end of such calendar year), or to the extent it is unable to do so, as soon as reasonably practicable thereafter. Each Member agrees that such Member shall not, except as otherwise required by applicable Law, treat, on such Member's separate income Tax returns, any item of income, gain, loss, deduction or credit relating to such Member's interest in the Company in a manner inconsistent with the treatment of such item by the Company as reflected in the Schedule K-1 or other information statement furnished by the Company to such Member pursuant to this Section 8.05(b).

Section 8.06. Tax Matters Partner.

(a) At the Company's expense, Albany shall be the "Tax Matters Partner" within the meaning of Section 6231(a)(7) of the Code.

(b) Except as this Agreement otherwise provides, the Tax Matters Partner shall make all applicable elections (including whether or not to file for extensions), determinations, and other decisions under the Code, including the deductibility of a particular item of expense and the positions to be taken on the Company's Tax return and the determination of the allocations to be made pursuant to the terms of this Agreement and the guaranteed payments, if any, to be made pursuant to this Agreement, and shall approve the settlement or compromise of all audit matters raised by the Internal Revenue Service or any other Tax authority affecting the Members generally. The Board shall cause the accountants of the Company (at the Company's expense) to prepare the Company's federal, state and local income and other Tax returns and deliver such returns to the Members (in accordance with Section 8.05) for their review and approval. The Members shall each take reporting positions on their respective federal, state and local income Tax returns consistent with the positions determined for the Company.

ARTICLE IX

EXCULPATION AND INDEMNIFICATION

Section 9.01. Exculpation. (a) Subject to applicable Law, no Member (or any of its Affiliates), Manager or officer of the Company, or any direct or indirect partner, manager, member, shareholder, employee, director, officer or agent of such Person (each, an "Indemnified Person") shall be liable, in damages or otherwise in connection with this Agreement, to the Company, the Members or any of their Affiliates or successors or assigns for any act or omission performed or omitted by any of them in good faith that relates to the Company or any of its Subsidiaries (including any act or omission performed or omitted by any of them in reliance upon and in accordance with the opinion or advice of experts, including legal counsel as to matters of Law, accountants as to matters of accounting, or investment bankers or appraisers as to matters of valuation), other than (i) in connection with any breach of this Agreement by a Member or (ii) by reason of acts or omissions related to the Company which are

found by a court of competent jurisdiction upon entry of a final and non-appealable judgment to be the result of such Indemnified Person's fraud, gross negligence or willful misconduct.

(b) To the fullest extent permitted by Law, and notwithstanding any other provision of this Agreement or in any agreement contemplated herein or applicable provisions of law or equity or otherwise, no Member nor any Manager, acting in such Person's capacity as such, shall (i) have any fiduciary or other duties to the Company or any Member other than the duty to comply with the applicable terms and provisions of this Agreement, or (ii) be obligated to do or perform any act or thing in connection with the Company and its Subsidiaries not expressly set forth in this Agreement. Without limiting the foregoing, the provisions of this Agreement, to the extent that they restrict the duties and liabilities of any Member, Indemnified Person or any Manager otherwise existing at law or in equity, are agreed by the Parties to replace such other duties and liabilities of such Persons, to the maximum extent permitted by applicable Law.

Section 9.02. Indemnification and Expense Advancement. (a) To the fullest extent permitted by Law, the Company shall indemnify, defend and hold harmless each Indemnified Person from and against any and all losses, liabilities, damages, claims, judgments, awards, settlements, demands, offsets, costs or expenses (including interest, penalties, court costs, arbitration costs and fees, witness fees and reasonable fees and expenses of outside attorneys, investigators, expert witnesses, accountants and other professionals) resulting from a claim, demand, lawsuit, action or proceeding (i) by reason of any act or omission performed or omitted by such Indemnified Person on behalf of the Company and in a manner reasonably believed to be within the scope of the authority conferred on such Indemnified Person by this Agreement or (ii) with respect to any Indemnified Person that is a Member or any of its Affiliates, based upon, arising out of, related to or resulting from such Indemnified Person's status as an equityholder of the Company; provided, that such acts or omissions of such Indemnified Person related to such indemnification are not (x) found by a court of competent jurisdiction upon entry of a final and non-appealable judgment to constitute fraud, gross negligence or willful misconduct or (y) in breach of this Agreement.

(b) Expenses reasonably incurred by an Indemnified Person in defense or settlement of any claim that are subject to a right of indemnification hereunder (which, for the avoidance of doubt, shall not include expenses incurred in defense or settlement of any claim in connection with a breach of this Agreement by any Member) shall be advanced by the Company prior to the final disposition thereof upon receipt of an undertaking (in form and substance reasonably satisfactory to the Board) by or on behalf of such Indemnified Person to repay such amount to the extent that it shall be determined upon final adjudication after all possible appeals have been exhausted that such Indemnified Person is not entitled to be indemnified hereunder.

Section 9.03. Exclusivity. The remedies provided for in this Article IX are not exclusive and shall not limit any rights or remedies that may otherwise be available to any Indemnified Person.

Section 9.04. Limitation on Implied Duties. The Members hereby agree, notwithstanding anything to the contrary in this Agreement, any other agreement or at law or in equity, that, to the fullest extent permitted by Law, when any Member, Albany Manager, Safran Manager, member of the Management Committee or other committee takes any action under this Agreement to give or withhold its consent, such Member, Albany Manager, Safran Manager or

member of the Management Committee or other committee shall have no duty (fiduciary or otherwise) to consider the interests of the Company or any of its respective Subsidiaries or the other Members and may act exclusively in its (or in the case of (a) an Albany Manager or Albany appointee to the Management Committee or other committee, Albany's or (b) a Safran Manager or Safran appointee to the Management Committee or other committee, Safran's) own interest and without regard to the interest of any other Person.

ARTICLE X

DISSOLUTION, LIQUIDATION AND TERMINATION

Section 10.01. Events Causing Dissolution. (a) The Company shall be dissolved and its affairs shall be wound up upon the first of the following to occur:

- (i) a determination by the Board in accordance with the terms of this Agreement to dissolve the Company; or
- (ii) any dissolution required by operation of Law.

(b) Dissolution of the Company shall be effective as of the day on which the event occurs giving rise to the dissolution, but the Company shall not terminate until there has been a winding up of the Company's business and affairs, and all of the Company's assets have been distributed as provided in Section 10.03 and in the Act.

(c) Notwithstanding any other provision of this Agreement, no Member shall cease to be a Member of the Company upon the happening of (i) such Member (A) making an assignment for the benefit of creditors, (B) filing a voluntary petition in bankruptcy, (C) being adjudged bankrupt or insolvent, or having entered against such Member an order for relief, in any bankruptcy or insolvency proceeding, (D) filing a petition or answer seeking for the Member any reorganization, arrangement, composition, readjustment, liquidation, dissolution or similar relief under any Law, (E) filing an answer or other pleading admitting or failing to contest the material allegations of a petition filed against the Member in any proceeding of this nature, (F) seeking, consenting to or acquiescing in the appointment of a trustee, receiver or liquidator of such Member or of all or any substantial part of such Member's properties, (ii) the commencement of any proceeding against such Member seeking reorganization, arrangement, composition, readjustment, liquidation, dissolution or similar relief under any Law or (iii) the appointment without such Member's consent or acquiescence of a trustee, receiver or liquidator of such Member or of all or any substantial part of such Member's properties (any such occurrence in the foregoing clauses (i), (ii) or (iii), such Member's "Bankruptcy"), and despite the occurrence of any such event, the business of the Company shall continue without dissolution.

(d) Notwithstanding any other provision of this Agreement, each Member waives any right it might have under the Act or otherwise to (i) agree in writing to dissolve the Company upon such Member's Bankruptcy, or upon the occurrence of an event that causes such Member to cease to be a Member of the Company, and (ii) apply for judicial dissolution of the Company.

Section 10.02. Cancellation of Certificate. Upon the dissolution and completion of the winding up of the Company and the termination of this Agreement, the Certificate of Formation shall be canceled in accordance with the provisions of Section 18-203 of the Act and the Members shall be promptly notified of such dissolution.

Section 10.03. Liquidation. Upon dissolution of the Company, as expeditiously as is reasonable, the liabilities of the Company shall be paid and distributions shall be made in the following manner and order:

(a) to creditors, including (i) third party creditors, (ii) Members who are creditors (including, in the case of any Intercompany Loan, Albany and any Affiliates of Albany that own Membership Interests) and (iii) Members who have not yet received the distributions determined by the Board to be payable to such Members pursuant to Section 4.01 to the extent otherwise permitted by Law, in satisfaction of liabilities of the Company (whether by payment or by establishment or reserves); and

(b) to the Preferred Members, pro rata in accordance with their respective ownership of the Preferred Membership Units, until Preferred Capital for all Preferred Membership Units has been repaid in full; and

(c) to the Common Members, pro rata in accordance with their respective Percentage Interests.

Section 10.04. Accounting on Liquidation. Upon liquidation, a proper accounting shall be made by the Company's accountants of the Company's assets, liabilities and results of operations through the last day of the month in which the Company is terminated.

Section 10.05. Return of Members' Capital Contribution. A Member shall look solely to the Company's assets for the return of such Member's Capital Contribution. If the assets remaining after payment or discharge of all debts and liabilities of the Company are insufficient to return such Member's Capital Contribution, the Member shall have no recourse against any other Member, except to the extent of any required Capital Contribution of any other Member which has not been paid when due.

Section 10.06. Termination. (a) At such time (the "Termination Date") as all of the Company's assets have been distributed as provided for in Section 10.03, the Company and this Agreement shall terminate.

(b) Upon the termination of this Agreement, but subject to the Intellectual Property Agreements, no Party shall have any liability or obligation to any other Party; provided, that (i) the termination of this Agreement shall not relieve a Party from liability for any breach of this Agreement on or prior to the Termination Date, and (ii) Article IX, Article X and Sections 13.04 through 13.06, Section 13.08, and Sections 13.10 through 13.15 shall survive termination of this Agreement in accordance with their terms.

ARTICLE XI

REPRESENTATIONS, WARRANTIES AND COVENANTS

Section 11.01. Representations and Warranties of the Members. Each Member hereby represents and warrants to each other Member and to the Company that on the Agreement Date:

(a) Such Member (i) has the necessary power and authority to enter into this Agreement and to carry out its obligations hereunder and (ii) is duly organized and validly existing under the Laws of its jurisdiction of organization, and the execution of this Agreement, and the consummation of the transactions contemplated herein, have been authorized by all necessary corporate or other action, and no other act or proceeding, corporate or otherwise, on its part is necessary to authorize the execution of this Agreement or the consummation of any of the transactions contemplated hereby. This Agreement has been duly executed by such Member and constitutes its legal, valid and binding obligation, enforceable against it in accordance with its terms, subject to the effects of bankruptcy, insolvency, fraudulent conveyance, reorganization, moratorium and other similar Laws relating to or affecting creditors' rights generally, general equitable principles (whether considered in a proceeding in equity or at law) and any implied covenant of good faith and fair dealing.

(b) The execution and delivery by such Member of this Agreement and the performance of its obligations hereunder do not and will not conflict with, or result in the breach of any provision of the constitutive documents of such Member. The execution and delivery by such Member of this Agreement and the performance of its obligations hereunder do not and will not (i) result in any violation, breach, conflict, default or event of default (or an event which with notice, lapse of time, or both, would constitute a default or event of default), or give rise to any right of acceleration or termination or any additional payment obligation, under the terms of any material contract, agreement or permit to which such Member is a party or by which such Member's assets or operations are bound or affected or (ii) violate, in any material respect, any Law applicable to such Member, the Company or any of its Subsidiaries.

(c) To the knowledge of such Member, other than any consents that have already been obtained, no consent, waiver, approval, authorization, exemption, registration, license or declaration is required to be made or obtained by such Member in connection with (i) the execution, delivery or performance of this Agreement or (ii) the consummation of any of the transactions currently contemplated herein, excluding, for the avoidance of doubt, any transactions contemplated herein solely as a result of one or more amendments to this Agreement following the Agreement Date.

(d) (i) Such Member's interest in the Company is intended to be and is being acquired solely for such Member's own account for the purpose of investment and not with a view to any sale or other disposition of all or any part thereof, (ii) such Member's knowledge and experience in financial and business matters are such that the Member is capable of evaluating the risks of making a Capital Contribution, and (iii) such Member's determination to purchase the Membership Units and make Capital Contributions has been, and in each case will be, made by such Member independent of and without reliance upon any other Member or Person other than such Member's legal counsel and financial, accounting, regulatory and Tax advisors, if any,

and independent of any statements or opinions as to the advisability of such purchase or Capital Contribution or as to the properties, business, prospects or condition (financial or otherwise) of any Person in which the Company may invest which may have been made or given by any such other Person.

(e) (i) The Member understands that the offering and sale of the Membership Units are intended to be exempt from registration under the Securities Act and applicable U.S. state securities Laws (A) in the case of “U.S. persons” (as defined in Rule 902(k) of Regulation S of the Securities Act), in reliance on the private placement exemption from registration provided in Section 4(2) of the Securities Act and Regulation D promulgated thereunder and exemptions under applicable U.S. state securities Laws (including Rule 506 of Regulation D of the Securities Act), and (B) in the case of persons that are not U.S. persons (each, a “Non-U.S. Person”), in reliance on Regulation S promulgated under the Securities Act and exemptions under the applicable Laws of the non-U.S. jurisdiction in which the Membership Units are being offered and sold. The Member is aware that the Membership Units cannot be sold or otherwise disposed of unless they are registered under the Securities Act and applicable U.S. state securities Laws or unless an exemption from such registration is available, and that the Company has no present intention of so registering such interests under the Securities Act, and that accordingly such Member is able and is prepared to bear the economic risk of making a Capital Contribution and to suffer a complete loss of investment. The Member further agrees that it shall not engage in any Transfer of the Membership Units it acquires in any manner that would require the registration of the Membership Units under the Securities Act or under the Laws of any non-U.S. jurisdictions.

(ii) Either the Member or each beneficial owner of such Member is (A) an “accredited investor” within the meaning of Regulation D of the Securities Act; or (B) if the Member is not an accredited investor, the Member is a Non-U.S. Person.

(iii) If the Member is a Non-U.S. Person, the Member has not been solicited to purchase and has not and shall not acquire its Membership Units, directly or indirectly, while present in the United States.

(iv) If the Member is a Non-U.S. Person, the Member shall notify the Board promptly after it ceases to be a Non-U.S. Person.

(f) The Member (i) directly or indirectly, is acquiring the Membership Units in compliance with all applicable Laws and other legal requirements including the legal requirements of jurisdictions in which the Member is resident and in which such acquisition is being consummated, (ii) has such knowledge and experience in financial and business matters that it is capable of evaluating the merits and risks of its investment in the Membership Units; and (iii) has consulted with legal counsel and financial, accounting, regulatory and Tax advisors, as necessary, to ensure it is eligible to, directly or indirectly, acquire all or any part of the Membership Units.

(g) The Member has no need for liquidity in this investment, has the ability to bear the economic risk of this investment, and at the present time and in the foreseeable future can afford a complete loss of this investment.

(h) The Member agrees to deliver to the Company such information as to certain matters under the Securities Act, the Exchange Act, the Investment Company Act and any Tax Laws as the Company may reasonably request in order to ensure compliance with such acts and Laws and the availability of any exemptions thereunder.

(i) The Member has been given the opportunity to ask questions of, and receive answers from, the Company concerning the terms and conditions of, and other matters pertaining to, this investment, and has had access to such financial and other information concerning the Company as it has considered necessary to make a decision to invest in the Company and has availed itself of this opportunity to the full extent desired.

(j) The Member acknowledges that neither the Company nor any Affiliate thereof has rendered any investment advice or securities valuation advice to the Member, and that the Member is neither subscribing for nor acquiring any interest in the Company in reliance upon, or with the expectation of, any such advice.

(k) No representations or warranties have been made to the Member with respect to the investment in the Membership Units or the Company other than the representations set forth herein, and the Member has not relied upon any representation or warranty not provided herein in making its investment in the Company.

(l) None of the funds that the Member is using or will use to fund its Capital Contributions are assets of an employee benefit plan, as defined in Section 3(3) of ERISA, subject to Title I of ERISA, or a plan described in Section 4975(e)(1) of the Code, or an entity whose underlying assets include plan assets subject to Title I of ERISA by reason of a plan's investment in the entity (any such plan under ERISA or the Code or any such entity).

(m) The Member understands that the Company intends to be classified and taxed as a partnership for U.S. federal tax purposes and not as a publicly-traded partnership, and accordingly such Member agrees that it will not Transfer any interest in the Company if it would cause the Company to become a "publicly traded partnership" as such term is defined in Section 7704(b) of the Code and the Treasury Regulations thereunder.

Section 11.02. Representations and Warranties of the Company. Each of Albany and the Company hereby represents and warrants to Safran that on the Agreement Date:

(a) The Company is a limited liability company duly organized, validly existing and in good standing under the Laws of the State of Delaware and has all requisite power and authority under its certificate of formation, this Agreement and the Act to own, lease and otherwise hold and operate its properties and other assets, to carry on its business as presently conducted, to enter into and perform its obligations under this Agreement, the Albany Contribution Agreement, the Safran Contribution Agreement, the Albany IPLA, the Safran IPLA, the Services Agreement and any other agreements entered into in connection with the execution of therewith and the agreements contemplated hereby (collectively, the "Transaction Documents") to which it is a party and to carry out the transactions contemplated hereby and thereby. The Company is duly qualified or licensed as a foreign limited liability company to do business, and is in good standing, in each jurisdiction where the character of the properties owned, leased or operated by it or the nature of its business makes such qualification or licensing

necessary, except where the failure to be so qualified or licensed and in good standing would not reasonably be expected to have, individually or in the aggregate, a material adverse effect on the Company and its Subsidiaries taken as a whole.

(b) The Company has all necessary power and authority under its Certificate of Formation, this Agreement and the Act to execute this Agreement and the other Transaction Documents and to consummate the transactions contemplated by this Agreement and the other Transaction Documents. The execution and delivery of this Agreement and the other Transaction Documents by the Company and the consummation by the Company of the transactions contemplated by this Agreement and the other Transaction Documents have been duly and validly authorized by all necessary action and no other proceedings on the part of the Company are necessary to authorize this Agreement or the other Transaction Documents or to consummate the transactions contemplated by this Agreement and the other Transaction Documents. This Agreement and each of the other Transaction Documents have been duly and validly executed and delivered by the Company and, assuming the due authorization, execution and delivery by Members and the other parties thereto, constitutes, or will constitute, legal, valid and binding obligations of the Company, enforceable against the Company in accordance with their respective terms, subject to the effect of any applicable bankruptcy, reorganization, insolvency, moratorium or similar Laws affecting creditors' rights generally and subject, as to enforceability, to the effect of general principles of equity.

(c) The execution and delivery of this Agreement by the Company do not, the execution and delivery of the other Transaction Documents by the Company will not, and the performance of this Agreement and the other Transaction Documents by the Company will not, (i) conflict with or violate the Certificate of Formation, this Agreement, or any equivalent organizational documents of any of its Subsidiaries, (ii) conflict with or violate any foreign or domestic (federal, state or local) Law, statute, ordinance, franchise, permit, concession, license, writ, rule, regulation, order, injunction, judgment or decree applicable to the Company or any of its Subsidiaries or by which any property or asset of the Company or any of its Subsidiaries is bound or affected, or (iii) conflict with, result in any breach of or constitute a default (or an event which with notice or lapse of time or both would become a default) under, require consent, approval or notice under, give to others any right of termination, amendment, acceleration or cancellation of, require any payment under, or result in the creation or imposition of a lien, mortgage, charge, pledge, security interest, deed of trust, ground lease, lease, sublease, assessment, tenancy, claim, covenant, condition, restriction, easement, judgment or other encumbrance on any property or asset of the Company or any of its Subsidiaries pursuant to, any note, bond, mortgage, indenture, contract, agreement, lease, license, permit, franchise or other instrument or obligation (written or otherwise) to which the Company or any of its Subsidiaries is a party or any of its or any Subsidiary's assets are bound.

(d) To the knowledge of the Company, the execution and delivery of this Agreement and the other Transaction Documents by the Company does not, and the performance of this Agreement and the other Transaction Documents by the Company will not, require any consent, approval, order, permit, or authorization from, or registration, notification or filing with, any domestic or foreign governmental, regulatory or administrative authority, agency or commission, any court, tribunal or arbitral body, or any quasi-governmental or private body exercising any regulatory, Taxing, importing or other Governmental Authority, or any other third party.

(e) The capitalization of the Company is as set forth in this Agreement. Except as set forth in the Transaction Documents, (i) there are no outstanding subscriptions, options, “phantom” equity or other equity equivalent instruments, warrants, agreements, arrangements or commitments of any kind for or relating to the issuance, or sale of, or outstanding securities convertible into or exchangeable or exercisable for, any Membership Units or other membership interests or other equity interests of the Company, (ii) all of the outstanding membership interests of the Company will have been duly and validly authorized and issued and will have been offered, issued, sold and delivered in compliance with applicable federal and state securities Laws and not subject to any preemptive rights, (iii) the Company has not granted any preemptive rights, rights of first refusal, put or call rights or obligations, tag-along rights, drag-along rights, anti-dilution rights or other similar rights with respect to the issuance, sale, redemption or transfer of the Company’s membership interests or other equity securities of the Company, or (iv) there are no rights to have the Company’s membership interests registered for sale to the public in connection with the Laws of any jurisdiction.

(f) The Company is a newly formed entity, formed in connection with the transactions contemplated by the Transaction Documents. Other than the Transaction Documents and the agreements entered into pursuant to or in connection with the transactions contemplated by the Transaction Documents, the Company (i) is not a party to any agreement, contract or undertaking, and (ii) does not have any obligations or liabilities of any kind.

Section 11.03. Entitlement of the Company and the Members to Rely on Representations and Warranties. The representations and warranties contained in Section 11.01 may be relied upon by the Company, and by the other Members, in connection with the entering into of this Agreement. Without limiting the foregoing, each Member agrees that it will make the representations and warranties set forth in Section 11.01 upon (i) making any Additional Capital Contribution to the Company; (ii) any Transfer of Membership Units by such Member and (iii) upon written request by the Company in the event of any transaction or any other matter in connection with which the Company has a reasonable basis to request such representations and warranties be made by such Member.

Section 11.04. Covenants of the Members.

(a) New potential applications within the Agreed Space will be explored by Albany and Safran in accordance with the General Collaboration Agreement. When Albany and Safran agree that a new application is ready to proceed to development and manufacturing, Albany and Safran shall negotiate in good faith a commercial agreement with respect to such new application and such other agreements as may be necessary to effect the transfer of the application to the Company at the time such commercial agreement becomes effective; provided that the price policies of any such agreements shall be consistent with Section 11.05(b) below.

(b) With respect to any new potential applications within the Agreed Space, the split of responsibilities from an industrial perspective will be as follows:

(i) The Company shall be responsible for (A) process development and improvement, (B) quality assurance on manufacturing processes, (C) preform engineering starting from a Technology Readiness Level 5 (including converting the applicable preform’s pattern into loom instructions), (D) preform manufacturing

(including production of development samples), excluding any activities pursuant to the Existing Supply Agreement, (E) unless otherwise decided by the Parties on a case-by-case basis, preform injection (provided, that, for the avoidance of doubt, preform injection will not be provided by the Company for the activities performed pursuant to the Existing Supply Agreement), and (F) any related process industrialization and cost improvement initiatives undertaken in respect of such new potential application.

(ii) Safran shall be responsible for final quality monitoring in the manner and to the extent provided in the Long Term Supply Agreement in respect of current applications; and

(iii) Each Member shall provide all necessary preliminary design specifications and manufacturing processes, as appropriate (including geometry and weaving patterns).

Section 11.05. Covenants of the Company.

(a) The Company shall (i) inform each Member of the amount, if any, of Taxes paid by the Company during each calendar year to non-U.S. jurisdictions that are attributable to income that is allocable to such Member and (ii) provide such information to such Member within ninety (90) days of the end of the relevant calendar year.

(b) Pricing policies with respect to any products developed by the Company following the Agreement Date shall be based on the pricing mechanism set forth in the Long Term Supply Agreement, subject to negotiation of a definitive agreement between the Company and Safran with respect to such products and with cost parameters to be based on prevailing economic conditions.

(c) The Company shall use commercially reasonable efforts to (i) comply at all times with each applicable Law, including all applicable federal, state, foreign, and local Laws relating to, Tax, zoning and land use, environmental, occupational health and safety, product quality, product labeling, import and export laws (including ITAR) and safety and employment and labor matters, (ii) maintain and possess from each appropriate Governmental Authority all right, title and interest in and to all permits, licenses, authorizations, approvals, quality certifications, franchises or rights issued by any Governmental Authority necessary to conduct the Business, and (iii) maintain in full force and effect all insurance for the protection of the assets of the Company required to be maintained by the Company pursuant to any Long Term Supply Agreement, except, in the case of clauses (i) and (ii), to the extent that the failure to do so would not reasonably be expected to have a material adverse effect on the Company and its Subsidiaries, taken as a whole.

ARTICLE XII

RESTRICTIVE COVENANTS

Section 12.01. Exclusive Supplier to Safran. The Company shall be the exclusive manufacturer and supplier of Advanced Composite 3D Parts to Safran S.A. and its Affiliates in the Agreed Space and Safran S.A. agrees not to, and to cause its Affiliates not to,

procure Advanced Composite 3D Parts in the Agreed Space from any Person (including Safran S.A. and its Affiliates) other than the Company except to the extent that:

(a) applicable Law prohibits Safran S.A. from engaging in such activities with the Company;

(b) a Governmental Authority in France requires that Safran S.A. purchase Advanced Composite 3D Parts from a Person other than the Company in connection with a sale by Safran of products or services to the French Armed Forces or to Société Air France, S.A.; provided, that Safran S.A. shall have used commercially reasonable efforts to permit such preforms to be sourced from the Company; or

(c) an Existing Supply Agreement by which Safran S.A. continues to be bound requires Safran S.A. to procure Advanced Composite 3D Parts from a Person other than the Company; provided, that Safran S.A. shall not renew or otherwise extend the term of the Existing Supply Agreement and shall use its commercially reasonable efforts to promptly terminate the Existing Supply Agreement.

For the avoidance of doubt, (x) this Section 12.01 shall not apply to the design, manufacture or supply to Safran S.A. by any Person other than the Company of parts for non-3D woven preforms and composites for any applications and (y) Safran will remain free to source parts from another supplier for non 3D-woven preforms and composites for any applications.

Section 12.02. Non-Competition. Except as otherwise provided in the Transaction Documents, each of Albany International and Safran S.A. hereby acknowledges and recognizes the highly competitive nature of the businesses of the Company and its Affiliates and accordingly agrees that it will not, and will cause its Affiliates not to, directly or indirectly, engage in the Business. The Company shall not directly or indirectly engage in the Business other than with Safran S.A. or its Affiliates without the approval of the Safran Manager in accordance with Section 5.02(f), as applicable. Notwithstanding the foregoing or anything to the contrary in this Agreement, (a) Albany International and its Affiliates may engage in any of the activities contemplated by the Albany Permitted Contracts to the extent required pursuant to the applicable Albany Permitted Contract, (b) Safran S.A. and its Affiliates may engage in any of the activities contemplated by the Safran Permitted Contracts to the extent required pursuant to the applicable Safran Permitted Contract, (c) without limiting Section 12.01, the prohibitions in this Section 12.02 shall not apply to any acquisition by Safran S.A. or any of its Affiliates of all or a portion of the equity interests in any Person engaged in the Business (any such Person, a "Competing Entity") if the revenues of such Competing Entity attributable to the Business represent no more than thirty percent (30%) of the aggregate consolidated revenues of such Competing Entity for such Competing Entity's most recently completed fiscal year; provided, in the case of this clause (c), that Safran S.A. shall promptly (i) notify Albany in writing of the entry into any definitive agreement in respect of any acquisition of a Competing Entity and (ii) if so requested by Albany within sixty (60) days following Albany's receipt of such written notice, participate in good faith negotiations with Albany to facilitate the acquisition by Albany, the Company, or any of their respective Affiliates of all or a portion of the assets of the Competing Entity relating to the Business (such assets, the "Competing Assets") on terms to be agreed between Albany and Safran S.A.; provided, further, that if Albany determines not to acquire, and not to cause any of its Affiliates or the Company or any of the Company's Affiliates to acquire,

the Competing Assets, Safran S.A. shall use its best efforts, as soon as reasonably practicable following (and in any event within twenty-four (24) months of) Safran S.A.'s receipt of written notice from Albany of Albany's determination not to so acquire or cause the acquisition of the Competing Assets, to (x) sell or otherwise dispose of the Competing Assets or (y) cease and discontinue the design, development and manufacturing of Advanced Composite 3D Parts within the Agreed Space by the Competing Entity. Notwithstanding anything to the contrary in this Agreement, Albany International and its Affiliates will remain free to develop and supply (A) non 3D-woven preforms and parts derived from non 3D-woven composites for aerospace applications in any thrust class for other aerospace companies and (B) 3D-woven preforms and parts to customers for any applications outside the Agreed Space.

ARTICLE XIII

MISCELLANEOUS

Section 13.01. Notices. In the event a notice or other document is required to be sent hereunder to the Company, the Board or to any Party, such notice or other document shall be in writing and shall be considered given and received, in all respects when personally delivered, or when sent by express or courier service or United States registered or certified mail, return receipt requested and postage and other fees prepaid, or by electronic mail, on the day such notice or document is personally delivered or delivered by electronic mail or on the third Business Day following the day on which such notice or other document is deposited in the mail or delivered to any such commercial delivery service as aforesaid. Any notice and document shall be addressed: (i) if to the Board or the Company, to 85 Innovation Drive, Rochester, New Hampshire 03867; (ii) if to such Party entitled to receive such notice or other document at the addresses shown on Schedule A hereto or at such other address as any such Party shall request in a written notice sent to the Company. The Company or any Party or their respective legal representatives may effect a change of address for purposes of this Agreement by giving written notice of such change to the Company, and the Company shall, upon the request of any Party, notify such Party of such change in the manner provided herein. Until such notice of change of address is properly given, the addresses set forth herein shall be effective for all purposes.

Section 13.02. Publicity and Confidentiality. Subject to Article XII, each Member agrees that it shall (and shall cause its Affiliates to) keep confidential, and shall not disclose to any third Person or use for its own benefit, without prior approval of the Board, any non-public information with respect to the Company or its Subsidiaries (including any Person in which the Company holds, or contemplates acquiring, an investment) that is in such Member's or any of its Affiliate's possession on the Agreement Date or disclosed after the date of this Agreement to such Member or any of its Affiliates by or on behalf of the Company or its Subsidiaries; provided, that each Member or any such Affiliate may disclose any such information (i) as has become generally available to the public, was or has come into such Member's or such Affiliate's possession on a non-confidential basis, without a breach of any confidentiality obligations by the Person disclosing such information, or has been independently developed by such Member or any such Affiliate, without use of the non-public information, (ii) to its Affiliates, directors, managers, officers, representatives, agents and employees and professional advisers who need to know such information and agree to keep it confidential on terms consistent with this Section 13.02, (iii) to potential transferees of their Membership Units, in each case who have agreed to keep such information confidential on terms consistent with this

Section 13.02, (iv) to the extent necessary in order to comply with any Law applicable to such Member or its Affiliates, or to a regulatory agency with applicable jurisdiction, or (v) as may be required in response to any summons or subpoena or in connection with any litigation or arbitration, it being agreed that, unless such information has been generally available to the public, if such information is being requested pursuant to a summons or subpoena or a discovery request in connection with a litigation, then (x) such Member shall give the Company notice of such request and shall cooperate with the Company at the Company's request so that the Company may, in its discretion, seek a protective order or other appropriate remedy, if available, and (y) in the event that such protective order is not obtained (or sought by the Company after notice), such Member (a) shall furnish only that portion of the information which, in accordance with the advice of counsel, is legally required to be furnished and (b) will exercise its reasonable efforts to obtain assurances that confidential treatment will be accorded such information. No news releases, public announcements, advertisements or other publicity shall be released by any Party or its Affiliates concerning the Company, the Business or any activities related thereto without the prior written approval of the other Parties (such approval not to be unreasonably conditioned, delayed or withheld), except to the extent necessary in order to comply with any Law applicable to such Party or its Affiliates, or to a regulatory agency with applicable jurisdiction.

Section 13.03. Amendments. Except as provided in Section 2.02(c), Section 3.02(c), Section 3.04, Section 3.06 and Section 7.01(c), the terms and provisions of this Agreement may be modified or amended at any time and from time to time only by unanimous approval of the Board in accordance with Section 5.02(j). All Members shall receive notice of any amendment to this Agreement.

Section 13.04. Governing Law; Jurisdiction.

(a) This Agreement and any dispute arising out of, relating to or in connection with this agreement, shall be construed (both as to validity and performance), interpreted and enforced in accordance with the Laws of the State of Delaware, without regard to any conflicts of law provisions thereof that would result in the application of the Laws of any other jurisdiction. This Agreement shall be construed in accordance with Section 18-1101 of the Act. Any action against any Party relating to the foregoing shall be brought exclusively in the Chancery Court of the State of Delaware located in Wilmington, Delaware (or, if the Chancery Court of the State of Delaware declines to accept jurisdiction over a particular matter, any state court located in Wilmington, Delaware or the United States District Court for the District of Delaware) and appellate courts thereof. The Parties hereby irrevocably waive, to the fullest extent permitted by applicable Law, any objection that they may now or hereafter have to the laying of venue of any such action brought in such court or any defense of inconvenient forum for the maintenance of such action.

(b) Except as otherwise set forth in this Section 13.04(b), each Party agrees that service of summons and complaint or any other process that might be served in any action may be made on such Party by sending or delivering a copy of the process to such Party by registered mail, return receipt requested, at the address provided for the giving of notices to such Party in Section 13.01. Safran S.A. hereby appoints Safran (the "Safran Authorized Agent") as its authorized agent, upon whom service of summons and complaint or any other process that might be served in any action may be made by sending or delivering a copy of the process to the

Safran Authorized Agent by registered mail, return receipt requested, at the following address (or at such other address as Safran S.A. shall request in a written notice sent to the Company): CT Corporation System, 9 Capitol Street, Concord, New Hampshire 03301. Safran S.A. hereby agrees to take any and all action, including the filing of any and all documents that may be necessary to establish and continue such appointment in full force and effect as aforesaid. Safran S.A. hereby agrees that service of process upon the Safran Authorized Agent shall be, in every respect, effective service of process upon Safran S.A.. Nothing in this Section 13.04 shall affect the right of any Party to serve legal process in any other manner permitted by Law.

Section 13.05. Waiver of Jury Trial. THE PARTIES ACKNOWLEDGE AND AGREE THAT ANY CONTROVERSY WHICH MAY ARISE UNDER THIS AGREEMENT IS LIKELY TO INVOLVE COMPLICATED AND DIFFICULT ISSUES, AND THEREFORE THE PARTIES HEREBY IRREVOCABLY AND UNCONDITIONALLY WAIVE ANY RIGHT SUCH PARTY MAY HAVE TO A TRIAL BY JURY IN RESPECT OF ANY LITIGATION DIRECTLY OR INDIRECTLY ARISING OUT OF OR RELATING TO THIS AGREEMENT. EACH PARTY CERTIFIES AND ACKNOWLEDGES THAT (A) NO REPRESENTATIVE, AGENT OR ATTORNEY OF ANY OTHER PARTY HERETO HAS REPRESENTED, EXPRESSLY OR OTHERWISE, THAT SUCH OTHER PARTY WOULD NOT, IN THE EVENT OF LITIGATION, SEEK TO ENFORCE THE FOREGOING WAIVER, (B) EACH SUCH PARTY UNDERSTANDS AND HAS CONSIDERED THE IMPLICATIONS OF THIS WAIVER, (C) EACH SUCH PARTY MAKES THIS WAIVER VOLUNTARILY, AND (D) EACH SUCH PARTY HAS BEEN INDUCED TO ENTER INTO THIS AGREEMENT BY, AMONG OTHER THINGS, THE MUTUAL WAIVERS AND CERTIFICATIONS IN THIS SECTION 13.05.

Section 13.06. Entire Agreement. This Agreement, together with the other Transaction Documents, embodies the entire agreement and understanding of the Parties and supersedes all prior agreements and understandings between the Parties with respect to the subject matter hereof.

Section 13.07. Other Instruments and Acts. The Parties agree to execute any other instruments and perform any other acts that are or may be necessary to effectuate and carry on the Company, as determined in good faith by the Board.

Section 13.08. Waivers. No waiver of any breach of any of the terms of this Agreement shall be effective unless such waiver is made expressly in writing and executed and delivered by the Party against whom such waiver is claimed. No waiver of any breach shall be deemed to be a further or continuing waiver of such breach or a waiver of any other or subsequent breach. Except as otherwise expressly provided herein, no failure on the part of any Party to exercise, and no delay in exercising, any right, power or remedy hereunder, or otherwise available in respect hereof at law or in equity, shall operate as a waiver thereof, nor shall any single or partial exercise of such right, power or remedy by such Party preclude any other or further exercise thereof, or the exercise of any other right, power or remedy.

Section 13.09. Severability. If any provision of this Agreement shall be held to be invalid, illegal or unenforceable, the validity, legality and enforceability of the remaining provisions shall not in any way be affected or impaired thereby.

Section 13.10. Further Assurances. In connection with this Agreement and the transactions contemplated hereby, each Party shall execute and deliver any additional documents and instruments and perform any additional acts that the Company determines to be necessary or appropriate to effectuate and perform the provisions of this Agreement and those transactions.

Section 13.11. No Partnership. The Members intend that the Company not be a partnership (including a limited partnership), joint venture, association or other co-operative entity and nothing in this Agreement nor any other document entered into by the Company or any Member relating to the subject matter hereof and no actions taken by the Parties under this Agreement or any such other document shall constitute a partnership (including a limited partnership), joint venture, association or other co-operative entity between any of the Parties or constitute any Party the agent of any other Party for any purpose, other than for U.S. federal, state and local tax purposes.

Section 13.12. Counterparts; Electronic Signatures. This Agreement may be executed in any number of counterparts, each of which shall be deemed an original, but all of which shall constitute one and the same instrument. Facsimile, .pdf and other electronic signatures to this Agreement shall have the same effect as original signatures.

Section 13.13. Third Party Beneficiaries. Except as provided in Article IX and the Intellectual Property Agreements, this Agreement does not create any rights, claims or benefits inuring to any Person that is not a party hereto, and it does not create or establish any third party beneficiary hereto.

Section 13.14. No Third Party Liability. This Agreement may only be enforced against the Parties. All claims or causes of action (whether in contract or tort) that may be based upon, arise out of or relate to this Agreement, or the negotiation, execution or performance of this Agreement (including any representation or warranty made in or in connection with this Agreement or as an inducement to enter into this Agreement), may be made only against the Parties; and no past, present or future director, manager, officer, employee, incorporator, member, partner, stockholder, Affiliate, agent, attorney or representative of any Party (including any Person negotiating or executing this Agreement on behalf of a Party), unless party to this Agreement, shall have any liability or obligation with respect to this Agreement or with respect to any claim or cause of action (whether in contract or tort) that may arise out of or relate to this Agreement, or the negotiation, execution or performance of this Agreement (including a representation or warranty made in or in connection with this Agreement or as an inducement to enter into this Agreement).

Section 13.15. Binding Effect. Except as otherwise provided in this Agreement to the contrary, this Agreement shall be binding upon and inure to the benefit of the Parties, their distributees, heirs, legal representatives, executors, administrators, successors and permitted assigns.

Section 13.16. Specific Performance. It is hereby agreed and acknowledged that it will be impossible to measure in money the damages that would be suffered if the Parties fail to comply with any of the obligations herein imposed on them and that, in the event of any such failure, an aggrieved Person will be irreparably damaged and will not have an adequate

remedy at law. Any such Party shall, therefore, be entitled (in addition to any other remedy to which such Party may be entitled at law or in equity) to injunctive relief, including specific performance, to enforce such obligations, without the posting of any bond and if any action should be brought in equity to enforce any of the provisions of this Agreement, none of the Parties shall raise the defense that there is an adequate remedy at law.

Section 13.17. Time of the Essence. The Parties agree that time shall be of the essence in the performance of this Agreement.

Section 13.18. Exculpation Among Members. Each Member acknowledges that it is not relying upon any other Person in making its investment or decision to invest in the Company (other than the Company pursuant to any written agreement). Each Member agrees that no Member nor their respective Affiliates, controlling persons, officers, directors, managers, partners, agents or employees of any Member shall be liable to any other Member for any action heretofore or hereafter taken or omitted to be taken by any of them in connection with their purchase or acquisition of any Membership Units, except with respect to breaches of any Transaction Documents.

[SIGNATURE PAGES TO FOLLOW]

IN WITNESS HEREOF, the Parties have duly executed this Agreement as of the date first above written.

THE COMPANY

ALBANY SAFRAN COMPOSITES, LLC

By: /s/ Joseph G. Morone

Name: Joseph G. Morone

Title: President

[Signature Page to A&R LLC Agreement]

MEMBERS

ALBANY ENGINEERED COMPOSITES, INC.

By: /s/ Brian S. Coffenberry

Name: Brian S. Coffenberry

Title: President

[Signature Page to A&R LLC Agreement]

SAFRAN AEROSPACE COMPOSITES, INC.

By: /s/ Orsini Jean-Jacques

Name: Orsini Jean-Jacques

Title: President

[Signature Page to A&R LLC Agreement]

And solely with respect to its obligations under Section 3.09,
Section 12.02 and Article XIII,

ALBANY INTERNATIONAL CORP.

By: /s/ Joseph G. Morone

Name: Joseph G. Morone

Title: President and Chief Executive Officer

[Signature Page to A&R LLC Agreement]

And solely with respect to its obligations under
Section 7.05(h), Section 7.05(i) and Article XII and Article
XIII

SAFRAN S.A.

By: /s/ M. Ventre

Name: M. Ventre

Title: Safran COO

[Signature Page to A&R LLC Agreement]

SCHEDULE A

NAMES AND ADDRESSES OF PARTIES

Party	Address
Albany Engineered Composites, Inc.	85 Innovation Drive, Rochester, NH 03867
Safran Aerospace Composites, Inc.	85 Innovation Drive, Rochester, NH 03867
Albany International Corp.	216 Airport Drive, Rochester, NH 03867
Safran S.A.	2, boulevard du Général Martial Valin, 75724 Paris Cedex 15, France

SCHEDULE B

CAPITAL CONTRIBUTIONS AND MEMBERSHIP UNITS

Member	Value of Capital Contribution	Preferred Capital	Common Capital	Form of Capital Contribution	Preferred Membership Units	% Preferred	Common Membership Units	% Common
Albany	\$280,000,000	\$28,000,000	\$252,000,000	Property	1	100%	900	90%
Safran	\$28,000,000	0	\$28,000,000	Cash	0	0%	100	10%

ANNEX I

Existing Supply Agreement

1. Long Term Supply Agreement, dated as of June 1, 2008, between Messier-Dowty LTD, Albany Engineered Composites, Inc. and Albany International Corp.

ANNEX II

Enterprise Values of the Company.

Quarter	Enterprise Value (\$ millions)
4Q 2012	280.0
1Q 2013	281.5
2Q 2013	283.1
3Q 2013	284.6
4Q 2013	286.1
1Q 2014	286.3
2Q 2014	286.4
3Q 2014	286.6
4Q 2014	286.7
1Q 2015	288.5
2Q 2015	290.3
3Q 2015	292.0
4Q 2015	293.8
1Q 2016	297.0
2Q 2016	300.2
3Q 2016	303.4
4Q 2016	306.6
1Q 2017	311.8
2Q 2017	317.0
3Q 2017	322.1
4Q 2017	327.3
1Q 2018	334.0
2Q 2018	340.7
3Q 2018	347.4
4Q 2018	354.0
1Q 2019	357.3
2Q 2019	360.5
3Q 2019	363.7
4Q2019	367.0
2020 and onwards	367.0

ANNEX III

Initial Material Milestones

Capital Expenditure Targets

2014	\$8,300,000
2015	\$4,900,000
2016	\$2,700,000
2017	\$2,000,000
2018	\$9,200,000

Minimum Hiring Targets (FTE)

2014	20
2015	28
2016	67
2017	71
2018	160

Affiliate	Percent	Percent	Country of Incorporation
	Ownership	Ownership	
	Direct	Indirect	
Albany International Corp.			United States
Albany International Holdings Two, Inc.	100%		United States
Albany International Research Co.	100%		United States
Albany Engineered Composites, Inc.	100%		United States
Albany Safran Composites, LLC	90%		United States
Geschmay Corp.	100%		United States
Transamerican Manufacturing, Inc.	100%		United States
Transglobal Enterprises, Inc.	100%		United States
Brandon Drying Fabrics, Inc.		100%	United States
Geschmay Forming Fabrics Corp.		100%	United States
Geschmay Wet Felts, Inc.		100%	United States
Albany International Pty., Ltd.		100%	Australia
Albany International Asia Pty., Ltd.		100%	Australia
Albany International Tecidos Tecnicos Ltda.		100%	Brazil
Albany International Canada Corp.		100%	Canada
Albany International (China) Co., Ltd.		100%	China
Albany International Engineered Textiles (Hangzhou) Co., Ltd.		100%	China
Albany International Oy		100%	Finland
Albany International France, S.A.S.		100%	France
Albany Engineered Composites, S.A.S.		100%	France
Albany International Germany Holding GmbH		100%	Germany
Albany International GmbH		100%	Germany
Wurtembergische Filztuchfabrik D. Geschmay GmbH		100%	Germany
Albany International Italia S.r.l.		100%	Italy
Albany Nordiskafilt Kabushiki Kaisha		100%	Japan
Albany International Korea, Inc.		100%	Korea
Albany International de Mexico S.A. de C.V.	100%		Mexico
Albany International B.V.		100%	Netherlands
Nevo-Cloth Ltd.		50%	Russia
Albany International S.A. Pty. Ltd.		100%	South Africa
Albany International AB		100%	Sweden
Albany International Holding AB		100%	Sweden
Dewa Consulting AB		100%	Sweden
Nordiska Maskinfilt Aktiebolag		100%	Sweden
Albany International (Switzerland) GmbH		100%	Switzerland
Albany International Holding (Switzerland) AG		100%	Switzerland
Albany International Europe GmbH		100%	Switzerland
Albany International Ltd.		100%	United Kingdom
James Kenyon & Sons Ltd.	100%		United Kingdom
Albany Engineered Composites, Ltd.		100%	United Kingdom

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We hereby consent to the incorporation by reference in the Registration Statement on Form S-8 (No. 333-140995, 333-76078, 033-28028, 333-90069, 033-60767, 333-190774) of Albany International Corp. of our report dated February 26, 2014 relating to the financial statements, financial statement schedules and the effectiveness of internal control over financial reporting, which appears in this Form 10-K.

/s/ PricewaterhouseCoopers LLP

Albany, New York
February 26, 2014

Powers of Attorney

KNOW ALL MEN BY THESE PRESENTS, that each of the undersigned directors and officers of Albany International Corp., a Delaware corporation ("the Registrant"), which contemplates that it will file with the Securities and Exchange Commission ("the SEC") under, or in connection with, the provisions of the Securities Exchange Act of 1934, as amended, or rules and regulations promulgated thereunder, an Annual Report on Form 10-K for the year ended December 31, 2013 (such report, together with any amendments, supplements, and exhibits thereto, is collectively hereinafter referred to as "Form 10-K"), hereby constitutes and appoints Joseph G. Morone, David M. Pawlick, Charles J. Silva Jr., John B. Cozzolino, and Joseph M. Gaug, and each of them with full power to act without the others, his or her true and lawful attorneys-in-fact and agents, with full and several power of substitution, for him or her in his or her name, place, and stead, in any and all capacities, to sign the Form 10-K and any or all other documents relating thereto, with power where appropriate to affix the corporate seal of the Registrant thereto and to attest said seal, and to file the Form 10-K, together with any and all other information and documents in connection therewith, with the SEC, hereby granting unto said attorneys-in-fact and agents, and each of them, full power and authority to do and perform any and all acts and things requisite and necessary to be done in and about the premises, as fully to all intents and purposes as the undersigned might or could do in person, hereby ratifying and confirming all that said attorneys-in-fact and agents, or any of them, or their or his or her substitute or substitutes, may lawfully do or cause to be done by virtue hereof.

The appointment of any attorney-in-fact and agent hereunder shall automatically terminate at such time as such attorney-in-fact and agent ceases to be an officer of the Registrant. Any of the undersigned may terminate the appointment of any of his or her attorneys-in-fact and agents hereunder by delivering written notice thereof to the Registrant.

IN WITNESS WHEREOF, the undersigned have duly executed this Power of Attorney this 26th day of February, 2014.

/s/ Erland E. Kailbourne
Erland E. Kailbourne
Chairman of the Board and Director

/s/ Joseph G. Morone
Joseph G. Morone
President and Chief Executive
Officer and Director
(Principal Executive Officer)

/s/ John B. Cozzolino
John B. Cozzolino
Chief Financial Officer and Treasurer
(Principal Financial Officer)

/s/ David M. Pawlick
David M. Pawlick
Vice President - Controller
(Principal Accounting Officer)

/s/ John C. Standish
John C. Standish
Vice Chairman of the Board and Director

/s/ Christine L. Standish
Christine L. Standish
Director

/s/ John R. Scannell
John R. Scannell
Director

/s/ Katharine L. Plourde
Katharine L. Plourde
Director

/s/ John F. Cassidy, Jr
John F. Cassidy, Jr.
Director

/s/ Edgar G. Hotard
Edgar G. Hotard
Director

Certification of the Chief Executive Officer

I, Joseph G. Morone, certify that:

1. I have reviewed this report on Form 10-K of Albany International Corp.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: February 26, 2014

By /s/ Joseph G. Morone
Joseph G. Morone
President and Chief Executive Officer
(Principal Executive Officer)

Certification of the Chief Financial Officer

I, John B. Cozzolino, certify that:

1. I have reviewed this report on Form 10-K of Albany International Corp.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: February 26, 2014

By /s/ John B. Cozzolino
John B. Cozzolino
Chief Financial Officer and Treasurer
(Principal Financial Officer)

Certification Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

Certification
Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
(Subsections (a) and (b) of Section 1350, Chapter 63 of Title 18, United States Code)

Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (subsections (a) and (b) of Section 1350, Chapter 63 of Title 18, United States Code), Joseph G. Morone, the Chief Executive Officer, and John B. Cozzolino, the Chief Financial Officer and Treasurer, of Albany International Corp., a Delaware corporation ("the Company"), do each hereby certify, to such officer's knowledge, that the annual report on Form 10-K for the fiscal year ended December 31, 2013 ("the Form 10K") of the Company fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 and the information contained in the Form 10-K fairly presents, in all material respects, the financial condition and results of operations of the Company for the period covered by the report.

Dated: February 26, 2014

/s/ Joseph G. Morone
Joseph G. Morone
President and Chief Executive Officer
(Principal Executive Officer)

/s/ John B. Cozzolino
John B. Cozzolino
Chief Financial Officer and Treasurer
(Principal Financial Officer)
